ABN 98 008 905 388

NOTICE OF MEETING & EXPLANATORY STATEMENT

Dear Shareholder

Notice is hereby given that a meeting ("Meeting") of Shareholders of MC Mining Limited ABN 98 008 905 388 (the "Company") will be held at 10 a.m. (Johannesburg time) on Thursday, 23 January 2025 at the offices of MC Mining Limited which are located on the Ground Floor, Greystone Building, Fourways Golf Park, Roos Street, Fourways, South Africa (Meeting).

Information on the proposals to which the business of the Meeting relates is set out in the Explanatory Statement. Details of how those entitled to attend can participate in the meeting, including how they can participate in a vote taken at the meeting and speak at the meeting (to the extent that they are entitled to do so) is contained in the Notice available on the Company's website.

Shareholders are urged to attend the Meeting or participate by returning a completed Proxy Form.

Shareholders are encouraged to complete and lodge either proxies online or otherwise in accordance with the instructions set out in the proxy form and the Notice.

Your proxy voting instruction must be received by Tuesday, 21 January 2025 at 10:00 AM (South African Time).

The Notice is important and should be read in its entirety. If you are in doubt as to the course of action you should follow, you should consult your financial adviser, lawyer, accountant, or other professional adviser. If you have any difficulties obtaining a copy of the Notice of Meeting, please contact the Company's share registry Computershare Investor Services Pty Limited on +2711 370 5000 or via email: proxy@computershare.co.za.

The Company will update shareholders by way of announcement on the various stock markets if changing circumstances impact the planning or arrangements for the Meeting. Details will also be made available on our website at www.mcmining.co.za

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

Authorised by:
Bill Pavlovski
Company Secretary

MC MINING LIMITED ABN 98 008 905 388

NOTICE OF MEETING & EXPLANATORY STATEMENT

Date of Meeting

Thursday, 23 January 2025

Time of Meeting

10am (Johannesburg time) (4pm Perth time)

Place of Meeting

The South African offices of MC Mining Limited
Ground Floor, Greystone Building, Fourways Golf Park, Roos Street, Fourways 2191

A Proxy Form is enclosed

If you are unable to attend the Meeting, please complete and return (or submit electronically) the enclosed Proxy Form in accordance with the instructions specified on that form.

Independent Expert

The Independent Expert has concluded that the transaction the subject of Resolution 2 is **not fair but reasonable** to non-associated Shareholders (i.e. Shareholders other than Kinetic Crest Limited and its Associates).

THIS DOCUMENT IS IMPORTANT AND SHOULD BE READ CAREFULLY AND IN ITS ENTIRETY.

If you do not understand any part of this document, please contact your financial or other professional adviser without delay.

MC MINING LIMITED
NOTICE OF MEETING

Notice is hereby given that a meeting of Shareholders of MC Mining Limited ABN 98 008 905 388 (ASX: MCM; JSE: MCZ) (**MC Mining** or the **Company**) will be held at 10am (Johannesburg time) (4pm Perth time) on Thursday, 23 January 2025 at the offices of MC Mining which are located on the Ground Floor, Greystone Building, Fourways Golf Park, Roos Street, Fourways, South Africa (**Meeting**).

Information on the proposals to which the business of the Meeting relates is set out in the Explanatory Statement which accompanies this Notice of Meeting.

This Notice of Meeting should be read in conjunction with the accompanying Explanatory Statement. The business to be considered at the Meeting is set out below.

BUSINESS OF THE MEETING

Resolution 1 - Ratification of Prior Issue of Shares

To consider, and if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

> "*That, for the purposes of Listing Rule 7.4 (and for all other purposes), Shareholders ratify the prior issue by the Company of 62,102,002 new Shares to Kinetic Crest Limited, a wholly owned subsidiary of Kinetic Development Group Limited, on the terms set out in the Explanatory Statement*."

Voting Exclusion Statement

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Kinetic Crest Limited and/or by or on behalf of any person who is an Associate of Kinetic Crest Limited (which includes, for the avoidance of doubt, Kinetic Development Group Limited). However, the Company need not disregard a vote cast in favour of this Resolution by:

- a person as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with directions given to the proxy or attorney to vote on this Resolution in that way;
- the Chair as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with directions given to the Chair to vote on this Resolution as the Chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
    - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person excluded from voting, on this Resolution; and
    - the holder votes on this Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 2 - Approval for Acquisition of Relevant Interest in Shares by Kinetic Development Group Limited

To consider, and if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

"*That, for the purposes of item 7 of section 611 of the Corporations Act (and for all other purposes), Shareholders approve the acquisition by Kinetic Development Group Limited (and its Associates) of such number of Second Closing Shares that will result in Kinetic Development Group Limited (and its Associates) holding 51% of the Company's issued and outstanding Shares and having a Relevant Interest in a total of 51% of all of the Company's issued and outstanding Shares on the Second Closing, on the terms and subject to the conditions set out in the Explanatory Statement.*"

Independent Expert's Report

Shareholders should carefully consider the report prepared by the Independent Expert to assist Shareholders understand and consider the merits of the transaction the subject of Resolution 2. The Independent Expert's Report comments on the fairness and reasonableness of the transaction the subject of Resolution 2 and concluded that the transaction is **not fair but reasonable** to non-associated Shareholders (i.e. Shareholders other than KCL and its Associates).

Voting Prohibition Statement

No votes may be cast in favour of Resolution 2 by:

- the person proposing to make the acquisition under Resolution 2 and their Associates; or
- the persons (if any) from whom the acquisition is to be made under Resolution 2 and their Associates.

Accordingly, the Company will disregard any votes cast in favour of this Resolution by or on behalf of Kinetic Crest Limited and/or by or on behalf of any person who is an Associate of Kinetic Crest Limited (which includes, for the avoidance of doubt, Kinetic Development Group Limited).

Resolution 3 - Approval for Acquisition of Relevant Interest in Shares by the Company

To consider, and if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

"*That, for the purposes of item 7 of section 611 of the Corporations Act (and for all other purposes), Shareholders approve the acquisition by the Company of a Relevant Interest in the Second Closing Shares on the Second Closing as a consequence of the Company's entry into the Proposed Escrow Deed, on the terms and subject to the conditions set out in the Explanatory Statement.*"

Voting Prohibition Statement

No votes may be cast in favour of Resolution 3 by:

- the person proposing to make the acquisition under Resolution 3 and their Associates; or

- the persons (if any) from whom the acquisition is to be made under Resolution 3 and their Associates.

The Company will disregard any votes cast in favour of this Resolution by or on behalf of the Company, Goldway, Senosi and by each member of Dendocept Group and/or by or on behalf of any person who is an Associate of the Company, Goldway, Senosi or any member of Dendocept Group[1].

Please note that the Company is not permitted to and does hold any of the Company's shares.

OTHER BUSINESS

To deal with any other business which may be brought forward in accordance with the Constitution and the Corporations Act.

ADDITIONAL INFORMATION

This Notice of Meeting is accompanied by the Explanatory Statement which provides a detailed explanation of the business of the Meeting. Shareholders should read the Notice of Meeting and the Explanatory Statement carefully and in full.

Independent Expert's Report

The Independent Expert has concluded that the transaction the subject of Resolution 2 is **not fair but reasonable** to non-associated Shareholders (i.e. Shareholders other than Kinetic Crest Limited and its Associates).

Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of deciding how to vote on Resolution 2. A copy of the Independent Expert's Report accompanies the Explanatory Statement at Annexure B.

SHAREHOLDER ACCESS

Shareholders who are unable to attend the Meeting in person but wish to listen to the Meeting live are able to do by calling +27 21 834 0882. Please register your details and attendance in advance by emailing the Company's Company Secretary at bill.pavlovski@mcmining.co.za.

While Shareholders who call the above referred number will be able to listen to the Meeting, they will not be able to ask questions or vote electronically during the Meeting. To ask questions and/or to cast your vote electronically prior to the Meeting, please follow the instructions detailed below.

[1] MC Mining will disregard any votes cast in favour of Resolution 3 by Goldway, Senosi and Dendocept Group not because they are Associates of MC Mining for the purposes of Resolution 3, but rather because they will also be deemed to acquire the Relevant Interest the subject of this Resolution.

How to vote

Shareholders can vote by either:

- attending the Meeting and voting in person, or by appointing an attorney to attend the Meeting and vote on their behalf, or, in the case of corporate Shareholders, by appointing a corporate representative to attend and vote; or

- appointing a proxy to attend the Meeting and vote on their behalf using the Proxy Form accompanying this Notice of Meeting and by submitting their proxy appointment and voting instructions in person, by post, by facsimile or electronically.

Voting in person (or by attorney)

Shareholders, or their attorneys, who plan to attend the Meeting are asked, if possible, to arrive at the venue 15 minutes prior to the time designated for the Meeting so that their holding may be checked against the Company's share register and their attendance recorded. Attorneys should bring with them an original or certified copy of the power of attorney under which they have been authorised to attend and vote at the Meeting.

Voting by a corporate Shareholder

A Shareholder that is a corporation may appoint an individual to act as its representative to attend and vote at the Meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the Meeting evidence of his or her appointment, including any authority under which it is signed.

Voting by proxy

If a Shareholder is entitled to cast 2 or more votes at the Meeting, they may appoint 2 proxies. A proxy may speak at the Meeting, vote and join in a demand for a poll. A proxy need not be a Shareholder.

If a Shareholder appoints 2 proxies and the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, each proxy may exercise half of the votes.

If a proxy is not directed how to vote on an item of business, the proxy may generally vote, or abstain from voting, as they think fit.

Should any resolution other than those specified in this Notice of Meeting be proposed at the Meeting, a proxy may vote on that resolution as they think fit.

If a proxy is instructed to abstain from voting on an item of business, they are directed not to vote on the appointing Shareholder's behalf either on a show of hands or on the poll and the Shares the subject of the proxy appointment will not be counted in calculating the required majority.

Shareholders who return their Proxy Forms with a direction how to vote but do not nominate the identity of their proxy will be taken to have appointed the Chair as their proxy to vote on their behalf. If a Proxy Form is returned but the nominated proxy does not attend the Meeting, the Chair will act in place of the nominated proxy and vote in accordance with any instructions.

Proxy appointments in favour of the Chair that do not contain a direction how to vote will be used where possible to support each of the Resolutions set out in this Notice of Meeting, provided they are entitled to cast votes as proxy under the applicable voting exclusion.

If a Shareholder entitled to vote on a Resolution appoints the Chair as their proxy (or the Chair becomes their proxy by default) and the Shareholder does not direct the Chair how to vote on the Resolution, the Chair intends to vote in favour of that Resolution, as proxy for that Shareholder on a poll.

Proxies may be lodged using any of the following methods:

- by returning a completed Proxy Form by post to:

  Computershare Investor Services
  GPO Box 242
  Melbourne, Victoria 3001
  Australia

  Private Bag X9000
  Saxonwold, 2132 Johannesburg
  South Africa

- by submitting the Proxy Form online in accordance with the directions provided on the online version of that form

- by faxing a completed and certified copy of the Proxy Form to the facsimile number provided on that form

Proxies given by corporations must be executed in accordance with the Corporations Act. Where the appointment of a proxy is signed by the appointer's attorney, a certified copy of the power of attorney, or the power itself, must be received by the Company at the above address, or by facsimile, by 10am (Johannesburg time) (4pm (Perth time)) on Tuesday, 21 January 2025.

The Proxy Form must be signed by the Shareholder or its attorney

To be effective, proxies must be lodged by 10am (Johannesburg time) (4pm (Perth time)) on Tuesday, 21 January 2025. Proxies lodged after this time will be invalid.

Further information for South African investors

Shareholders who (i) hold their Shares indirectly, (ii) hold their Shares in dematerialised form on the South African register and (iii) wish to attend the Meeting in person will need to request their CSDP or broker provide them with the necessary letter of representation. Similarly, any such Shareholder who is unable to attend the Meeting and who wishes to be represented by proxy must make necessary arrangements and provide their CSDP or broker with their voting instructions.

Shareholders who are entitled to vote

In accordance with Regulations 7.11.37 and 7.11.38 of the *Corporations Regulations 2001* (Cth), the Board has determined that a person's entitlement to attend and vote at the Meeting will be the entitlement of that person set out in the register of Shareholders as at 10am (Johannesburg time) (4pm (Perth time)) on Tuesday, 21 January 2025. Changes in the register of Shareholders after this time will be disregarded in determining the rights of any person to attend and vote at the Meeting.

Bill Pavlovski
Director & Company Secretary
20 December 2024

Explanatory Statement

This Explanatory Statement has been prepared for the benefit of MC Mining Limited ABN 98 008 905 388 (ASX: MCM; JSE: MCZ) (**MC Mining** or the **Company**) Shareholders in connection with the business to be conducted at the Meeting to be held at 10am (Johannesburg time) (4pm Perth time) on Thursday, 23 January 2025 at the offices of MC Mining Limited.

Important information

The purpose of this Explanatory Statement is to provide Shareholders with all information that the Directors believe to be relevant to their (i.e. the Shareholder's) decision in relation to how to vote on the Resolutions. This Explanatory Statement also includes certain information prescribed by the Corporations Act and the Listing Rules.

You should read this document carefully

This Explanatory Statement and the accompanying Notice of Meeting are important documents. You should read each document carefully and in their entirety before deciding how to vote on the Resolutions. If you are in any doubt as to what you should do, you should consult your legal, financial or other professional adviser without delay.

Independent Expert

Shareholders should also read the Independent Expert's Report (a copy of which accompanies this Explanatory Statement at Annexure B) carefully and in its entirety before deciding how to vote in relation Resolution 2.

The Independent Expert has concluded that the transaction the subject of Resolution 2 is **not fair but reasonable** to non-associated Shareholders (i.e. Shareholders other than Kinetic Crest Limited and its Associates).

Role of ASIC and ASX

These Meeting Documents[2] have been lodged with ASIC as suggested by paragraph 109 of RG 74 and with ASX as required by Listing Rule 15.1. Neither ASIC nor ASX (or any of their respective officers or employees) take any responsibility for the contents of any of the Meeting Documents.

Not investment advice

This Explanatory Statement does not constitute financial product advice and it does not purport to contain all of the information that an investor in the Company may require. This Explanatory Statement has been prepared without taking account of any person's particular investment objectives, financial situation or needs.

[2] A reference to the "Meeting Documents" in either the Notice of Meeting or the Explanatory Statement includes a reference to the Notice of Meeting together with the Explanatory Statement (and includes any of the Annexures thereto) either singly or collectively and as the context requires.

Glossary

Unless otherwise defined in a Meeting Document, capitalised words and terms used in a particular Meeting Document have the meaning set out in the Glossary at the end of this Explanatory Statement.

Resolution 1 - Ratification of Prior Issue of Shares

Background information

On 28 August 2024, the Company announced to ASX and JSE (**Market Release**) that it and Hong Kong Stock Exchange (**HKSE**) main board listed Kinetic Development Group Limited[3] (**KDG**) had entered into a share subscription agreement pursuant to which the Company has agreed to issue, and KDG (or its designee) has conditionally agreed to subscribe for, such number of new shares in the Company (each, a **Share**) that will ultimately result in KDG (or its designee) holding 51% of the Company's issued Share capital (**Subscription Agreement**).

Under the Subscription Agreement, the aggregate purchase price payable by KDG for the above referred 51% interest in the Company is US$90 million[4].

The issuance of and subscription for new Shares under the Subscription Agreement has been structured such that:

- (First Closing) MC Mining would issue (and would do so by utilising its (then) available Listing Rule 7.1 placement capacity), and KDG or its designee would acquire, 62,102,002 Shares (**First Closing Shares**)[5]; and

- (Second Closing) MC Mining will issue, and KDG or its designee will acquire, such number of additional Shares that will result in KDG having a Relevant Interest in a total of 51% of the Company's issued Share capital (**Second Closing Shares**).

The First Closing Shares were issued to Kinetic Crest Limited (**KCL**), a wholly owned subsidiary of KDG on 30 August 2024 (**First Closing**). The aggregate purchase price paid by KDG for these shares was approximately US$13 million.

The issuance of the Second Closing Shares is contingent upon the satisfaction of various conditions precedent (each, a **Condition Precedent**), including Shareholder approval for the purposes of item 7 of section 611 of the Corporations Act.

The aggregate purchase price payable by KDG for the Second Closing Shares is approximately US$77 million.

As noted in the Market Release, a copy of which accompanies this Explanatory Statement at Annexure C, senior KDG executive Mr Huang Muhui was appointed as a Director on and from the First Closing (**First Closing**).

Further detail in relation to Mr Huang Muhui's professional experience and the proposed composition of the Board on and from the date on which the Second Closing Shares will be issued (**Second Closing**) is set out in the explanatory notes for Resolution 2.

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[3] KDG is an integrated coal mining group with a current market capitalisation of more than US$1.5 billion. Please see the explanatory notes for Resolution 2 for further information in relation to KDG.

[4] Equivalent to approximately A$133 million and ZAR1.6 billion, based on reported cross rates as at noon on 28 August 2024.

[5] On the First Closing (and as a result of the issuance of the First Closing Shares), KCL and KDG obtained a Relevant Interest in 13.04% of the Company's issued Share capital.

The funds raised from the issuance of the First Closing Shares and the Second Closing Shares (i.e. provided that all of the Conditions Precedent for that issuance are satisfied or waived) will be used by the Company for the purposes noted in the table below.

A summary of the material terms of the Subscription Agreement, including the key Conditions Precedent required to be satisfied before the Second Closing Shares will be issued, is set out in Schedule 1.

Information required by the Listing Rules

Broadly speaking, and subject to a limited number of exceptions set out in Listing Rule 7.2, Listing Rule 7.1 limits the number of equity securities that a listed company can issue without the approval of its shareholders over any 12-month period to 15% of the total number of fully paid ordinary shares it had on issue at the start of that 12-month period.

As the issue of the First Closing Shares does not fit within any of the exceptions in Listing Rule 7.2 and, as it has not yet been approved or ratified by Shareholders, it effectively uses up part of the 15% limit in Listing Rule 7.1, thereby reducing the Company's capacity to issue further equity securities without approval under Listing Rule 7.1 for the 12 months following the date of issue.

Listing Rule 7.4 allows the shareholders of a listed company to ratify an issue of equity securities after it has been made or agreed to be made. If they do, the relevant issue of securities is taken to have been approved under Listing Rule 7.1 such that it does not reduce the company's capacity to issue further securities without approval under that rule.

The Company wishes to retain as much flexibility as possible to issue additional equity securities in the future without having to obtain Shareholder approval for any such future issues under Listing Rule 7.1. To this end, Resolution 1 seeks Shareholder ratification of the issue of the First Closing Shares on the First Closing for the purposes of Listing Rule 7.4.

If Resolution 1 is passed, the issue the subject of Resolution 1 will be excluded from calculating the Company's 15% limit in Listing Rule 7.1, effectively increasing the number of equity securities the Company can issue without Shareholder approval over the 12 months following the date of issue (which was 30 August 2024).

If Resolution 1 is not passed, the issue the subject of Resolution 1 will be included in the Company's 15% limit in Listing Rule 7.1, effectively decreasing the number of equity securities the Company can issue without Shareholder approval over the 12 months following the date of issue.

In accordance with the disclosure requirements of Listing Rule 7.5, the following information is provided by the Company:

Listing Rule	Required Information
7.5.1	The Company issued the First Closing Shares to Kinetic Crest Limited, a wholly owned subsidiary of Kinetic Development Group Limited.

Listing Rule	Required Information
7.5.2	The Company issued 62,102,002 fully paid ordinary shares on the First Closing. The First Closing Shares rank equally with all other Shares on issue at the time of their issue.
7.5.3	N/A
7.5.4	The First Closing Shares were issued on 30 August 2024.
7.5.5	The First Closing Shares were issued for a total purchase price of US$12,970,588, yielding an implied price per Share of US$0.2089 (equivalent to A$0.3083 or ZAR3.7206[6]).
7.5.6	The funds raised from the issue of the First Closing Shares (and the Second Closing Shares, subject to their issue) will be used by the Company for the following purposes: • maintenance, security and compliance costs related to all of the Company's projects including Makhado, Vele and GSP; • commissioning of a coal handling and preparation plant at Makhado; • establishment of power and water infrastructure and civil works at Makhado; and • the partial repayment of certain outstanding loans.
7.5.7	A concise summary of the Subscription Agreement is set out in Schedule 1.
7.5.8	The voting exclusion statement for Resolution 1 is set out in the Notice of Meeting.
Other	If Shareholders do not approve Resolution 1, the Company's placement capacity will be reduced by 62,102,002 Shares under Listing Rule 7.1 until 30 August 2025. The First Closing Shares were issued by MC Mining under its then (i.e. 30 August 2024) available Listing Rule 7.1 placement capacity.

Recommendation

The Directors (other than Mr Huang Muhui, who abstains from making a recommendation[7]) recommend that Shareholders vote in favour of Resolution 1.

The Chair intends to vote all undirected proxies in favour of Resolution 1.

[6] Based on the AUD/USD and ZAR/USD exchange rates as at 28 August 2024.

[7] Mr Huang Muhui has abstained from making a recommendation as he is also a senior KDG executive.

Resolution 2 - Approval for Acquisition of Relevant Interest in Shares by Kinetic Development Group Limited

Background information

As at the date of this Explanatory Statement and following the issuance of the First Closing Shares to KCL on 30 August 2024, KDG has a Relevant Interest[8] in 62,102,002 Shares (equivalent to 13.04% of the Company's issued Share capital). Under the Subscription Agreement, and subject to the satisfaction of the Conditions Precedent (including Shareholder approval of Resolution 2 and the receipt by the Company of the approximately US$77 million payable to the Company in consideration for the Second Closing Shares), MC Mining will issue KDG (or its designee) with such number of additional Shares as will deliver it 51% of the Company's issued Share capital.

Based on the Company's current issued Share capital of 476,115,351 Shares, the Company expects to issue KDG (or its designee) with an additional 368,809,851 Second Closing Shares in order for KDG (or its designee) to hold 51% of the Company's issued Share capital on the Second Closing. Shareholders should note however that the number of Second Closing Shares may increase if the Company issues additional Shares between the date of these Meeting Documents and the date on which the Second Closing Shares are issued (**Second Closing Date**). As of the date of this Explanatory Statement, the Company is not currently party to any agreements for the issue of any Shares.

As noted in the ASX Release, KDG is an integrated coal mining group listed on the main board of the HKSE which has a current market capitalisation of over US$1.5 billion[9]. KDG's business covers the full coal value chain including mining, processing, logistics and marketing. The key coal resource under operation of the Group is the underground thermal coal Dafanpu Coal Mine. KDG's vision is to become a leading integrated coal provider.

Further information in relation to the structure, operations, assets, management and financial condition of KDG is set out in its 2023 annual report (which is available at https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0410/2024041000353.pdf) and in its 2024 interim financial report (which is available at https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0828/2024082800545.pdf).

KDG and its Associates[10]

The persons noted in the table below are "Associates"[11] of KDG for the purposes of the transaction the subject of Resolution 2. The circumstances giving rise to the Association are also noted below.

[8] Under section 608(1) of the Corporations Act, a person has a Relevant Interest in securities if they (i) are the holder of the securities, (ii) have the power to exercise, or control the exercise of, a right to vote attached to the securities or (iii) have the power to dispose of, or control the exercise of a power to dispose of, the securities. KDG has a Relevant Interest in the Shares held by KCL.

[9] As at 20 December 2024.

[10] KCL and each of its Associates are excluded from voting in favour of Resolutions 1 and 2.

[11] Please see the definition of Associate under the heading "Section 611 of the Corporations Act" below.

Person	Nature of Association
King Lok Holdings Limited	An entity that holds a 62.96% of the shares in KDG and controls KDG.
The Zhang Family Overseas Limited	A discretionary family trust that holds 100% of the shares in King Lok Holdings Limited and controls King Lok Holdings Limited.
TMF (Cayman) Ltd.	The trustee of The Zhang Family Overseas Limited and holder of 100% of the units in The Zhang Family Overseas Limited.
KCL	A wholly-owned subsidiary of KDG

Further information in relation to KDG and the various entities (some of which may also be "Associates" of KDG) that make up the KDG "group" of companies is set out in Schedule 3.

MC Mining's current and expected issued capital structure

The following table sets out the Company's equity capital structure as at the date of this Explanatory Statement as well as the Company's expected equity capital structure on completion of the Share issuance the subject of Resolution 2 (i.e. assuming Resolution 2 is approved by Shareholders).

	Total Number on Issue (as at date of Explanatory Statement)	**Number to be Issued** (assuming Resolution 2 is passed)	**Total Number on Issue** (as at the Second Closing)
Shares	476,115,351	368,809,851	844,925,202
Options	N/A	Nil	Nil
Warrants	N/A	Nil	Nil
Performance Rights	N/A	Nil	Nil

The above table has been prepared on the assumption that the Company does not issue any Shares between the date of these Meeting Documents and the Second Closing. Although no issuances are expected, if additional Shares are issued between the date of these Meeting Documents and the Second Closing, the number of Second Closing Shares will be increased to the extent necessary to ensure that on completion of that issue KDG has a Relevant Interest in 51% the Company's issued Share capital. As of the date of this Explanatory Statement, the Company is not currently party to any agreement for the issue of Shares.

For further information in relation to the Company's issued Share capital structure, please see the Company's prior period continuous and periodic disclosures given to ASX and JSE which are available on the Company's website (www.mcmining.co.za).

MC Mining's current and expected ownership structure

The below table sets out the number of Shares held by and the Relevant Interest of KDG (and each of its Associates) as at the date of these Meeting Documents as well the expected number of Shares held by and the expected Relevant Interest of KDG (and its Associates) on the Second Closing.

Name	Number of Shares Held (as at 20 December 2024)	Percentage of Shares Held (as at 20 December 2024)	Relevant Interest (as at 20 December 2024)	Number of Shares Held (on Second Closing)	Percentage of Shares Held (on Second Closing)	Relevant Interest (on Second Closing)
KDG	Nil	0%	62,102,002	Nil	0%	430,911,853
KCL	62,102,002	13.04%	62,102,002	430,911,853	51%	430,911,853
King Lok	Nil	N/A	62,102,002	Nil	N/A	430,911,853
TZFOL	Nil	N/A	62,102,002	Nil	N/A	430,911,853
TMF	Nil	N/A	62,102,002	Nil	N/A	430,911,853

Impact on substantial holders

The table below sets out the expected impact of the issue of the Second Closing Shares on the proportionate interests of the Company's substantial Shareholders[12].

Name	Number of Shares Held (as at 20 December 2024)	Percentage of Shares Held (as at 20 December 2024)	Issue of Second Closing Shares	Number of Shares Held (on the Second Closing)	Percentage of Shares Held (on the Second Closing)	Percentage Change (on the Second Closing)
Goldway[13]	125,386,172	26.34%	-	125,386,172	14.84%	-11.50%
Senosi[14]	95,357,455	20.03%	-	95,357,455	11.29%	-8.74%
KCL	62,102,002	13.04%	368,809,851	430,911,853	51.00%	+37.96%
Shining Capital	35,000,000	7.35%	-	35,000,000	4.14%	-3.21%
Dendocept[15]	28,265,593	5.94%	-	28,265,593	3.35%	-2.59%
Jun Liu & Lu Zhang[16]	26,499,345	5.57%	-	26,499,345	3.14%	-2.43%
Pacific Goal	24,927,757	5.24%	-	24,927,757	2.95%	-2.29%
All Others	78,577,027	16.50%	-	78,577,027	9.30%	-7.20%

The table below sets out the expected impact of the issue of the Second Closing Shares on the Relevant Interests in Shares of the Company's substantial holders after taking into account of the impact of the Escrow Deed and the Proposed Escrow Deed on the Company's, Goldway's, Senosi's and Dendocept Group's Relevant Interests in the First Closing Shares and the Second Closing Shares[17].

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[12] This table excludes the impact of the Escrow Deed and the Proposed Escrow Deed on the Company's, Goldway's, Senosi's and Dendocept's Relevant Interests in Shares.

[13] Goldway is a special purpose acquisition vehicle owned and controlled by members of the Consortium.

[14] Mr Mathews Senosi, a Director, controls Senosi.

[15] Ms Christine He, a Director, controls Dendocept.

[16] These Shares are held by Jun Liu & Lu Zhang as trustees for the Golden Eagle Trust, of which Christine He is a beneficiary.

[17] Under section 608(3)(a) of the Corporations Act, if a person owns 20% or more of a company, that person will also have a Relevant Interest in the shares that the company has a Relevant Interest in. This means that Goldway has a Relevant Interest in the First Closing Shares and will have a Relevant Interest in the Second Closing Shares as it (i.e. Goldway) has a Relevant Interest in at least 20% of the Company's shares (noting that the Company has (or will have) a Relevant Interest in the First Closing Shares and the Second Closing Shares as a consequence of its entry into the Escrow Deed and the Proposed Escrow Deed). Further, and in addition to its current and impending Relevant Interest in the First Closing Shares and the Second Closing Shares (which arises (or will arise) because of its greater than 20% Relevant Interest in the Company's shares), Senosi also has a Relevant Interest in the Shares held by Goldway because Senosi owns more than 20% of Goldway's shares. Dendocept Group is also deemed to have a Relevant Interest in the First Closing Shares and will also be deemed to have a Relevant Interest in the Second Closing Shares as it (i.e. Dendocept Group, as a collective) has a Relevant Interest in at least 20% of the Company's shares. Dendocept Group also has a Relevant Interest in the Shares held by Goldway because the individual members of Dendocept Group collectively own more than 20% of Goldway's shares.

Name	Relevant Interest (as at 20 December 2024)	Relevant Interest (as a percentage of all Shares)	Issue of Second Closing Shares	Relevant Interest (on the Second Closing)	Relevant Interest (as a percentage of all Shares)	Percentage Change (on the Second Closing)
Goldway[18]	187,488,174	39.38%	-	556,298,025	65.84%	+26.46%
Senosi[19]	282,845,629	59.41%	-	651,655,480	77.13%	+17.72%
KCL	62,102,002	13.04%	368,809,851	430,911,853	51.00%	+37.96%
Shining Capital	35,000,000	7.35%	-	35,000,000	4.14%	-3.21%
Dendocept[20]	283,052,687	59.45%	-	651,862,538	77.15%	+17.70%
Jun Liu & Lu Zhang[21]	283,052,687	59.45%	-	651,862,538	77.15%	+17.70%
Pacific Goal[22]	283,052,687	59.45%	-	651,862,538	77.15%	+17.70%
MC Mining[23]	62,102,002	13.04%	-	430,911,853	51.00%	+37.96%

Shareholders should note that even though the Company's entry into the Escrow Deed and the Proposed Escrow Deed has and will result in each of the Company, Goldway, Senosi and Dendocept Group acquiring a Relevant Interest in the Shares the subject of those deeds (i.e. the First Closing Shares and the Second Closing Shares), none of the Company, Goldway, Senosi or Dendocept Group (or any individual member of Dendocept Group) have or will obtain any power to influence the exercise of any votes attached to either the First Closing Shares or the Second Closing Shares.

[18] Goldway's post-Second Closing Relevant Interest in 556,298,025 Shares has been calculated by combining its registered Shareholding of 125,386,172 Shares with the 62,102,002 First Closing Shares and the 368,809,851 Second Closing Shares. If Mr Liu's joint holding of 26,499,345 Shares (and his registered holding of 6,735,240 Shares) were included, Goldway's and its Associate's collective Relevant Interest would increase by a total of 33,243,585 Shares. These holdings have instead been incorporated into the calculation of Dendocept Group's Relevant Interest.

[19] Senosi's post-Second Closing Relevant Interest in 651,655,480 Shares is calculated by combining its registered Shareholding of 95,357,455 Shares with the 125,386,172 Shares held by Goldway, the 62,102,002 First Closing Shares and the 368,809,851 Second Closing Shares.

[20] Dendocept's post-Second Closing Relevant Interest in 651,862,538 Shares is calculated by combining its registered Shareholding of 28,265,593 Shares with the 125,386,172 Shares held by Goldway, the 26,499,345 Shares held by Jun Liu & Lu Zhang, the 24,927,757 Shares held by Pacific Goal, the 8,664,674 Shares held by Christine He, the 6,735,240 Shares held by Jun Liu, the 264,846 Shares held by Golden Archer, the 207,058 Shares held by Eagle Canyon, the 62,102,002 First Closing Shares and the 368,809,851 Second Closing Shares.

[21] Jun Liu & Lu Zhang are deemed to have the same Relevant Interest in Shares as do the other members of Dendocept Group.

[22] Jun Liu is a director of Pacific Goal and a director and majority shareholder in Eagle Canyon, which owns 50% of (and controls) Pacific Goal. Pacific Goal is deemed to have the same Relevant Interest in Shares as do the other members of Dendocept Group.

[23] Please see the Explanatory Statement in respect of Resolution 3 for further detail.

Independent Expert's Report

The Company has engaged BDO Corporate Finance Australia Pty Ltd ACN 050 038 170 (**Independent Expert**) to provide an opinion as to whether the transaction the subject of Resolution 2 is "fair and reasonable" to Shareholders (i.e. Shareholders other than KCL and its Associates).

The Independent Expert's Report was prepared in accordance with the recommendations of ASIC Regulatory Guide 74 (titled "Acquisitions approved by members") (**RG 74**), Regulatory Guide 111 (titled "Content of expert reports"), Regulatory Guide 112 (titled "Independence of experts"), Regulatory Guide 170 (titled "Prospective financial information) and Information Sheet 214 (titled "Mining and Resources: Forward-looking statements").

The Independent Expert is of the opinion that the transaction the subject of Resolution 2 is **not fair but reasonable** to non-associated Shareholders (i.e. Shareholders other than KCL and its Associates).

The Directors recommend that you read the Independent Expert's Report carefully and in full (including the scope of the report, the methodology of the valuation and the sources of information and assumptions made) before making any decision in relation to Resolution 2.

Specific disclosures required by the Corporations Act and ASIC

General

Subject to Shareholders approving Resolution 2, KDG (or its designee) will acquire such number of Second Closing Shares that will result in it (together with its designee) holding (and having a Relevant Interest in) 51% of the Company's issued Share capital on the Second Closing in consideration for the payment by KDG of an additional US$77 million.

As noted elsewhere in these Meeting Documents, the issuance of the Second Closing Shares (assuming Shareholders approve Resolution 2) to KDG or its designee will result in KDG having a Relevant Interest in a total of 51% of the Company's issued Share capital, which is expected to be 430,911,853 Shares assuming no further Shares are issued by the Company between the date of this Explanatory Statement and the Second Closing.

As noted elsewhere in these Meeting Documents, the number of Second Closing Shares to be issued to KDG (or its designee) may change if MC Mining issues any Shares between the date of these Meeting Documents and the Second Closing.

Listing Rules 7.1 and 10.11

Listing Rule 7.1

Broadly speaking, and subject to a limited number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12-month period to 15% of the fully paid ordinary shares it had on issue at the start of that 12-month period. Without Shareholder approval under (or reliance on an exception to) Listing Rule 7.1, the proposed issue of Shares the subject of Resolution 2 would not be permitted.

The Company is not however proposing to seek Shareholder approval under Listing Rule 7.1 and is instead intending to rely on the exception in Listing Rule 7.2 (Exception 8). Listing Rule 7.2 (Exception 8) exempts ASX listed companies from obtaining shareholder approval under Listing Rule 7.1 if the relevant issue of securities is approved by shareholders under item 7 of section 611.

Listing Rule 10.11

Listing Rule 10.11 provides that unless one of the exceptions in Listing Rule 10.12 applies, a listed company must not issue or agree to issue any equity securities to:

(a) a Related Party of the company;

(b) a person who is, or was at any time in the 6 months before the issue or agreement to issue, a substantial (i.e. 30%+) holder of the company's shares;

(c) a person who is, or was at any time in the 6 months before the issue or agreement to issue, a substantial (i.e. 10%+) holder of the company's shares and who has nominated a director to the board of the company pursuant to a relevant agreement which gives them a right or expectation to do so;

(d) an Associate of a person referred to in Listing Rules 10.11.1 to 10.11.3 (i.e. an Associate of a person listed in any of paragraphs (a) to (c) above); or

(e) a person whose relationship with the company is such that, in ASX's opinion, the issue or agreement to issue should be approved by its shareholders,

unless the company obtains approval from its shareholders.

MC Mining is not proposing to seek Shareholder approval under Listing Rule 10.11 and is instead intending to rely on Listing Rule 10.12 (Exception 6). Listing Rule 10.12 (Exception 6) exempts listed companies from seeking approval under Listing Rule 10.11 if the relevant issue is approved by shareholders under item 7 of section 611.

Accordingly, since MC Mining is seeking Shareholder approval for the purposes of item 7 of section 611 of the Corporations Act, MC Mining considers it is unnecessary to also seek separate Shareholder approvals under either Listing Rule 7.1 or Listing Rule 10.11.

Section 611 of the Corporations Act

Unless a specific exemption in section 611 of the Corporations Act applies, section 606 of the Corporations Act prevents a person from acquiring a Relevant Interest in issued voting shares in a listed company through a transaction which results in the person's voting power in the company:

(a) increasing from below 20% to more than 20%; or

(b) increasing from a starting point of more than 20% to a higher percentage.

The voting power of a person in a body corporate is determined in accordance with section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's Associates have a Relevant Interest.

For the purposes of determining voting power under the Corporations Act, a person (the "**second person**") is an "**Associate**" of the other person (the "**first person**") if:

(a) the first person is a body corporate and the second person is:

(i) a body corporate the first person controls;

(ii) a body corporate that controls the first person; or

(iii) a body corporate that is controlled by an entity that controls the person;

(b) the second person has entered or proposes to enter into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the company's board or the conduct of the company's affairs; or

(c) the second person is a person with whom the first person is acting or proposes to act, in concert in relation to the company's affairs.

Associates are, therefore, determined as a matter of fact. For example, where a person controls or influences the board or the conduct of a company's business affairs, or acts "in concert" with a person in relation to the entity's business affairs, that person would be considered to be an Associate of the first person.

Furthermore, section 608(1) of the Corporations Act provides that a person has a Relevant Interest in securities if they:

(a) are the holder of the securities;

(b) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or

(c) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the Relevant Interest is or how it arises. If two or more people can jointly exercise one of the powers, each of them is taken to have that power.

In addition, section 608(3) of the Corporations Act provides that a person has a Relevant Interest in securities that any of the following has:

(a) a body corporate in which the person's voting power is above 20%;

(b) a body corporate that the person controls.

An acquisition of a Relevant Interest (such as the acquisition of the Second Closing Shares by KDG or its designee) is not prohibited under section 606 if it has been approved by a resolution at a general meeting of the listed company under and in accordance with item 7 of section 611 of the Corporations Act.

Accordingly, and in order to permit the issuance of the Second Closing Shares (and therefore KDG's (or its designee's) acquisition of a Relevant Interest in 51% of the Company's issued Share capital) in consideration for approximately US$77 million, the Company is seeking Shareholder approval under item 7 of section 611.

Specific disclosures required by RG 74

Specific information is required to be provided to Shareholders in relation to an acquisition being approved under item 7 of section 611 of the Corporations Act. In particular, item 7 of section 611 and RG 74 requires the following information be provided to Shareholders:

(a) **The identity of the person proposing to make the acquisition and their Associates**

Subject to Shareholders passing Resolution 2, the Company will issue Kinetic Development Group Limited (or its designee) with such number of Second Closing Shares that will result in KDG (or its designee) holding a total of 51% of the Company's issued Share capital.

As the date of these meeting documents, it is expected that the number of Second Closing Shares to be issued to KDG (or its designee) to achieve the required 51% is 368,809,851. As noted elsewhere in these Meeting Documents, the number of Second Closing Shares will be increased if the Company issues any Shares between the date of these Meeting Documents and the Second Closing.

Kinetic Development Group Limited is a company incorporated under the laws of Cayman Islands with limited liability. KDG is a HKSE main board listed company. In this regard, please see:

- the ASX Release (a copy of which accompanies this Explanatory Statement at Annexure C) and KDG's 2023 annual report[24] for further information in relation to the structure, operations, assets, management and financial condition of KDG; and

- Schedule 3 and the disclosures under the heading "KDG and its Associates" for the Associates of KDG and the reason the Associate reference applies to those persons.

(b) **The maximum extent of the increase in that person's voting power in the company that would result from the acquisition**

The maximum extent of the increase in KDG's (and together with its Associates) voting power is the higher of 368,809,851 (which, based on MC Mining's issued Share capital as at the date of these Meeting Documents, is the number of Shares required to ensure KDG has a Relevant Interest in 51% of MC Mining's voting shares) and such number of Second Closing Shares as is required to ensure KDG has a Relevant Interest in 51% of MC Mining's voting shares.

Please see the table under the heading "MC Mining's current and expected ownership structure" for further details.

[24] https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0410/2024041000353.pdf

(c) **The voting power that person will have as a result of the acquisition**

On the Second Closing, KDG's (and together with its Associates') voting power will increase from 62,102,002 to 430,911,853 or such higher number of Shares as is required to ensure that it (and together with its Associates) will hold 51% of all then existing voting shares.

Please see the table under the heading "MC Mining's current and expected ownership structure" for further details.

(d) **The maximum extent of the increase in the voting power of each of that person's Associates that would result from the acquisition**

As noted in the table under the heading "MC Mining's current and expected ownership structure", the maximum extent of the increase in the voting power of each of KDG's Associates is as follows:

Name	Number of Shares Held (as at 20 December 2024)	Percentage of Shares Held (as at 20 December 2024)	Relevant Interest (as at 20 December 2024)	Number of Shares Held (on Second Closing)	Percentage of Shares Held (on Second Closing)	Relevant Interest (on Second Closing)
KDG	Nil	0%	62,102,002	Nil	0%	430,911,853
KCL	62,102,002	13.04%	62,102,002	430,911,853	51%	430,911,853
King Lok	Nil	N/A	62,102,002	Nil	N/A	430,911,853
TZFOL	Nil	N/A	62,102,002	Nil	N/A	430,911,853
TMF	Nil	N/A	62,102,002	Nil	N/A	430,911,853

(e) **The voting power that each of that person's Associates would have as a result of the acquisition**

Please refer to the table immediate above for detail of each of KDG's Associate's voting power on completion of the Share issuance the subject of Resolution 2 (i.e. on the Second Closing).

(f) **An explanation of the reasons for the proposed acquisition**

The Company will, subject to Shareholders passing Resolution 2, issue the Second Closing Shares in order to use the proceeds raised from that issuance (i.e. together with the funds raised following the issuance of the First Closing Shares) for the following corporate purposes:

- maintenance, security and compliance costs related to all of the Company's projects including Makhado, Vele and GSP;
- commissioning of a coal handling and preparation plant at Makhado;
- establishment of power and water infrastructure and civil works at Makhado; and
- the partial repayment of certain outstanding loans.

The proposed investment by KDG will not only advance MC Mining's flagship Makhado steelmaking hard coking coal project (**Makhado**) towards production but is also expected to accelerate the Company's broader strategy to develop its various tenements in the Vhembe region of Limpopo Province, including the Greater Soutpansberg Projects (**GSP**) and the Vele Aluwani Colliery (**Vele**).

All funds raised by the Company from the issuance of the First Closing Shares must be spent in accordance with the Use of Proceeds Plan.

Shareholder approval in accordance with item 7 of section 611 of the Corporations Act is required before the Second Closing Shares can be issued because this issuance will result in KDG's (and together with its Associates') Relevant Interests increasing from below 20% (i.e. KDG has, as at the date of the Meeting Documents, a Relevant Interest in 13.04% of the Company's shares) to above 20% (i.e. KDG will have, immediately following the issuance of the Second Closing Shares, a Relevant Interest in 51% of the Company's shares).

(g) **When the proposed acquisition is to occur**

Assuming Shareholders pass Resolution 2 (and each of the other Conditions Precedent have been satisfied), it is expected that the Company will issue the Second Closing Shares to KDG on or immediately after the receipt of the approximately US$77 million payable by KDG to MC Mining in consideration for those Shares.

The Second Closing Shares must be issued by no later than 270 days after the date of the Subscription Agreement.

Please see Schedule 1 for a description of the Conditions Precedent that need to be satisfied or waived in order for the Second Closing Shares to be issued.

(h) **The material terms of the proposed acquisition**

There are no material terms in relation to any agreement or other arrangement in relation to the issuance of the Second Closing Shares that have not been disclosed in these Meeting Documents.

(i) **Details of any other relevant agreement between the acquirer and the target entity or vendor (or any of their associates) that is conditional on (or directly depends on) member approval of the proposed acquisition**

N/A.

(j) **A statement of the acquirer's intentions regarding the future of the target entity if members approve the acquisition**

Other than as disclosed elsewhere in this Explanatory Statement, the Company understands that KDG:

- has no present intention of making any significant changes to the business of the Company;
- has no present intention to inject further capital into the Company;

- has no present intention of making changes regarding the future employment of the present employees of the Company;
- does not intend to redeploy any fixed assets of the Company;
- does not intend to transfer any property of the Company; and
- has no intention to change the Company's existing policies in relation to financial matters or dividends.

These intentions are based on information concerning the Company, its business and the business environment which is known to KDG at the date of this document. These present intentions may change as new information becomes available, as circumstances change or in the light of all material information, facts and circumstances necessary to assess the operational, commercial, taxation and financial implications of those decisions at the relevant time.

(k) **Any intention of the acquirer to significantly change the financial or dividend policies of the entity**

The Company understands that KDG has no present intention of significantly changing the Company's financial or dividend policies.

(l) **The interests that any director has in the acquisition or any relevant agreement disclosed under paragraph (i) above**

Although none of the current Board members have a material personal interest in the outcome of Resolution 2, Mr Huang Muhui has chosen not to provide a recommendation on Resolution 2 as he is a nominee director of KCL.

(m) **Details about any person who it is intended will become a director if members approve the acquisition**

The Company understands that the below noted persons will be appointed as Directors on and with effect from the Second Closing.

For further biographical information in relation to each of the below noted proposed appointees please refer to KDG's 2023 annual financial report[25].

Name: Mr Ju Wenzhong

Mr Ju Wenzhong is currently the Chairman of KDG. Mr Ju joined KDG in September 2010 and has been an Executive Director since May 2020. Mr Ju is responsible for leading the production and sales of KDG.

Mr Ju obtained a professional qualification in precision machinery from the Department of Mechanical Engineering, Shenzhen University in July 1990. Prior to joining KDG, Mr Ju served as a senior manager and director of several companies including Guangdong One Generation Advertising Co., Ltd.

[25] https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0410/2024041000353.pdf.

Name: Mr Li Bo

Mr Li is currently an Executive Director and the Chief Executive Officer of Kinetic Development Group Limited and is also the Chairman of Kinetic Coal Limited. Mr Li is responsible for the planning and management of operations of KDG's operations at the Dafanpu Coal Mine.

Mr Li graduated from the University of Science and Technology Beijing in 2004 with a bachelor's degree in management and obtained a professional certificate of mining engineering from China University of Mining and Technology in 2016. Mr Li also obtained the qualification of Senior Economist in 2021.

Name: Ms Wang Lanlan

Ms Wang is the Vice President and Chief Financial Officer of KDG and is responsible for KDG's financial management. Ms Wang is also the President of Kinetic (Asia) Limited. Ms Wang obtained a master's degree in business administration from Fudan University and the University of Hong Kong.

Ms Wang has over 10 years of experience in corporate finance, listing and asset appraisal. Prior to joining KDG, Ms Wang served as a senior project manager at Jones Lang LaSalle (Beijing) Consultants Limited and as a director of investor relations at China New Material Technology Holdings Limited.

(n) **Interests in the Company**

The Company understands that none of the incoming directors:

- have a Relevant Interest in any Shares; or
- are Associates of any of the Company's current Shareholders (i.e. other than KCL).

(o) **The advantages passing the resolution**

The Company considers the advantages of passing Resolution 2 to include each of the following:

Advancement of core projects

Following receipt of the funds from the issue of the Second Closing Shares, the Company will receive an additional US$77.03 million. It is expected that these funds will enable the Company to significantly advance its flagship Makhado Project and accelerate the development of its other mineral assets.

Company and KDG will collaborate

The Company expects to collaborate with KDG and leverage off of its coal project development and production expertise. This should minimise project implementation risk for the Makhado Project and optimise operational efficiency across the Company's other mineral assets.

Continue as a going concern

As noted in various of the Company's recent financial reports, the Company's auditor has highlighted a material uncertainty over the Company's ability to continue as a going concern. Specifically, the auditor outlined that the Company's ability to continue as a going concern is dependent on it raising additional debt and equity funding.

Accordingly, if Shareholders pass Resolution 2 and the Second Closing Shares are issued, the Company will receive an additional US$77.03 million which will allow the Company to continue as a going concern and meet its working capital requirements.

(p) **The disadvantages of passing the resolution**

The Company considers the disadvantages of passing Resolution 2 to include each of the following:

Dilution

If Shareholders pass Resolution 2 and the Second Closing Shares are issued to KCL (which currently holds 13.04% of the Shares), the proportionate interests of all other Shareholders will be diluted (noting that KCL will ultimately hold 51% of the Company's shares).

KCL's 51% holding of Shares will allow KCL to control the Company and to either pass or block resolutions put to members.

Future takeover offers

If Shareholders pass Resolution 2 and the Second Closing Shares are issued to KCL, KCL (i.e. as holder of more than half of the Company's Shares) will be able to prevent a change of control transaction from occurring.

Such a significant ownership interest will therefore likely deter third party bidders from either acquiring Shares on market or from making a takeover offer for all of the Company's shares.

Further detail

The advantages and disadvantages of passing Resolution 2 are outlined in further detail in section 13.1 and 13.2, respectively of the Independent Expert's Report.

(q) **Consequences of not passing Resolution 2**

Alternative sources

If Shareholders do not pass Resolution 2, the Company will not receive the US$77.03 million it expects to receive from the issue of the Second Closing Shares. This will likely result in the Company needing to raise funds from alternative sources to:

- continue to advance the Makhado Project; and

- continue as a going concern.

Shareholders should note that there can be no certainty that the Company will be able to procure alternative funding either on terms acceptable to the Company, on terms superior to those the subject of Resolution 2 (i.e. those set out in the Subscription Agreement) or at all.

Buy-back

As outlined below and in Schedule 1, if the issue of the Second Closing Shares does not occur within 270 days of the date of the Subscription Agreement (which is 27 May 2025) other than due to a breach of that agreement by KDG, KCL has the right to require MC Mining to buy-back the First Closing Shares.

Based on the Company's 30 September 2024 quarterly cash flow report, the Company had cash and cash equivalents of US$10.8 million, being less than the approximately US$13 million it would need to buy-back and cancel the First Closing Shares.

Therefore, if Shareholders do not pass Resolution 2, and KDG exercises its right to require the Company to buy-back and cancel the First Closing Shares, the Company will be required to raise considerable additional debt or equity in order to fund the buy-back price.

Shareholders should note that there can be no certainty that the Company will be able to procure sufficient additional funding to allow the Company to buy-back the First Closing Shares from KCL either on terms acceptable to the Company or at all.

Further detail

The consequences of not passing Resolution 2 are outlined in further detail in section 13.5 of the Independent Expert's Report.

Other

Proposed changes to composition of the Board

In addition to the above proposed Director appointments, and as permitted under the SSA, it is expected (but not settled) that Mr An Chee Sin and Mr Brian Zhen will retire from the Board on the Second Closing to ensure that Directors appointed by KDG constitute the majority of the board of (and therefore, KDG will control) the Company.

Escrow

Subject to the terms of the escrow deed (a copy of which is attached to the ASIC Form 603 – "Notice of initial substantial holder" that was given to ASX by the Company on 30 August 2024) between the Company, KDG and KCL dated 30 August 2024 (**Escrow Deed**[26]), the First Closing Shares are subject to a 12-month period of voluntary escrow.

[26] The restrictions in the Escrow Deed are subject to the requirements of the Listing Rules and all other applicable rules and laws.

The Second Closing Shares will also be subject to a 12-month period of voluntary escrow with the applicable restrictions set out in a separate escrow deed (**Proposed Escrow Deed**[27]), the form of which (save for the restrictions included in the Escrow Deed as they relate to the below mentioned buy-back) will be substantially the same as the Escrow Deed.

Buy-back

The Second Closing must be completed within 270 days of the date of the Subscription Agreement, failing which, KDG has the right, if the Second Closing has not occurred other than as a result of KDG's breach, to require the Company to buy back the First Closing Shares in compliance with all applicable laws (including the Corporations Act – which will require the approval of the Company's shareholders at a general meeting).

The rights and liabilities attaching to the Second Closing Shares

The Second Closing Shares (as well as the First Closing Shares) are fully paid ordinary shares in the Company. A summary of the rights and liabilities applicable to these Shares is set out in Schedule 4.

Association

Other than as disclosed in the Explanatory Statement, the Company is not aware of any Association (whether formal or informal) between KDG (or any Associate of KDG) with any existing Shareholder (i.e. other than KCL) or with any other person.

Board recommendation

The Directors (other than Mr Huang Muhui, who abstains from making a recommendation[28]) recommend that Shareholders vote in favour of Resolution 2.

The Chair intends to vote all undirected proxies in favour of Resolution 2.

The Board is not aware of any other information that Shareholders might reasonably require to make a decision whether it is in the best interest of the Company to pass Resolution 2.

[27] The restrictions in the Proposed Escrow Deed will also be subject to the requirements of the Listing Rules and all other applicable rules and laws.

[28] Mr Huang Muhui has abstained from making a recommendation as he is also a senior KDG executive.

Resolution 3 - Approval for Acquisition of Relevant Interest in Shares by the Company

Background information

The Company intends to issue the Second Closing Shares (in accordance with Resolution 2) on the Second Closing. Following that issuance, KDG will have a Relevant Interest in 51% of the Company's issued Share capital.

As set out in the explanatory notes for Resolution 2, the Second Closing Shares will be subject to a 12-month period of voluntary escrow with the applicable restrictions set out in the Proposed Escrow Deed.

Under the Corporations Act, by entering into the Proposed Escrow Deed, the Company is deemed to acquire a Relevant Interest in the Second Closing Shares as the Proposed Escrow Deed will give the Company the power to dispose of, or control the exercise of a power to dispose of, those shares[29].

Furthermore, under section 608(3)(a) of the Corporations Act, a person that has a Relevant Interest in at least 20% of the voting securities of a company will be deemed to have the same Relevant Interest in shares as that company has. This means that Goldway, Senosi and Dendocept Group (each, as a greater than 20% holder of the Company's shares) will also acquire a Relevant Interest in the Second Closing Shares as a consequence of the Company's entry into the Proposed Escrow Deed[30].

As the issue of Second Closing Shares will result in KDG acquiring a Relevant Interest in more than 20% of the Company's issued Share capital on the Second Closing and because the Company's entry into the Proposed Escrow Deed will cause it (i.e. the Company) to acquire a Relevant Interest in those Second Closing Shares, approval under item 7 of section 611 of the Corporations Act is required.

Shareholders should note that while the issue of the Second Closing Shares and corresponding entry into the Proposed Escrow Deed by the Company will result in Goldway, Senosi and Dendocept Group also acquiring a Relevant Interest in those Shares approval under item 7 of section 611 of the Corporations Act for that ancillary acquisition is not required under section 606 because of section 606(1)(b)[31].

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[29] Under section 608(1) of the Corporations Act, a person has a Relevant Interest in securities if they (i) are the holder of the securities, (ii) have the power to exercise, or control the exercise of, a right to vote attached to the securities or (iii) have the power to dispose of, or control the exercise of a power to dispose of, the securities. As a consequence of its entry into (and for the duration of) the Proposed Escrow Deed (and the Escrow Deed), the Company will have a Relevant Interest in all of the Shares held by KCL (save for any Shares held by KCL and its Associates that are not subject to these deeds).

[30] Given that each of Goldway, Senosi and Dendocept Group had a greater than 20% interest in the Company's shares at the time the Company entered into the Escrow Deed (i.e. the escrow deed in respect of the First Closing Shares), the Company considers that it may have unintentionally caused each of Goldway, Senosi and Dendocept Group to acquire a Relevant Interest in the First Closing Shares in contravention of section 606 of the Corporations Act.

[31] The effect of section 606(1)(b) of the Corporations Act is that the prohibition in section 606 (i.e. the prohibition that prevents a person (together with its Associates) from increasing its (or their aggregate) sub-20% Relevant Interest to above 20% or from increasing its (or their aggregate) greater than 20% Relevant Interest, in either case, unless an exception is available) is not triggered if the acquisition of the Relevant Interest is not caused by a deliberate act by or on behalf of the person acquiring the

As Senosi and Dendocept Group each hold more than 20% of the voting shares in Goldway, each of Senosi and Dendocept Group are also deemed to have a Relevant Interest in the 125,386,172 Shares held by Goldway.

Dendocept Group is comprised of Dendocept, Jun Liu & Lu Zhang as trustees for the Golden Eagle Trust, Pacific Goal, Christine He, Jun Liu, Golden Archer and Eagle Canyon. Each member of Dendocept Group is deemed to have the same Relevant Interest in Shares as do the other members. Dendocept Group's Relevant Interest includes (or will include as the case may be) the First Closing Shares and the Second Closing Shares because it (i.e. Dendocept Group) collectively holds more than 20% of the Company's issued and outstanding shares.

Material terms of the voluntary escrow arrangements in respect of the Second Closing Shares

A summary of the expected material terms of the Proposed Escrow Deed is set out in Schedule 2.

Shareholder approval

Resolution 3 seeks Shareholder approval of the Company's deemed acquisition of a Relevant Interest in the Second Closing Shares for the purposes of item 7 of section 611 of the Corporations Act which will occur on execution of the Proposed Escrow Deed as a consequence of the application of section 608(1) and section 608(3)(a) of the Corporations Act.

The commencement of the operation of the voluntary escrow arrangements (the material terms of which are set out in Schedule 2) in respect of the Second Closing Shares is conditional on Resolution 3 being passed at the Meeting. For the avoidance of doubt, if Resolution 3 is not approved by Shareholders, the Proposed Escrow Deed will be of no effect and the Proposed Escrow Deed will not be executed.

Specific disclosures required by the Corporations Act and ASIC

<u>Section 611 of the Corporations Act</u>

As noted above, unless a specific exemption in section 611 of the Corporations Act applies, section 606 of the Corporations Act prevents a person from acquiring a Relevant Interest in issued voting shares in a listed company through a transaction which results in the person's voting power in the company:

(a) increasing from below 20% to more than 20%; or

(b) increasing from a starting point of more than 20% to a higher percentage.

Relevant Interest. Said differently, because the "ancillary" acquisition by Goldway, Senosi and Dendocept Group of the Relevant Interest in the Second Closing Shares will be as a result of the Company's entry into the Proposed Escrow Deed (and not by any deliberate act by any of Goldway, Senosi or Dendocept Group), Shareholder approval of the acquisition of the Relevant Interest in the Second Closing Shares by Goldway, Senosi and Dendocept is not required under section 606.

The voting power of a person in a body corporate is determined in accordance with section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's Associates have a Relevant Interest.

Also noted above, an acquisition of a Relevant Interest is not prohibited under section 606 if it has been approved by a resolution at a general meeting of the listed company's shareholders under and in accordance with item 7 of section 611 of the Corporations Act or it occurs as a result of genuine third-party conduct.

As a consequence of the voluntary escrow arrangements the subject of the Proposed Escrow Deed, the Company, Goldway, Senosi and Dendocept Group will be deemed to have acquired a Relevant Interest in the Second Closing Shares, which, when coupled with the Relevant Interest they already have in the First Closing Shares (i.e. as a consequence of the Company's entry into the Escrow Deed), will result in:

(a) the Company's Relevant Interest in all of its issued and outstanding Shares increasing from 13.04% to 51%;

(b) Goldway's Relevant Interest in all of the Company's issued and outstanding shares increasing from 39.38% to 65.84%;

(c) Senosi's Relevant Interest in all of the Company's issued and outstanding shares increasing from 59.41% to 77.13%; and

(d) Dendocept Group's Relevant Interest in all of the Company's issued and outstanding shares increasing from 59.45% to 77.15%.

Accordingly, and in order to permit the voluntary escrow arrangements in respect of the Second Closing Shares and the acquisition of a Relevant Interest by the Company in the Shares the subject of the Proposed Escrow Deed, Shareholder approval under item 7 of section 611 is being sought.

Specific disclosures required by RG 74

Specific information is required to be provided to Shareholders in relation to an acquisition being approved under item 7 of section 611 of the Corporations Act. In particular, item 7 of section 611 and RG 74 requires the following information be provided to Shareholders:

(a) **The identity of the person acquiring the Relevant Interest and their Associates**

The Company is the person acquiring the Relevant Interest the subject of Resolution 3 as a consequence of its entry into the Proposed Escrow Deed.

As described above and while Shareholder approval is not required, Goldway, Senosi and Dendocept Group will also acquire a Relevant Interest in the Second Closing Shares.

The Company

The Company is a coal exploration and development company, with metallurgical and thermal coal assets in South Africa. The Company's flagship asset is the Makhado Project.

For further information in relation to the Company, please see the Company's prior period continuous and periodic disclosures given to ASX and JSE which are available on the Company's website (www.mcmining.co.za).

Goldway

Goldway is a Hong Kong-registered special purpose vehicle that was incorporated to conduct the (now completed) Takeover Bid.

Goldway holds 125,386,172 Shares (equivalent to 26.34% of the Company's issued and outstanding shares).

Mr Jun Liu, the sole director of Goldway, jointly holds 26,499,345 Shares (equivalent to 5.57% of the Company's issued and outstanding Shares).

Mr Liu has extensive experience in the mining industry.

Goldway is owned by the Consortium. The ownership interests of the Consortium are as follows:

- Senosi: 41.23%
- Shining Capital: 8.58%
- Dendocept: 6.93%
- Jun Liu & Huan Qu: 6.50%
- Pacific Goal: 6.11%
- Ying He Yuan Investment (S) Pte Ltd: 5.25%
- Longelephant: 3.72%
- Christine He: 2.12%
- Jun Liu: 1.65%
- Golden Archer: 0.06%
- Eagle Canyon: 17.85%

The joint bid deed that governed the manner in which the Consortium would conduct the Takeover Bid is no longer of any force or effect.

Senosi

Senosi is a South Africa-based investment company with experience in investing in and assisting in the development of South African resource projects.

Senosi holds 95,357,455 Shares (equivalent to 20.03% of the Company's issued and outstanding shares).

Senosi is controlled by Mr Mathews Senosi, a Director.

Mr Senosi is a director of Senosi and of the trustee company that owns 100% of Senosi's issued share capital.

Mr Senosi is a qualified mining engineer with over 25 years' experience in mining and project execution. Mathews gained experience at Anglo Coal before successfully pursuing personal business interests in mining, engineering and consulting as well as civil and construction projects. Mr Senosi has extensive experience in opencast and underground coal mining and is the CEO of Overlooked Mining Group which produces over 7.5 million tonnes of thermal coal per annual.

Dendocept Group

Dendocept is South Africa-based investment company with experience in investing in and assisting in the development of South African resource projects.

Dendocept holds 28,265,593 Shares (equivalent to 5.94% of the Company's issued and outstanding shares).

Dendocept is owned and controlled by Christine He, a Director.

Ms He has a bachelor's degree in English Literature from Sichuan University and over 20 years' experience at senior management level. Her broad commercial experience includes, amongst other matters, the financing, development and execution of large construction and mining projects.

As noted above, Dendocept Group is comprised of Dendocept, Jun Liu & Lu Zhang as trustees for the Golden Eagle Trust[32], Pacific Goal[33], Christine He, Jun Liu[34], Golden Archer[35] and Eagle Canyon[36].

Each member of Dendocept Group is deemed to have the same Relevant Interest in Shares as do the other members.

(b) **The maximum extent of the increase in that person's voting power in the company that would result from the voluntary escrow arrangements**

Following the Company's entry into the Escrow Deed in respect of the First Closing Shares, the Company has a Relevant Interest in 13.04% of the Company's shares. Similarly, Goldway, Senosi and Dendocept Group currently have a Relevant Interest in 39.38%, 59.41% and 59.45% of the Company's shares, respectively.

The maximum extent of the increase in the Company's (and together with its Associates') voting power is 51% of the total Shares on issue after the voluntary escrow arrangements in relation to the Second Closing Shares become effective. This equates to a 37.96% increase.

[32] Christine He is a beneficiary of the Golden Eagle Trust.

[33] Jun Liu is a director of Pacific Goal and a director and majority shareholder in Eagle Canyon, which owns 50% of Pacific Goal.

[34] Jun Liu is the spouse of Christine He.

[35] Christine He's brother, Brian Zhen, a Director, is a director of Golden Archer.

[36] Eagle Canyon owns 50% of (and controls) Pacific Goal.

The maximum extent of the increase in Goldway's, Senosi's and Dendocept Group's (and together with their respective Associates') voting power is 65.84%, 77.13% and 77.15% of the total Shares on issue, respectively, an increase of 26.46%, 17.72% and 17.70% respectively.

(c) **The voting power that person will have as a result of the voluntary escrow arrangements**

The Company will be deemed to have the voting power of 51% of the Company. Goldway, Senosi and Dendocept Group will be deemed to have a voting power of 65.84%, 77.13% and 77.15% of the Company. Voting power arises where a person has a Relevant Interest in voting securities (i.e. such as the Shares).

However, and as noted above, none of the Company, Goldway, Senosi or Dendocept Group (or any member of it) will obtain any power to influence the exercise of any votes attached to the Second Closing Shares as a consequence of the Company's entry into the Proposed Escrow Deed. For the avoidance of doubt, none of these parties have any power to influence the exercise of any votes attached to the First Closing Shares as a consequence of the Company's entry into the Escrow Deed.

The Company's voting power results from a Relevant Interest arising due to entry into voluntary escrow arrangements with KDG (or its designee) that restricts the disposal of the First Closing Shares and the Second Closing Shares.

Goldway's, Senosi's and Dendocept Group's voting power results from their respective greater than 20% interests in the Company's shares. As noted elsewhere, section 608(3)(a) deems a person to have a Relevant Interest in the securities held by a company in which that person holds more than 20% of.

(d) **The maximum extent of the increase in the voting power of each of that person's Associates that would result from the voluntary escrow arrangements**

Any Associate of the Company, Goldway[37], Senosi and Dendocept Group will be deemed to have the same increase in voting power as the Company, Goldway, Senosi and Dendocept Group respectively have due to the imposition of the holding lock over the First Closing Shares and Second Closing Shares.

As noted above, none of the Company, Goldway, Senosi or Dendocept Group (or any member of it) will obtain any power to influence the exercise of any votes attached to the Second Closing Shares as a consequence of the Company's entry into the Proposed Escrow Deed.

[37] If Mr Liu's joint holding of 26,499,345 Shares is included, Goldway's and its Associate's collective Relevant Interest would increase by 26,499,345 Shares.

Recommendation

The Directors (other than Mr Mathews Senosi, Mr Huang Muhui, Ms Christine He and Mr Brian Zhen who abstain from making a recommendation[38]) recommend that Shareholders vote in favour of Resolution 3.

The Chair intends to vote all undirected proxies in favour of Resolution 3.

The Board is not aware of any other information that Shareholders might reasonably require to make a decision whether it is in the best interest of the Company to pass Resolution 3.

[38] Mr Mathews Senosi has abstained from making a recommendation as he is also a director of Senosi. Mr Huang Muhui has abstained from making a recommendation as he is also a senior KDG executive. Ms Christine He has abstained from making a recommendation as she owns and controls Dendocept. Mr Brian Zhen has abstained from making a recommendation as he is also a director of Golden Archer.

Glossary

ASIC	means the Australian Securities and Investments Commission
Bidder's Statement	the bidder's statement issued by Goldway in respect of the Takeover Bid
Board	means the board of Directors of the Company
Chair	means the person appointed as chairperson of the Meeting
Company	means MC Mining Limited ABN 98 008 905 388 (ASX: MCM; JSE: MCZ)
Consortium	means the shareholders of Goldway, being Senosi (41.23%), Shining Capital (8.58%), Dendocept (6.93%), Jun Liu and Huan Qu as trustees for the Golden Eagle Trust (6.50%), Pacific Goal (6.11%), Ying He Yuan Investment (S) Pte Ltd (5.25%), Longelephant (3.72%), Yi He (2.12%), Jun Liu (1.65%), Golden Archer (0.06%) and Eagle Canyon (17.85%) For further information in relation to Goldway's Relevant Interest in Shares, please see the ASIC Form 604 filed by Goldway (and released on ASX) on 13 December 2024.
Control	has the meaning given in section 50AA of the Corporations Act
Corporations Act	means the *Corporations Act 2001* (Cth)
Dendocept	means Dendocept Proprietary Limited
Director	means a director of the Company
Dendocept Group	means Dendocept together with its Associates, being Jun Liu & Lu Zhang as trustees for the Golden Eagle Trust, Pacific Goal, Christine He, Jun Liu, Golden Archer and Eagle Canyon For further information in relation to Dendocept Group's Relevant Interest in Shares, please see the ASIC Form 604 filed by the Dendocept Group (and released on ASX) on 13 December 2024.
Eagle Canyon	means Eagle Canyon International Group Holding Limited

Explanatory Statement	means the explanatory statement accompanying the Notice of Meeting
Golden Archer	means Golden Archer Investment (Pty) Ltd
Goldway	means Goldway Capital Investment Limited, the entity that conducted an off-market takeover bid for all of the Shares in the Company that members of the Consortium did not already own[39]
Independent Expert	means BDO Corporate Finance Australia Pty Ltd ACN 050 038 170
Independent Expert's Report	means the report prepared by the Independent Expert, a copy of which accompanies this Explanatory Statement at Annexure B
KCL	means Kinetic Crest Limited of 18F, 80 Gloucester Road, Wanchai, Hong Kong
KDG	means Kinetic Development Group Limited of 18F, 80 Gloucester Road, Wanchai, Hong Kong
Listing Rules	means the official listing rules of ASX, as amended or waived from time to time
Longelephant	means Longelephant International Trade Limited
Makhado Project	means the Company's coking coal exploration and development project
Meeting	means the meeting convened by the Notice of Meeting
Meeting Documents	means the Notice of Meeting together with the Explanatory Statement (and includes any of the Annexures thereto) either singly or collectively and as the context requires
Mining Rights	means the mining rights held by the Company and each of its subsidiaries
MPTRO	means the Mineral and Petroleum Titles Registration Office of South Africa
Notice of Meeting	means the notice of meeting accompanying this Explanatory Statement
Pacific Goal	means Pacific Goal Investment Limited

[39] For further information in relation to the (now concluded) Takeover Bid, please see the Bidder's Statement given to ASX by the Company on 2 February 2024.

Proxy Form	means the proxy form accompanying this Explanatory Statement at Annexure A
Related Party	has the meaning given in section 228 of the Corporations Act
Relevant Interest	has the meaning given in section 608 of the Corporations Act
Resolution	means a resolution set out in the Notice of Meeting
Senosi	means Senosi Group Investment Holdings Proprietary Limited For further information in relation to Senosi's Relevant Interest in Shares, please see the ASIC Form 604 filed by Senosi (and released on ASX) on 13 December 2024
Share	means a fully paid ordinary share of the Company (and a **Shareholder** is a person who holds one or more Shares)
Shining Capital	means Shining Capital GP Limited
Takeover Bid	means the now concluded takeover bid for all of the Shares not owned by members of the Consortium

Schedule 1 - Summary of Subscription Agreement

The principal terms of the Subscription Agreement are set out below.

Date	26 August 2024
Parties	MC Mining Limited and Kinetic Development Group Limited
Subscription Shares	Under the Subscription Agreement, MC Mining has agreed to issue and KDG has agreed to acquire new Shares in MC Mining as follows: • at the First Closing, KDG agrees to subscribe for, and MC Mining agrees to issue, the First Closing Shares; and • at the Second Closing, KDG agrees to subscribe for, and MC Mining agrees to issue, the First Closing Shares. KDG may nominate a wholly owned subsidiary of KDG to hold the First Closing Shares and the Second Closing Shares.
Total Consideration	The total consideration payable by KDG under the Subscription Agreement amounts to US$90,000,000. This total consideration comprises of US$12,970,588 to be paid by KDG in consideration for the First Closing Shares (**First Closing Funds**) and US$77,029,412 to be paid by KDG in consideration for the Second Closing Shares (**Second Closing Funds**).
Use of Proceeds	MC Mining must use the First Closing Funds and the Second Closing Funds to develop, exploit and operate its coal business solely and only in accordance with the use of proceeds plan which sets out in reasonable detail the projected time and purpose for each individual use of proceeds and which was delivered to KDG prior to the First Closing (**Use of Proceeds Plan**).
Conditions Precedent	The issue of the Second Closing Shares is contingent upon the satisfaction or waiver of a number of Conditions Precedent, the most material of which are: • MC Mining's shareholders pass all resolution/s required under the Corporations Act (including a resolution for the purposes of item 7 of section 611 of the Corporations Act) and the Listing Rules (if applicable).

	• MC Mining shall have taken all necessary corporate action such that immediately on the Second Closing KDG nominee directors constitute the majority of the Board (including as a result of the appointment/removal of Directors as specified by KDG). • Various technical reports commissioned by KDG conclude that the geology and quality of coal at Makhado is substantially consistent with the findings of MC Mining's competent person reports as previously disclosed by MC Mining to KDG. • If applicable, receipt of any approval required by the Competition Act of South Africa for the implementation of the Subscription Agreement, either unconditionally or subject to such conditions as have been approved in writing by that date, by the parties affected by such conditions, it being agreed that such approval shall not be unreasonably withheld or delayed. • Subject to certain exceptions, qualifications and disclosures specified in the Subscription Agreement, each of the representations and warranties of MC Mining contained in the Subscription Agreement shall have been true, correct, complete and not misleading when made and shall be true correct, complete and not misleading on and as of the Second Closing with the same effect as though such representations and warranties had been made on and as of the date of the Second Closing, except in either case for those representations and warranties that address matters only as of a particular date, which representations will have been true and complete as of such particular date. • There shall have been no material adverse effect as of the Second Closing. • MC Mining's ordinary shares shall have continued to be quoted for trading on ASX.
Representations and Warranties	MC Mining represents and warrants to KDG, among other things, that the following statements are true, correct, complete and not misleading:

	• That MC Mining is the sole legal and beneficial holder of all of the equity securities in each of its subsidiaries, free and clear of all encumbrances of any kind other than those arising under applicable law. • As of the Second Closing Date, KDG is entitled to rely on the sale offer exemption under section 708A(5) of the Corporations Act in respect of the ordinary shares to which the Cleansing Statement relates. • The audited consolidated balance sheet and income statements and cash flows for the Company as of and for the twelve-months ended 30 June 2023 and the unaudited consolidated balance sheet (**Balance Sheet**) and income statements and cash flows for the Company as of and for the six-months ended 31 December 2023 (**Balance Date**) (a) have been prepared in accordance with the books and records of the Company or the relevant subsidiary, (b) fairly present in all material respects the financial condition and position of the Company as of the dates indicated therein and the results of operations and cash flows of the Company for the periods indicated therein, except in the case of unaudited financial statements for the omission of notes thereto and normal year-end audit adjustments that are not expected to be material, and (c) were prepared in accordance with the accounting standards applied on a consistent basis throughout the periods involved. • Since the Balance Date, there has not been any material adverse effect or any material change in the way the Company or any of its subsidiaries conducts its/their business. • None of the Company nor any of its subsidiaries has any liabilities of the type that would be disclosed on a balance sheet in accordance with the applicable accounting standards, except for (i) liabilities set forth in the Balance Sheet that have not been satisfied since the Balance Date, and (ii) current liabilities incurred since the Balance Date in the ordinary course of Company's or the relevant subsidiary's business consistent with its past practices and which do not exceed US$2 million in the aggregate.

	• The Company and each of its operating subsidiaries are operating in compliance in all material respects with all applicable environmental, health and safety laws, except where the failure to do so would not have a material adverse effect.
Escrow	Subject to the terms of the Escrow Deed[40] (a copy of which is attached to the ASIC Form 603 – "Notice of initial substantial holder" that was given to ASX by the Company on 30 August 2024), the First Closing Shares are subject to a 12-month period of voluntary escrow. The Second Closing Shares will be subject to a similar 12-month period of voluntary escrow with the applicable restrictions set out in a separate escrow deed (i.e. the Proposed Escrow Deed), the form of which (save for the restrictions included in the Escrow Deed as they relate to the below mentioned buy-back) will be substantially the same as the Escrow Deed.
Buy-Back	The Second Closing must be completed within 270 days of the date of the Subscription Agreement, failing which, KDG has the right, if the Second Closing has not occurred other than as a result of KDG's breach, to require the Company to buy back the First Closing Shares in compliance with all applicable laws (including the Corporations Act – which will require the approval of the Company's shareholders at a general meeting).
Covenants	The Company has given KDG various undertakings including that it will: • make an application for the Mining Rights to be registered at the MPTRO by no later than the date which is 3 months after the date of the Subscription Agreement; • obtain the authorisation of the Minister of Mineral and Petroleum Resources in South Africa for each of the Uitkomst Colliery, the Vele Colliery, the Makhado Project and the GSP Projects in relation to their late commencement of mining operations by no later than the date which is 6 months after the date of the Subscription Agreement; and

[40] The restrictions in the Escrow Deed are subject to the requirements of the Listing Rules and all other applicable rules and laws.

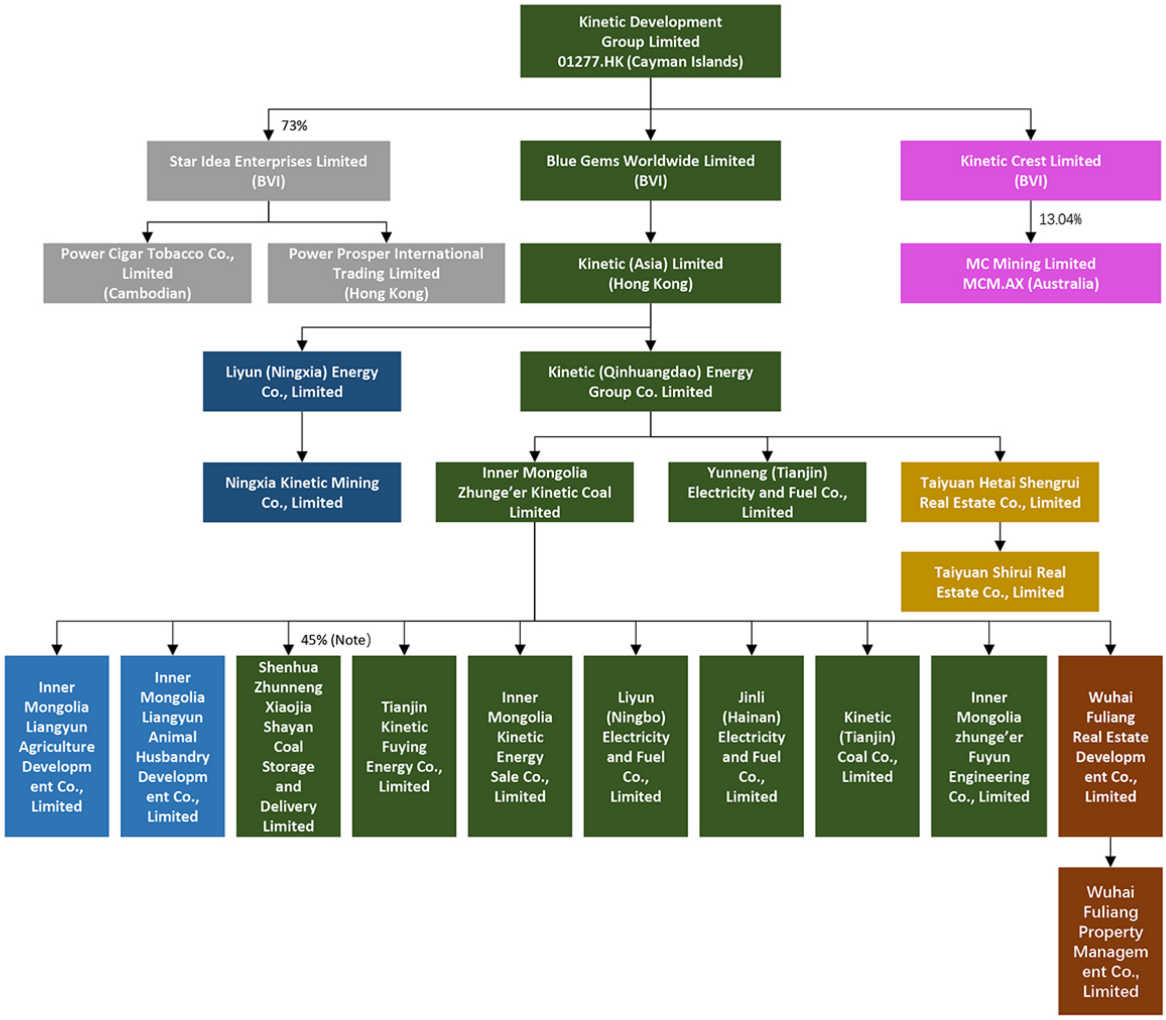
	• (i) conduct its business (including the business of each of its subsidiaries) in the ordinary course consistent with past practice, as a going concern and in compliance in all material respects with all applicable laws and all of its (and each of its subsidiaries') contractual (and other) obligations, (ii) pay its debts and taxes when due and payable, (iii) maintain its (and its subsidiaries') assets in condition comparable to their current condition, (iv) use reasonable endeavours to keep available the services of its current officers and employees and (v) preserve its (and its subsidiaries') relationship with customers, suppliers and others having business dealings with it (and its relevant subsidiaries). Unless otherwise permitted by KDG, the Company has given KDG various undertakings including that it will not: • waive, release or assign any right or claim which would reasonably be expected to materially impair the value of the Company or any of its subsidiaries or assets; • sell, purchase, assign, lease, transfer, pledge encumber or otherwise dispose of any asset which would reasonable be expected to materially impair the value of the Company or of any of its subsidiaries or assets; • issue, sell, or grant any equity securities or do anything to cause the Company to cease to be admitted to the official list of ASX; • incur any indebtedness with an aggregate value of US$1 million or more; or • enter into related party arrangement with an aggregate value of US$1 million or more.

Schedule 2 - Summary of Proposed Escrow Deed

The principal terms of the Proposed Escrow Deed are set out below.

Date	The Proposed Escrow Deed is expected to become effective on the Second Closing Date.
Parties	It is expected that Proposed Escrow Deed will be between the Company, KDG and KCL.
Escrow	Subject to various exceptions, it is expected that the Proposed Escrow Deed will provide that neither KDG or KCL will, amongst other things, be able to sell, assign, transfer, encumber or otherwise dispose of any of the Second Closing Shares until the end of the Escrow Period. The Proposed Escrow Deed will not, amongst other things, prevent KDG or KCL as applicable from: • receiving dividends or other distributions declared and paid by the Company in relation to the Second Closing Shares; • casting any votes attaching to the Second Closing Shares; or • accepting a third-party takeover offer or similar transaction in relation to the Second Closing Shares.
Escrow Period	The Escrow Period in respect of the Second Closing Shares will begin on the Second Closing Date and will end on the earlier of the date which is 12 months after the Second Closing Date or the date that is 270 days after the date of the Subscription Agreement if the Second Closing has not occur for any reason (other than a breach of the Subscription Agreement by KDG) by that date.
Covenants	The Company promises to KDG and KCL that it will cause the release of the electronic holding lock attaching to the Second Closing Shares: • to the extent necessary to allow dealing that is permitted by the Proposed Escrow Deed; • as required by the Proposed Escrow Deed; and • at the conclusion of the Escrow Period. KDG and KCL promise to the Company that they will comply with the terms of the Proposed Escrow Deed.

Schedule 3 - KDG Corporate Structure Diagram



Note: Shenhua Zhunge'er Resources is the holder of the remaining 55% of the equity interest in Xiaojia JV.

Schedule 4 – Rights and liabilities attaching to Shares

The rights and liabilities attaching to the First Closing Shares and the Second Closing Shares arise from a combination of the Company's constitution (**Constitution**), statute, the ASX Listing Rules and the general law. A summary of the significant rights, liabilities and obligations attaching to these Shares and a description of other material provisions of the Constitution are set out below.

Powers generally

Except as otherwise required by the law, any other applicable law, the Listing Rules or the Constitution, the Board:

- has the power to manage the business of the Company; and
- may exercise every right, power or capacity of the Company to the exclusion of the Company in general meeting and the members.

Voting at a general meeting

At a general meeting of the Company, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each fully paid Share held by the Shareholder.

Meetings of members

Each Shareholder is entitled to receive notice of, attend and vote at, meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the Listing Rules.

At least 28 days written notice of a meeting of members must be given individually to each member (whether or not the member is entitled to vote at the meeting), each Director and to the auditor.

Transfer of Shares

Subject to the Corporations Act, Shares may be transferred by a proper transfer effected in accordance with the Listing Rules or the operating rules of ASX. The Board may refuse to register a transfer of Shares in any of the permitted circumstances described in the Listing Rules and/or the operating rules of ASX.

Issue of Shares

Subject to the Corporations Act and the Listing Rules, the Board may, on behalf of the Company, issue, grant options over or otherwise dispose of unissued Shares to any person on the terms, with the rights, and at the times that the Board decides.

Winding up

Subject to the terms of issue of Shares, the surplus assets of the Company remaining after payment of its debts are divisible among the members in proportion to the number of fully paid ordinary Shares held by them.

If the Company is wound up, the liquidator may, with the sanction of a special resolution:

- divide the assets of the Company among the members in kind;
- for that purpose fix the value of assets and decide how the division is to be carried out as between the members and different classes of members; and
- vest assets of the Company in trustees of any trusts for the benefit of the members as the liquidator thinks appropriate.

Directors - appointment & rotation

The Board may decide the number of Directors (not counting alternates) but that number must be at least:

- 3; or
- the number of Directors (not counting alternates) in office when the decision is made,

(whichever is greater).

Directors are elected at general meetings of the Company. Retirement will occur on a rotational basis so that no Director (excluding the managing Director) holds office without re-election beyond the third annual general meeting following the meeting at which the Director was last elected or 3 years, whichever is longer.

The Directors may also appoint a person qualified to be a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who will then hold office until the next annual general meeting of the Company.

Majorities

A resolution of the Board must be passed by a majority of the votes cast by Directors entitled to vote on the resolution. If an equal number of votes is cast for and against a resolution:

- the chairman of the meeting has a second or casting vote unless only 2 Directors are entitled to vote or the chairman of the meeting is not entitled to vote; and
- if the chairman does not have a second or casting vote the matter is decided in the negative.

Remuneration

The Directors (other than an executive Director) are entitled to be paid, out of the funds of the Company, an amount of remuneration which:

- does not:
  - o in any year exceed in aggregate of the amount last fixed by ordinary resolution; or

- consist of a commission on or percentage of profits or operating revenue; and

- is allocated among them:

  - on an equal basis having regard to the proportion of the relevant year for which each Director held office; or

  - as otherwise decided by the Board; and

- is provided in the manner the Board decides, which may include provision of non-cash benefits.

If a Director, at the request of the Board and for the purposes of the Company, performs extra services or makes special exertions (including going or living away from the Director's usual residential address), the Company may pay that Director a fixed sum set by the Board for doing so. Remuneration under this rule may be either in addition to or in substitution for any remuneration to which that Director is otherwise entitled.

Indemnities

Subject to and so far as permitted by law:

- the Company must, to the extent the person is not otherwise indemnified, indemnify every officer of the Company and its wholly owned subsidiaries and may indemnify its auditor against a liability incurred as such an officer or auditor to a person (other than the Company or a related body corporate) including a liability incurred as a result of appointment or nomination by the Company or subsidiary as trustee or as an officer of another corporation, unless the liability arises out of conduct involving a lack of good faith; and

- the Company must make a payment (whether by way of advance, loan or otherwise) in respect of legal costs incurred by an officer or employee or auditor in defending an action for a liability incurred as such an officer, employee or auditor or in resisting or responding to actions taken by a government agency or a liquidator.

Insurance

Subject to the law, the Company may enter into, and pay premiums on, a contract of insurance in respect of any person.

Further information

Further details of the rights and liabilities attaching to the Shares are set out in the Constitution, a copy of which is available by emailing the Company Secretary at bill.pavlovski@mcmining.co.za.

Annexures to the Explanatory Statement

A	Proxy Form
B	Independent Expert's Report
C	ASX Release

MC Mining Limited

ABN 98 008 905 388

Need assistance?

Phone:
1300 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)

Online:
www.investorcentre.com/contact

MCM

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

MC Mining Limited General Meeting

The MC Mining Limited General Meeting will be held on Thursday, 23 January 2025 at 10:00am (Johannesburg time). You are encouraged to participate in the meeting using the following options:

MAKE YOUR VOTE COUNT

To lodge a proxy, access the Notice of Meeting and other meeting documentation visit www.investorvote.com.au and use the below information:

Control Number: 999999

SRN/HIN: I9999999999

PIN: 99999

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

For your proxy appointment to be effective it must be received by 4:00pm (AWST) on Tuesday, 21 January 2025.

ATTENDING THE MEETING IN PERSON

The meeting will be held at:
The offices of MC Mining which are located on the Ground Floor, Greystone Building, Fourways Golf Park, Roos Street, Fourways, South Africa

You may elect to receive meeting-related documents, or request a particular one, in electronic or physical form and may elect not to receive annual reports. To do so, contact Computershare.

MC Mining Limited

ABN 98 008 905 388

Need assistance?

Phone:
1300 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)

Online:
www.investorcentre.com/contact

MCM

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123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **4:00pm (AWST) on Tuesday, 21 January 2025.**

Proxy Form

For personal use only

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

APPOINTMENT OF PROXY

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

PARTICIPATING IN THE MEETING

Corporate Representative
If a representative of a corporate securityholder or proxy is to participate in the meeting you will need to provide the appropriate “Appointment of Corporate Representative”. A form may be obtained from Computershare or online at www.investorcentre.com/au and select "Printable Forms".

Lodge your Proxy Form: XX

Online:

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is

Control Number: 999999
SRN/HIN: I9999999999
PIN: 99999

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

You may elect to receive meeting-related documents, or request a particular one, in electronic or physical form and may elect not to receive annual reports. To do so, contact Computershare.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

I 9999999999 I ND

Proxy Form

Please mark ☒ to indicate your directions

Step 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of MC Mining Limited hereby appoint

☐ **the Chairman of the Meeting** **OR** ________

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of MC Mining Limited to be held at the offices of MC Mining which are located on the Ground Floor, Greystone Building, Fourways Golf Park, Roos Street, Fourways, South Africa on Thursday, 23 January 2025 at 10:00am (Johannesburg time) and at any adjournment or postponement of that meeting.

Step 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Ratification of Prior Issue of Shares	☐	☐	☐
Resolution 2	Approval for Acquisition of Relevant Interest in Shares by Kinetic Development Group Limited	☐	☐	☐
Resolution 3	Approval for Acquisition of Relevant Interest in Shares by the Company	☐	☐	☐

For personal use only

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

Step 3 Signature of Securityholder(s)

This section must be completed.

Individual or Securityholder 1	Securityholder 2	Securityholder 3	
			/ /
Sole Director & Sole Company Secretary	Director	Director/Company Secretary	Date

Update your communication details *(Optional)*

By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

Mobile Number	Email Address

IDEAS | PEOPLE | TRUST

MC Mining Limited

Independent Expert's Report

28 November 2024

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

Level 9 Mia Yellagonga Tower 2
5 Spring Street
Perth, WA 6000
PO Box 700 West Perth WA 6872
Australia

FINANCIAL SERVICES GUIDE

Dated: 28 November 2024

This Financial Services Guide (**FSG**) helps you decide whether to use any of the financial services offered by BDO Corporate Finance Australia Pty Ltd (**BDO Corporate Finance, we, us, our).**

The FSG includes information about:

- Who we are and how we can be contacted
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No: 247420
- Remuneration that we and/or our staff and any associates receive in connection with the financial services
- Any relevant associations or relationships we have
- Our complaints handling procedures and how you may access them.

FINANCIAL SERVICES WE ARE LICENSED TO PROVIDE

We hold an Australian Financial Services Licence which authorises us to provide financial product advice to retail and wholesale clients about securities and certain derivatives (limited to old law securities, options contracts, and warrants). We can also arrange for customers to deal in securities, in some circumstances. Whilst we are authorised to provide personal and general advice to retail and wholesale clients, we only provide general advice to retail clients.

Any general advice we provide is provided on our own behalf, as a financial services licensee.

GENERAL FINANCIAL PRODUCT ADVICE

Our general advice is typically included in written reports. In those reports, we provide general financial product advice that is prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of the general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

FEES, COMMISSIONS AND OTHER BENEFITS THAT WE MAY RECEIVE

We charge fees for providing reports. These fees are negotiated and agreed to with the person who engages us to provide the report. Fees will be agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. In this instance, the Company has agreed to pay us $65,000 for preparing the Report.

Except for the fees referred to above, neither BDO Corporate Finance, nor any of its directors, employees, or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of general advice.

All our employees receive a salary. Our employees are eligible for bonuses based on overall company performance but not directly in connection with any engagement for the provision of a report.

REFERRALS

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

ASSOCIATIONS AND RELATIONSHIPS

BDO Corporate Finance is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The general financial product advice in our report is provided by BDO Corporate Finance and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting, and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

In May 2022, BDO Corporate Finance (WA) Pty Ltd was engaged to prepare an independent expert's report for the proposed issue of up to 71,697,242 new shares in MC Mining to Senosi Group Investment Holdings Pty Ltd, which if approved, would have increased SGIH's voting interest in MC Mining to 31.04%. The fee received for our work was approximately $70,000 (excluding GST).

In January 2024, BDO Corporate Finance (WA) Pty Ltd was engaged to prepare an independent expert's report in relation to the off-market takeover offer from Goldway Capital Investment Limited. The fee received for our work was approximately $100,000 (excluding GST).

BDO Corporate Finance Australia Pty Ltd has also provided share-based payment valuation services to MC Mining over the past two years for total fees of $9,500 (excluding GST).

COMPLAINTS RESOLUTION

We are committed to meeting your needs and maintaining a high level of client satisfaction. If you are unsatisfied with a service we have provided you, we have avenues available to you for the investigation and resolution of any complaint you may have.

To make a formal complaint, please use the Complaints Form. For more on this, including the Complaints Form and contact details, see the **BDO Complaints Policy** available on our website.

BDO Corporate Finance is a member of AFCA (Member Number 11843). Where you are unsatisfied with the resolution reached through our Internal Dispute Resolution process, you may escalate this complaint to the Australian Financial Complaints Authority (**AFCA**) using the below contact details:

Australian Financial Complaints Authority
GPO Box 3, Melbourne VIC 3001
Email: info@afca.org.au
Phone: 1800 931 678
Fax: (03) 9613 6399
Interpreter service: 131 450
Website: http://www.afca.org.au

COMPENSATION ARRANGEMENTS

BDO Corporate Finance and its related entities hold Professional Indemnity insurance for the purpose of compensating retail clients for loss or damage suffered because of breaches of relevant obligations by BDO Corporate Finance or its representatives under Chapter 7 of the Corporations Act 2001. These arrangements and the level of cover held by BDO Corporate Finance satisfy the requirements of section 912B of the Corporations Act 2001.

CONTACT DETAILS

You may provide us with instructions using the details set out at the top of this FSG or by emailing - cf.ecp@bdo.com.au

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Fax: +61 8 6382 4601
www.bdo.com.au

Level 9 Mia Yellagonga Tower 2
5 Spring Street
Perth, WA 6000
PO Box 700 West Perth WA 6872
Australia

28 November 2024

The Independent Directors
MC Mining Limited
Suite 324, Level 3, 96 Elizabeth Street
Melbourne VIC 3000

Dear Independent Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 28 August 2024, MC Mining Limited ('**MC Mining**' or '**the Company**') announced that it had entered into a share subscription agreement ('**SSA**') with Kinetic Development Group Limited ('**KDG**'), whereby KDG, through its wholly-owned subsidiary Kinetic Crest Limited ('**KCL**'), will subscribe for a total of 51% of the Company's issued capital in two separate tranches, for total cash consideration of US$90 million. KDG is an integrated coal mining group listed on the Hong Kong Stock Exchange ('**HKSE**').

Under the terms of the SSA, the first tranche involves KDG subscribing for an initial 13.04% of the Company's issued capital, for cash consideration of US$12,970,588, utilising the Company's placement capacity under Australian Securities Exchange ('**ASX**') Listing Rule 7.1 ('**First Subscription**'). On 30 August 2024, the Company announced that the First Subscription had completed, following the issue of 62,102,002 shares to KCL.

The second tranche involves KDG subscribing for an additional 38.17% of the Company's issued capital, for cash consideration of US$77,029,412 ('**Second Subscription**') ('**Proposed Transaction**'). Following the Proposed Transaction, KDG's interest in MC Mining will increase from 13.04% to 51%.

As the Second Subscription will result in KDG's voting power in MC Mining increasing from below 20% to more than 20%, approval from MC Mining shareholders not associated with KDG ('**Shareholders**'), is required under item 7 of section 611 ('**item 7 s611**') of the *Corporations Act 2001* (Cth) ('**Corporations Act**' or '**the Act**') in order for the Proposed Transaction to proceed.

The independent directors of MC Mining have requested that BDO Corporate Finance Australia Pty Ltd ('**BDO**') prepare an independent expert's report ('**our Report**') to express an opinion as to whether the Proposed Transaction is fair and reasonable to Shareholders.

Currencies in this report are quoted in Australian dollars ('**A$**' or '**$**'), United States Dollars ('**US$**' or '**USD**') and South African Rand ('**ZAR**').

2. Summary and opinion

2.1 Requirement for the report

The independent directors of MC Mining have requested that BDO prepare an independent expert's report ('**our Report**') to express an opinion as to whether the Proposed Transaction is fair and reasonable to Shareholders.

Our Report is prepared pursuant to item 7 s611 of the Corporations Act, and is to be included in the Notice of Meeting for MC Mining to assist Shareholders in their decision whether to approve the Proposed Transaction.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('**ASIC**') Regulatory Guide 74 'Acquisitions approved by members' (**'RG 74'**), Regulatory Guide 111 'Content of expert reports' ('**RG 111**'), Regulatory Guide 112 'Independence of experts' ('**RG 112**'), Regulatory Guide 170 'Prospective financial information' (**'RG 170'**) and Information Sheet 214: Mining and resources: Forward-looking statements (**'IS 214'**).

In arriving at our opinion, we have assessed the terms of the Proposed Transaction as outlined in the body of this report. We have considered:

- How the value of an MC Mining share prior to the Proposed Transaction (on a controlling interest basis) compares to the value of an MC Mining share following the Proposed Transaction (on a minority interest basis).
- The likelihood of an alternative offer being made to MC Mining.
- Other factors which we consider to be relevant to Shareholders in their assessment of the Proposed Transaction.
- The position of Shareholders should the Proposed Transaction not proceed.

2.3 Opinion

We have considered the terms of the Proposed Transaction as outlined in the body of this Report and have concluded that, in the absence of an alternative proposal, the Proposed Transaction is not fair but reasonable to Shareholders.

2.4 Fairness

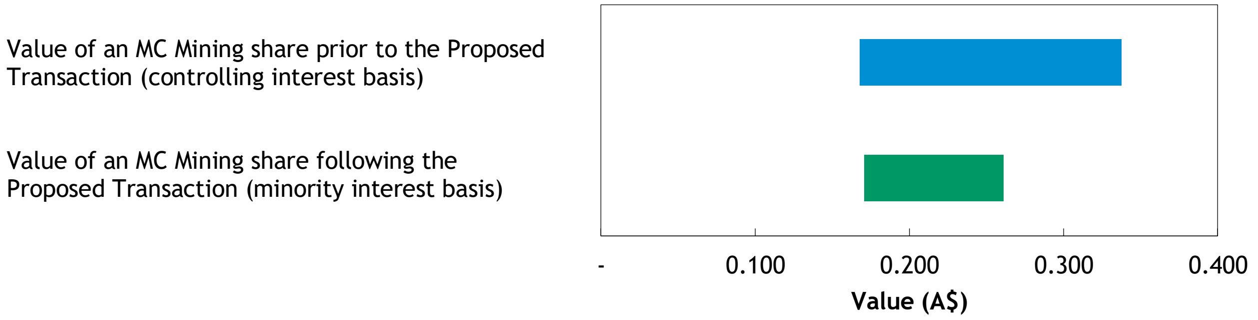
In Section 12, we compared the value of an MC Mining share prior to the Proposed Transaction (on a controlling interest basis), to the value of an MC Mining share following the Proposed Transaction (on a minority interest basis), as detailed below.

	Ref	Low $	Preferred $	High $
Value of an MC Mining share prior to the Proposed Transaction (controlling interest basis)	10	0.168	0.253	0.337
Value of an MC Mining share following the Proposed Transaction (minority interest basis)	11	0.171	0.214	0.261

Source: BDO analysis

The above valuation ranges are graphically presented below:

Valuation Summary



The above pricing indicates that the Proposed Transaction is not fair for Shareholders. We consider the Proposed Transaction to be not fair because the value of an MC Mining share following the Proposed Transaction (on a minority interest basis) is lower than the value of an MC Mining share prior to the Proposed Transaction (on a controlling interest basis) under the preferred and high end of our valuation range.

2.5 Reasonableness

We have considered the analysis in Section 13 of this Report, in terms of the following:

- Advantages and disadvantages of the Proposed Transaction.
- Other considerations, including the position of Shareholders if the Proposed Transaction does not proceed and the consequences of not approving the Transaction.

In our opinion, the position of Shareholders if the Proposed Transaction is approved is more advantageous than the position if the Proposed Transaction is not approved. Accordingly, in the absence of any other relevant information and/or an alternate proposal we consider that the Proposed Transaction is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
13.1.1	Funds raised under the Second Subscription will allow the Company to advance its projects	13.2.1	Shareholders' interests in the Company will be diluted and Shareholders will have a reduced level of control over the Company
13.1.2	The Company will be able to leverage KDG's experience and expertise to optimise the development of its projects	13.2.2	Future takeover offers may be deterred
13.1.3	The Proposed Transaction will allow the Company to continue as a going concern and meet its working capital requirements		

Other key matters we have considered include:

Section	Description
13.3	Alternative proposal
13.4	Practical level of control
13.5	Consequences of not approving the Proposed Transaction
13.6	Other considerations

3. Scope of the Report

3.1 Purpose of the Report

Section 606 of the Corporations Act ('**Section 606**') expressly prohibits the acquisition of further shares by a party if the party acquiring the interest does so through a transaction and because of the transaction, that party (or someone else's voting power in the company), increases from 20% or below to more than 20%.

Section 611 of the Corporations Act ('**Section 611**') provides exceptions to the Section 606 prohibition and item 7 s611 permits such an acquisition if the shareholders of MC Mining have agreed to the acquisition. This agreement must be by resolution passed at a general meeting at which no votes are cast in favour of the resolution by the party to the acquisition or any party who is associated with the acquiring party.

The Company is seeking shareholder approval for the Proposed Transaction, which will result in KDG's interest in the Company increasing from 13.04% to 51%.

Item 7 s611 states that shareholders of the company must be given all information that is material to the decision on how to vote at the meeting.

RG 74 states that to satisfy the obligation to provide all material information on how to vote on the item 7 resolution, MC Mining can commission an Independent Expert's Report.

The independent directors of MC Mining have commissioned this Independent Expert's Report to satisfy this obligation.

3.2 Regulatory guidance

Neither the ASX Listing Rules nor the Corporations Act defines the meaning of 'fair and reasonable'. In determining whether the Proposed Transaction is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

This regulatory guide suggests that where the transaction is a control transaction, the expert should focus on the substance of the control transaction rather than the legal mechanism used to effect it. RG 111 suggests that where a transaction is a control transaction, it should be analysed on a basis consistent with a takeover bid.

In our opinion, the Proposed Transaction is a control transaction as defined by RG 111 and we have therefore assessed the Proposed Transaction as a control transaction to consider whether, in our opinion, it is fair and reasonable to Shareholders.

3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is equal to or greater than the value of the securities subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities subject of the offer in a control transaction, it is inappropriate for the expert to apply a discount on the basis that the shares being acquired represent a minority or portfolio interest, as such the expert should consider this value inclusive of a control premium. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between the value of an MC Mining share prior to the Proposed Transaction (on a controlling interest basis), and the value of an MC Mining share following the Proposed Transaction (on a minority interest basis) (fairness – see Section 12 'Is the Proposed Transaction fair?').
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the value derived above (reasonableness – see Section 13 'Is the Proposed Transaction reasonable?').

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('**APES 225**').

A Valuation Engagement is defined by APES 225 as follows:

'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Member is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Member at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

4. Outline of the Proposed Transaction

On 28 August 2024, MC Mining announced that it had entered into a SSA with KDG, whereby KDG, through its wholly-owned subsidiary KCL, will subscribe for a total of 51% of the Company's issued capital in two separate tranches, for total cash consideration of US$90 million. KDG is an integrated coal mining group listed on the HKSE.

The First Subscription involves KDG subscribing for an initial 13.04 % of the Company's issued capital, for cash consideration of US$12,970,588, utilising the Company's placement capacity under ASX Listing Rule 7.1. On 30 August 2024, the Company announced that the First Subscription had completed, following the issue of 62,102,002 shares to KCL. In accordance with the SSA, following the completion of the First Subscription, Mr. Huang Muhui was appointed to the Board of MC Mining, as nominated by KDG.

The Second Subscription involves KDG subscribing for an additional 37.96% of the Company's issued capital, for cash consideration of US$77,029,412. Following the Proposed Transaction, KDG's interest in MC Mining will increase from 13.04% to 51%. In addition, KDG is entitled (and is expected) to appoint additional directors to the board of the Company, such that its nominee directors constitute a majority of the Company's directors.

Under the SSA, if the Second Subscription is not completed within 270 days of the SSA (27 May 2025), other than as a result of KDG's breach, then KDG can request the Company to buy-back the shares issued under the First Subscription.

The funds raised under the SSA will be subject to a use of proceeds plan, which is summarised below:

- Maintenance, security and compliance costs related to all of the Company's projects including the Makhado Project, Vele Colliery and GSP.
- Commissioning of a coal handling and preparation plant at the Makhado Project.
- Establishment of power and water infrastructure and civil works at the Makhado Project.
- Partial repayment of certain outstanding loans.

As the Second Subscription will result in KDG's voting power in MC Mining increasing from below 20% to more than 20%, approval from Shareholders is required under item 7 s611 of the Corporations Act in order for the Proposed Transaction to proceed.

The table below sets out the impact on Shareholders' interests in the Company following the completion of the Proposed Transaction.

Description	Existing Shareholders	KDG	Total
Number of shares on issue prior to the Proposed Transaction	414,013,349	62,102,002	476,115,351
% holdings prior to the Proposed Transaction	*86.96%*	*13.04%*	*100.00%*
Number of shares issued to KDG under the Second Subscription	-	368,809,851	368,809,851
Number of shares on issue following the Proposed Transaction	**414,013,349**	**430,911,853**	**844,925,202**
% holdings following the Proposed Transaction	*49.00%*	*51.00%*	*100.00%*

Source: Notice of Meeting

Based on the above, following the Proposed Transaction, Shareholders' interests in the Company will be diluted from 86.96% to 49.00%, with KDG's interest in the Company increasing from 13.04% to 51.00%.

Further details of the Proposed Transaction are set out in the Notice of Meeting.

5. Profile of MC Mining

5.1 History

MC Mining is a coal exploration, development and mining company, with metallurgical and thermal coal assets located primarily in the Limpopo province of South Africa. The Company's flagship asset is its 67.3% owned Makhado Project, located approximately 36 kilometres (‘**km**’) north of Louis Trichardt, and 80 km southeast of the Company's 100% owned Vele Colliery (‘**Vele**’). The Company also holds an 84% interest in the Uitkomst Colliery (‘**Uitkomst**’), and a 74% interest in the Greater Soutpansberg Project (‘**GSP**’).

The current directors of MC Mining are:

- Ontiretse Mathews Senosi – Non-Executive Interim Chairman
- Yi (Christine) He – Interim Managing Director and Chief Executive Officer
- Zhen (Brian) He – Non-Executive Director
- An Chee Sin – Non-Executive Director
- Muhui (Chris) Huang – Non-Executive Director
- Bill Pavlovski – Independent Non-Executive Director
- Dr Steele West – Independent Non-Executive Director.

The Company's primary listing is on the ASX, with a secondary listing on the Johannesburg Stock Exchange (‘**JSE**’). The Company's head office is located in Mount Pleasant, Western Australia (‘**WA**’).

Over the period from 2 February 2024 to 22 April 2024, the Company was the subject of an off-market takeover conducted by Goldway Capital Investment Ltd (**‘Goldway’**), a consortium established by Senosi Group Investment Holding Pty Ltd (‘**Senosi**’), Dendocept Pty Ltd (‘**Dendocept**’) and a group of MC Mining shareholders and associates (‘**Consortium**’) (**‘Goldway Takeover’**). At the end of the offer period, the Consortium held approximately 93.05% of the issued capital of the Company.

Muhui (Chris) Huang is a representative of KDG, having been appointed to the Board of MC Mining following completion of the First Subscription, in accordance with the SSA. Following completion of the First Subscription, MC Mining established an Independent Board Committee comprising directors not associated with KDG. The Independent Board Committee has appointed us to prepare this IER for inclusion in the Notice of Meeting.

5.2 Projects

Makhado Project (67.3% interest)

The Makhado Project is an undeveloped hard coking and thermal coal project located in the Soutpansberg coalfield in the Limpopo province of South Africa. The Makhado Project spans an area of over 60 square kilometres (‘**km^2**’) across five farms, with MC Mining owning the relevant four properties that comprise the planned mining area.

MC Mining initially acquired the Makhado Project in August 2006, following the execution of a binding heads of agreement to merge the coal interests of MC Mining and Motjoli Resources Pty Ltd, resulting in the Company acquiring a 50% interest in Makhado. The remaining 50% was acquired in December 2006 through the acquisition of Baobab Mining and Exploration Pty Ltd (‘**Baobab**’), for consideration of £2.5 million in cash.

In June 2013, MC Mining completed a definitive feasibility study (‘**DFS**’), which defined a 16 year life-of-mine (‘**LOM**’) on the production of 12.6 million tonnes per annum (‘**Mtpa**’) of run-of-mine (‘**ROM**’) coal, which was estimated to produce 2.3 Mtpa of hard coking coal and 3.2 Mtpa of thermal coal. The resource was to be mined on an opencast basis, with the potential for further expansion underground.

The Company's initial development plan was separated in two phases, with phase 1 entailing opencast mining in the West Pit, with processing at the existing Vele Colliery. Dependent on future funding and favourable market conditions, phase 2 would entail the development of the East and Central pits, and the construction of a new processing plant and associated infrastructure.

In 2015, MC Mining agreed to sell 20% of the Makhado Project to the Makhado Colliery Community Development Trust, for the purposes of ensuring that project operations would benefit local and surrounding communities. Further, the Company agreed to sell a 6.0% interest to a black industrialist, whilst a 6.7% interest was acquired by the Industrial Development Corporation of South Africa Ltd ('**IDC**'), under the terms of MC Mining's existing loan facility. As a result, the Company retains a 67.3% interest in the Makhado Project.

In November 2018, MC Mining announced that it had secured the surface rights over the Lukin and Salaita properties at the Makhado Project for consideration of ZAR 70 million, completing the suite of surface rights for the fully permitted Makhado Project. In addition, in April 2019, MC Mining executed an offtake agreement with ArcelorMittal South Africa Ltd ('**AMSA**'), resulting in the purchase of up to 0.45 Mtpa of hard coking coal from the Makhado Project, with prices to be linked to a published international index.

In April 2022, MC Mining completed a bankable feasibility study ('**BFS**'), which highlighted 25.6 Mt of saleable coal to be produced over a 22-year LOM under the proposed open pit mining and coal processing methods. In August 2022, the Company updated the Makhado BFS to include the pre-feasibility study for two alternative development scenarios. This update led to a reassessment of the Makhado Project development strategy, resulting in a decision to no longer develop the colliery in two phases. Rather than trucking crushed and screened coal to the Vele Colliery for processing, the new development strategy included the construction of a bespoke coal handling and processing plant ('**CHPP**') at the Makhado Project.

During the December quarter of 2022, the Company completed an optimisation study on the Makhado CHPP, which resulted in the increase of the annual ROM feed capacity from 3.2 Mtpa to 4.0 Mtpa. Subsequently, the Company appointed Erudite (Pty) Ltd ('**Erudite**') to complete the detailed designs for a full process design for the Makhado CHPP, which completed during the first quarter of 2023. The detailed execution plan incorporated the revised Makhado mine plan, and Erudite utilised the results of the CHPP optimisation study in their CHPP and infrastructure design work.

In April 2023, the Company completed the five-year Makhado implementation plan ('**Implementation Plan**'). The Implementation Plan improved the confidence levels for the first five years of the Makhado BFS and previous feasibility studies, increasing the estimated accuracy from +70% to approximately +90%. The Implementation Plan included a detailed execution plan for the construction of the East Pit and related infrastructure, along with a detailed mine plan for the first five years of operations.

Subsequently, in June 2023, the Company announced the results of an updated LOM plan and Coal Reserve estimate for the Makhado Project. Building upon the Implementation Plan, the updated LOM plan incorporated the exploitation of all mineable portions of the East, Central and West Pits' coal deposits using surface mining methods. The improved production metrics included a 27% increase in the LOM from 22 to 28 years, a 25% increase in the targeted rate of mining from 3.2 Mtpa to 4.0 Mtpa, a 100% increase in CHPP capacity from 2.0 Mtpa to 4.0 Mtpa, and a 60% increase of total saleable coal products from 26 Mt to 41 Mt over the LOM.

Over the December 2023 quarter, the Company continued to progress critical early works, specifically the construction of the main access road and earthworks for a bridge to cross the Mutamba river. In addition, the Company advanced the detailed design of the CHPP and related infrastructure.

As a result of the Goldway Takeover and now the Proposed Transaction, limited activities have been undertaken at the Makhado Project since the December 2023 quarter.

Based on discussions with management of MC Mining, capital expenditure for the development of the Makhado Project recently commenced in October 2024, following the receipt of funds under the First Subscription. Further, management has advised that the time from construction to first production is expected to be 12 months.

Uitkomst Colliery (84% interest)

Uitkomst is an underground coal mine located in the Utrecht coalfields in the KwaZulu-Natal province of South Africa. Uitkomst comprises established infrastructure, including a processing plant, and has pending applications for the extension of its water license, which is currently being processed by the relevant regulatory authority.

MC Mining acquired Uitkomst in April 2017 through the execution of a sale of shares and claims agreement with Pan African Resources Plc, to acquire 100% of the shares in and claims against Pan African Resources Coal Holdings Pty Ltd, which held a 91% interest in Uitkomst, for consideration of ZAR 275 million.

Uitkomst produces various products, including small zero-to-10 millimetre thermal or metallurgical coal, pea sized product for the domestic energy generation market. In addition, the Company also sells a high ash middlings product.

In the September quarter of 2018, the Company completed the sale of a 21% interest in Uitkomst on a vendor financed basis to Black Economic Empowerment (‘**BEE**’) shareholders in order to meet the requirements of the draft South African Mining Charter 3, reducing its ownership interest to 70%.

In July 2022, the Company entered a coal sales & marketing agreement with Overlooked Pty Ltd (‘**Overlooked**’), facilitating the export of at least 20,000 t of API4 (6,000 k/cal) coal produced by Uitkomst on a monthly basis, providing access to higher-priced internal thermal coal markets. In December 2022, MC Mining announced a six-month extension of the marketing agreement, which was originally due to expire on 31 December 2022.

In the December quarter of 2022, MC Mining acquired a 14% interest in Uitkomst, increasing its interest to 84%, with the remaining stake held by two broad-based BEE trusts, comprising host communities and employees, respectively.

During the year ended 30 June 2023, Uitkomst received approval from the Department of Mineral Resources & Energy (‘**DMRE**’) for mining rights over the balance of its LOM, which were subsequently legally executed in January 2024. In June 2023, MC Mining implemented a turnaround strategy titled “Operation Phenduka”, which allows for increased time spent underground per shift, leading to an increase in ROM coal production and reduction in unit costs.

During the October 2023 quarter, due to the implementation of “Operation Phenduka”, Uitkomst achieved a 10% improvement in ROM coal production compared to the October 2022 quarter, despite the impact of daily electricity blackouts. Due to lower API4 prices, the Company sold high-grade pea and duff sized coal to domestic customers rather than export sales.

During the December 2023 quarter, subdued coal prices coupled with poor performance of the state utility responsible for rail and port logistics resulted in coal being sold domestically rather than exported, leading to a 43% decline in revenue per tonne from the previous quarter.

During the March 2024 quarter the Company signed an offtake term sheet with Paladar Resources Proprietary Limited (‘**Paladar**’) following a reassessment of the Uitkomst marketing strategy. Under the term sheet, Paladar had an exclusive right to purchase coal produced at Uitkomst over a three-month trial period, at fixed sales prices with adjustments linked to the API4 price. During the trial period, all high-grade coal inventories at Uitkomst were sold by the end of the quarter. The Company did not extend the offtake period with Paladar, which concluded on 31 July 2024.

Historical coal production at Uitkomst is outlined below:

Production tonnages	FY24	FY23	FY22	FY21	FY20	FY19
Uitkomst ROM (t)	498,589	444,984	470,597	490,100	431,354	472,647

Source: MC Mining’s Annual Reports for the years ended 30 June 2024, 30 June 2022 and 30 June 2020

Vele Colliery (100% interest)

Vele is situated in the Tuli coalfield, in the Limpopo province of South Africa. Historically, Vele produced thermal coal, however, it was placed in care and maintenance in August 2013, following a review of Vele’s cost structures and processing plant capabilities.

However, in December 2022, the Vele Colliery coal processing plant (‘**CPP**’) was recommissioned following the execution of an exclusive, five-year contract mining agreement (‘**HOS Mining Agreement**’) with Hlalethembeni Outsourcing Services (Pty) Ltd (‘**HOS**’). HOS was tasked with recommissioning, upgrading and operating the CPP, as well as outsourcing mining and processing operations. Under the HOS Mining Agreement, HOS is responsible for all mining and processing costs, while the Company remains responsible for regulatory compliance, rehabilitation guarantees, relationships with authorities and communities, as well as the supply of electricity and water for the colliery.

This arrangement resulted in the production of 96,673t thermal coal in the second half of the financial year ended 30 June 2023. However, due to operating challenges at Vele, HOS temporarily downscaled operations in December 2023, under the terms of the HOS Mining Agreement, as it progressed the development of a production optimisation strategy at the colliery. Operations at Vele currently remain suspended. Project evaluation is expected to be completed in early FY2025.

Greater Soutpansberg Project (GSP) (74% interest)

Contiguous to the Makhado Project, the GSP is situated to the north of the Soutpansberg mountains. The GSP comprises three early-stage hard coking, semi-soft coking and thermal coal exploration projects, being the Mopane, Generaal and Chapudi projects, all expected to be mined on an opencast basis.

The GSP is jointly owned, with MC Mining holding a 74% interest, and its BEE partner, Rothe Investments (Pty) Ltd, holding the remaining 26% stake.

In 2013, the Company applied for mining rights for the GSP locations. The Chapudi mining rights were granted in December 2018, the Generaal mining rights were granted in November 2019, and the Mopane mining rights were granted in February 2021. However, the granting of the mining rights was subsequently appealed. During the December 2023 quarter, the Company executed the mining rights for the Mopane and Generaal project areas, with the mining rights for the Chapudi project area executed in the June 2024 quarter. The Company expects to commence various studies required for the water and environmental regulatory approvals following the construction of the Makhado Project.

Further information on the Makhado Project, Uitkomst, Vele and the GSP can be found in the independent specialist report prepared by SRK Consulting (Australasia) Pty Ltd (‘**SRK**’) (‘**Independent Specialist Report**’) in Appendix 3 of our Report.

5.3 Recent corporate events

Rights Issue

On 7 November 2022, the Company announced the conclusion of its fully underwritten renounceable rights issue (‘**Rights Issue**’). The Rights Issue involved the issue of 200,026,728 new fully paid ordinary shares at an issue price of $0.20 per share, raising gross proceeds of $40 million. The new shares were issued to investors in South Africa, Australia, and New Zealand. The net proceeds from the Rights Issue were used by the Company to settle debt, provide funding to progress the development of the Makhado Project, contribute the necessary capital for the recommissioning of the Vele Colliery and for general working capital purposes.

Goldway Takeover

Over the period from 16 February 2024 to 22 April 2024, the Company was the subject of an off-market takeover conducted by Goldway, a consortium established by Senosi, Dendocept and a group of MC Mining shareholders and associates. At the end of the offer period, the Consortium held approximately 93.05% of the issued capital of the Company.

In relation to the Goldway Takeover, pursuant to Rule 41 of the London Stock Exchange’s (‘**LSE**’) Alternative Investment Market (‘**AIM**’) *Rules for Companies*, the Company’s ordinary shares were cancelled from trading on the AIM, effective as of 19 June 2024.

On 22 May 2024, Goldway announced that it would commence a buy-out of the remaining ordinary shares in MC Mining that it did not own in accordance with section 662B(1)(d) of the Corporations Act, on the same terms as the Goldway Takeover.

Dendocept Facility

On 28 June 2024, the Company announced that it had entered into a ZAR 20 million (US$1.1 million) unsecured loan facility agreement with Dendocept for working capital purposes (‘**Dendocept Facility**’). Under the Dendocept Facility, MC Mining must repay the loan within 12 months from the first drawdown, with interest payable monthly and calculated based on the Investec (South Africa) Prime interest rate plus a margin of 3%. As at 30 June 2024, ZAR 4 million (US$0.22 million) had been drawn down under the facility.

Eagle Canyon Facility

On 24 July 2024, the Company announced that it had entered into a A$1.0 million (US$0.7 million) unsecured loan facility agreement with Eagle Canyon International Group Holding Limited (‘**Eagle Canyon**’) (‘**Eagle Canyon Facility**’), an entity controlled by Christine He, the Company’s interim Managing Director and Chief Executive Officer. The Eagle Canyon Facility is available until 30 June 2025, with interest payable monthly and calculated based on the Reserve Bank of Australia’s (‘**RBA**’) rate for medium business, plus a margin of 3%.

5.4 Historical Consolidated Statements of Financial Position

Historical Consolidated Statements of Financial Position	Audited as at 30-Jun-24 US$'000	Audited as at 30-Jun-23 US$'000	Audited as at 30-Jun-22 US$'000
CURRENT ASSETS			
Inventories	643	4,088	4,445
Trade and other receivables	1,329	4,458	1,093
Cash and cash equivalents	234	7,499	2,993
TOTAL CURRENT ASSETS	**2,206**	**16,045**	**8,531**
NON-CURRENT ASSETS			
Property, plant and equipment	33,745	34,621	23,475
Right-of-use assets	1,965	2,322	3,132
Development assets	-	-	17,739
Exploration and evaluation assets	70,545	65,682	67,839
Intangible assets	488	503	-
Other financial assets	6,667	5,239	4,599
Restricted cash	23	23	100
TOTAL NON-CURRENT ASSETS	**113,433**	**108,390**	**116,884**
TOTAL ASSETS	**115,639**	**124,435**	**125,415**
CURRENT LIABILITIES			
Provisions	461	395	203
Trade and other payables	6,357	7,881	9,307
Current tax liabilities	257	276	362
Lease liabilities	733	573	885
Borrowings	17,509	16,296	21,656
Bank overdraft	1,291	-	1,529
TOTAL CURRENT LIABILITIES	**26,608**	**25,421**	**33,942**
NON-CURRENT LIABILITIES			
Provisions	8,700	6,035	8,048
Deferred tax liability	3,349	3,648	4,232
Lease liabilities	1,539	1,932	2,057
Borrowings	36	48	-
TOTAL NON-CURRENT LIABILITIES	**13,624**	**11,663**	**14,337**
TOTAL LIABILITIES	**40,232**	**37,084**	**48,279**
NET ASSETS	**75,407**	**87,351**	**77,136**
EQUITY			
Issued capital	1,071,127	1,069,871	1,045,395
Accumulated losses	(944,995)	(930,676)	(926,245)
Reserves	(49,489)	(50,937)	(41,190)
Non-controlling interests	(1,236)	(907)	(824)
TOTAL EQUITY	**75,407**	**87,351**	**77,136**

Source: MC Mining's audited financial statements for the years ended 30 June 2024, 30 June 2023 and 30 June 2022

We note that the Company's auditor highlighted a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern in its audit reports for the years ended 30 June 2024, 30 June 2023 and 30 June 2022. The Company's auditor outlined that the ability to continue as a going concern is dependent on securing equity funding, positive cash flows from current operations and the successful development of future projects.

Commentary on Historical Consolidated Statements of Financial Position

- The increase in cash and cash equivalents from 30 June 2022 to 30 June 2023 was primarily the result of receipts from customers from coal sales of US$48.16 million, as well as net proceeds of US$21.10 million from the Rights Issue. This was partially offset by payments to suppliers and employees of US$51.49 million, and investment in exploration assets of US$6.16 million. The decrease in cash and cash equivalents from 30 June 2023 to 30 June 2024 was primarily the result of payments to suppliers of US$36.49 million, and investment in exploration asset of US$3.50 million, which was partially offset by receipts from customers from coal sales of US$33.54 million.
- Inventories decreased from US$4.09 million as at 30 June 2023 to US$0.64 million as at 30 June 2024. The decrease was primarily the result of the Company's offtake arrangement with Paladar, whereby all high-grade coal inventories at Uitkomst were sold by the end of the June 2024 quarter.
- Other financial assets of US$6.67 million as at 30 June 2024 primarily comprised rehabilitation guarantees of US$6.08 million and deposits of US$0.59 million. The rehabilitation guarantees are invested in funds for the purpose of meeting the Company's rehabilitation obligations, Eskom guarantees and infrastructure guarantees. Eskom is the electricity provider at the Vele and Uitkomst Collieries.
- As at 30 June 2024, borrowings of US$17.26 million comprised the loan facility with IDC, the Dendocept Loan Facility, and an ABSA instalment sale agreement.
- Non-current provisions of US$8.70 million as at 30 June 2024 related to a rehabilitation provision of US$4.24 million, a water use license provision of US$2.25 million, and a biodiversity offset provision of US$2.21 million. 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 US$3.4 million over a 25 year period. The recognition of a water use license provision during the year ended 30 June 2024 related to the reclassification of expenditure previously accrued for by the Company, of which the Company expects to incur within 13 months.

5.5 Historical Consolidated Statements of Profit or Loss and Other Comprehensive Income

Historical Consolidated Statement of Profit or Loss and Other Comprehensive Income	Audited for the year ended 30-Jun-24 US$'000	Audited for the year ended 30-Jun-23 US$'000	Audited for the year ended 30-Jun-22 US$'000
Continuing operations			
Revenue	36,665	44,799	23,511
Cost of sales	(36,542)	(41,209)	(20,999)
Gross profit	**123**	**3,590**	**2,512**
Other operating income	3,641	1,568	293
Reversal/(Expected) credit losses	(1,525)	284	(331)
Administrative expenses	(15,373)	(8,918)	(6,840)
Impairment expense	(936)	-	(14,851)
Other operating gains /(losses)	221	752	63
Operating (loss)	**(13,849)**	**(2,724)**	**(19,154)**
Finance income	321	393	147
Finance costs	(1,538)	(1,677)	(1,712)
(Loss) before income tax	**(15,066)**	**(4,008)**	**(20,719)**
Income tax expense	418	(390)	(116)
(Loss) for the year from continuing operations	**(14,648)**	**(4,398)**	**(20,835)**
Gains/(losses) on exchange differences on translation	1,725	(10,476)	(12,346)
Total comprehensive (loss) for the period, net of tax	**(12,923)**	**(14,874)**	**(33,181)**

Source: MC Mining's audited financial statements for the years ended 30 June 2024, 30 June 2023 and 30 June 2022

Commentary on Historical Consolidated Statements of Profit or Loss and Other Comprehensive Income

- Revenue increased from US$23.51 million for the year ended 30 June 2022 to US$44.80 million for the year ended 30 June 2023, as a result of the coal sales generated from Uitkomst and the recommissioning of the Vele Colliery. Revenue decreased from US$44.80 million for the year ended 30 June 2023 to US$36.67 million for the year ended 30 June 2024, as a result of low API4 thermal coal prices, combined with high logistics costs which resulted in the Company selling coal from Uitkomst on the domestic market.
- Expected credit losses relate to a provisional credit loss allowance in relation to trade receivables. This allowance is calculated based on historical credit loss experience, as well as consideration of debtor-specific risk factors and general economic conditions.
- During the year ended 30 June 2022, the Company recorded an impairment expense of US$14.9 million. The impairment related to identified areas of the Vele Colliery and the GSP as a result of the uncertainty surrounding their development in the foreseeable future. During the year ended 30 June 2024, the Company recorded a further impairment expense of US$0.94 million relating to the Vele Colliery, as a result of operations being suspended from 31 December 2023 to the end of the financial year. The impairment expense was allocated to mining property, plant and equipment (US$0.88 million), and exploration and evaluation assets (US$0.05 million).

5.6 Capital structure

The share structure of MC Mining as at 30 October 2024 is outlined below:

	Number
Total ordinary shares on issue	476,115,351
Top 20 shareholders	458,704,013
Top 20 shareholders - % of shares on issue	96.34%

Source: MC Mining's share registry, provided by Management

The range of shares held in MC Mining as at 30 October 2024 is as follows:

Range of shares held	No. of ordinary shareholders	No. of ordinary shares	Percentage of issued shares (%)
1 - 1,000	770	108,959	0.02%
1,001 - 5,000	101	242,633	0.05%
5,001 - 10,000	41	311,543	0.07%
10,001 - 100,000	78	2,462,640	0.52%
100,001 - and over	33	472,989,576	99.34%
TOTAL	**1,023**	**476,115,351**	**100.00%**

Source: MC Mining's share registry, provided by Management

The ordinary shares held by the most significant shareholders as at 30 October 2024 are detailed below:

Name	No. of ordinary shares	Percentage of issued shares (%)
Goldway Capital Investment Limited	125,386,172	26.34%
Senosi Group Investment Holdings Pty Ltd	95,357,455	20.03%
Kinetic Crest Limited	62,102,002	13.04%
Shining Capital GP Ltd	35,000,000	7.35%
Dendocept Pty Ltd	28,265,593	5.94%
Jun Liu & Huan Qu as trustees for the Golden Eagle Trust	26,499,345	5.57%
Pacific Goal Investment Ltd	24,927,757	5.24%
Subtotal	**397,538,324**	**83.50%**
Others	78,577,027	16.50%
Total ordinary shares on Issue	**476,115,351**	**100.00%**

Source: MC Mining's share registry, provided by Management

As outlined in Section 5.3 of our Report, the Consortium held approximately 93.05% of the issued capital of the Company at the end of the Goldway Takeover offer period. From the table above, we note that Goldway, Senosi, Shining Capital GP Ltd (**'Shining Capital'**), Dendocept, Jun Liu & Huan Qu as trustees for the Golden Eagle Trust, and Pacific Goal Investment Ltd are all members of the Consortium.

6. Profile of KDG

KDG is an integrated coal mining and trading group listed on the HKSE. KDG operates across the entire coal value chain including mining, processing, logistics, marketing and trading. KDG has been listed on the HKSE since March 2012. As at 7 November 2024, KDG's market capitalisation was US$1.70 billion.

KDG's key project is the Dafanpu underground thermal coal mine located in the Chinese autonomous region of Inner Mongolia, occupying a concession area of approximately 9.6 km^2. As at 31 December 2023, the Dafanpu Coal Mine had coal resources of approximately 368 Mt, comprising 151 Mt of Measured coal resources, 199 Mt of Indicated coal resources and 18 Mt of Inferred coal resources. In addition, the Dafanpu Coal Mine had coal reserves of approximately 166 Mt, comprising 79 Mt of Proven coal reserves and 86 Mt of Probable coal reserves.

KDG is also the operator of the Yongan and Weiyi underground coal mines located in the Chinese autonomous region of Ningxia. KDG expects the Yongan and Weiyi Coal Mines to commence production in the second half of 2024, reaching full production capacities of 1.2 Mtpa and 0.9 Mtpa respectively, by 2026. As at 31 December 2023, the Yongan Coal Mine had coal resources of approximately 224 Mt, comprising 63 Mt of Indicated coal resources and 161 Mt of Inferred coal resources, with coal reserves of 33 Mt (Probable). As at 31 December 2023, the Weiyi Coal Mine had coal resources of approximately 119 Mt, comprising 38 Mt of Indicated coal resources and 81 Mt of Inferred coal resources, with coal reserves of 15 Mt (Probable).

KDG currently holds a relevant interest of 13.04% in MC Mining following the completion of the First Subscription on 30 August 2024. Following the completion of the Second Subscription, KDG intends to be involved in the Company's operations, including advancing the development of its projects.

The consolidated statement of financial position for KDG for the last audited period is presented below:

Consolidated Statement of Financial Position	Audited as at 31-Dec-23 RMB'000	Translated as at 31-Dec-23* US$'000
CURRENT ASSETS		
Cash at bank and on hand	734,143	103,074
Inventories	115,274	16,184
Trade and other receivables	194,053	27,245
Pledged and restricted deposits	727,784	102,181
Financial assets at fair value through profit or loss	220,592	30,971
Current portion of other non-current assets	165,341	23,214
TOTAL CURRENT ASSETS	**2,157,187**	**302,869**
NON-CURRENT ASSETS		
Property, plant and equipment	2,483,678	348,708
Right-of-use assets	88,049	12,362
Intangible assets	3,233,648	454,004
Interest in associates	79,833	11,209
Goodwill	250,673	35,194
Deferred tax assets	26,726	3,752
Prepayments for proposed acquisitions	2,449,881	343,963
Other non-current assets	168,239	23,621
TOTAL NON-CURRENT ASSETS	**8,780,727**	**1,232,814**
TOTAL ASSETS	**10,937,914**	**1,535,683**

Consolidated Statement of Financial Position	Audited as at 31-Dec-23 RMB'000	Translated as at 31-Dec-23* US$'000
CURRENT LIABILITIES		
Trade and other payables	1,066,741	149,770
Contract liabilities	68,351	9,596
Bank loans	1,033,000	145,033
Lease liabilities	1,898	266
Income tax payable	402,086	56,453
TOTAL CURRENT LIABILITIES	**2,572,076**	**361,119**
NON-CURRENT LIABILITIES		
Bank loans	269,800	37,880
Lease liabilities	6,989	981
Long-term payables	583,936	81,985
Deferred tax liabilities	41,841	5,874
Accrual for reclamation costs	43,073	6,047
TOTAL NON-CURRENT LIABILITIES	**945,639**	**132,768**
TOTAL LIABILITIES	**3,517,715**	**493,887**
NET ASSETS	**7,420,199**	**1,041,796**
EQUITY		
Share capital	54,293	7,623
Reserves	7,313,557	1,026,823
Non-controlling interests	52,349	7,350
TOTAL EQUITY	**7,420,199**	**1,041,796**

*Translated from Chinese Yuan to USD at an exchange rate of RMB/USD = 0.1404 as at 31 December 2023
Source: KDG 's audited financial statements for the year ended 31 December 2023

As set out above, as at 31 December 2023, KDG had a cash balance of US$103.07 million and a net assets position of US$1.04 billion.

In addition, based on KDG's unaudited financial statements as at 30 June 2024, KDG had a cash balance of RMB 345.44 million (US$48.12 million) and a net assets position of RMB 8.76 billion (US$1.22 billion), which have been translated from Chinese Yuan to USD to an exchange rate of RMB/USD of 0.1393 as at 7 November 2024.

7. Economic analysis

MC Mining is primarily exposed to the risks and opportunities of the South African market through its coal operations at the Makhado Project, Uitkomst, the Vele Colliery and the GSP. Accordingly, we have presented an economic analysis on South Africa.

7.1 South Africa

Overview

In a statement released on 19 September 2024, the South African Reserve Bank's (**'SARB'**) Monetary Policy Committee (**'MPC'**) outlined that the South African economy is forecast to grow 0.6% over the next two quarters of 2024, based on a quarter-on-quarter measure. In addition, year-on-year economic growth is forecast to be 1.4% and 1.7% over the next two quarters, respectively. This growth reflects increasing confidence following a more stable electricity supply, and an increase in spending in domestic consumption due to the Two-Pot retirement system coming into effect from 1 September 2024, allowing for partial withdrawals prior to retirement.

Due to the lower than expected impact of load shedding over the medium-term, growth projections for this period have slightly increased, but still remain below longer-run averages of 2.0%. This increase is seen to be a result of more efficient network systems and momentum in the country's broader reform. However, this growth is restricted by the lack of sustained investment in the economy, which has contracted for four consecutive quarters.

South African Bank, Nedbank, forecasts gross domestic product (**'GDP')** growth to rise to 0.9% over 2024, before increasing to 1.5% and 1.6% over 2025 and 2026, respectively. This recovery is expected due to the easing of structural constraints, as well as growing support from global and domestic economic cycles.

On 14 June 2024, the African National Congress ('**ANC**') and its largest political rival, the Democratic Alliance, agreed to form South Africa's new government of national unity. This resulted in Cyril Ramaphosa being re-elected as South African president, and follows the ANC being in government for the past 30 years, since the end of apartheid in South Africa in 1994.

Economic indicators

South Africa has the highest unemployment rate in the world. South Africa's unemployment rate increased to 33.5% in the June 2024 quarter, up from 32.9% in the March 2024 quarter. The nation's high unemployment rate is a result of several constraints, including strict labour laws, stagnant productivity, bureaucratic hurdles, and high levels of unskilled unemployment. Unemployment is expected to remain elevated as labour intensive sectors, such as construction and tourism, remain constrained and domestic growth moderates.

South Africa's inflation rate declined to a three-year low of 4.4% in August 2024, returning to the midpoint of the country's target inflation range of 3% to 6%. In the short-term, a strong exchange rate and declining oil prices are expected to result in a further decline in inflation. In the long-term, inflation is forecast to maintain a rate below 4.5% until the end of 2026. A slower of housing inflation in the June 2024 quarter is also expected to contribute to services inflation declining to around the midpoint for early 2025. On the contrary, this decline is to be partly offset by increasing electricity prices.

In its September 2024 Statement of the Monetary Policy, the MPC decided to reduce the repurchase rate ('**Repo Rate**') by 25 basis points to 8% per annum. The MPC stated that the reduction in the Repo Rate level was consistent with the medium term forecast of sustainably lower inflation. This forecast sees the rate stabilising around 7% next year, as it moves to a more neutral position.

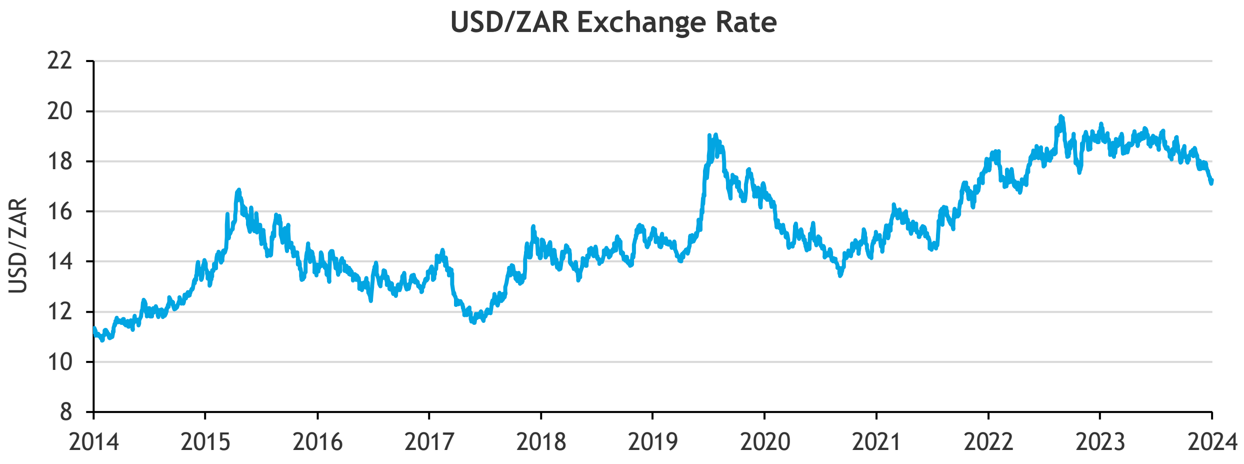
Currency movements

As a result of uncertainties around the global economic environment, and the South Africa-specific factors outlined above, specifically falling commodity export prices, the South African Rand (**'ZAR'**) depreciated by approximately 12% against the USD over 2023, making the ZAR one of the worst performing emerging market currencies.

Recently however, the ZAR strengthened to its highest level against the USD since January 2023. The MPC set an implied starting point of USD/ZAR 18.04 in September 2024, representing a 2% appreciation relative to the USD when compared to their July assumption of USD/ZAR 18.35. This appreciation was primarily a result of the easing of US monetary policy during the year, as well as a positive sentiment being directed towards South Africa following the recent elections.

Nedbank forecasts the ZAR to continue to strengthen to approximately USD/ZAR 18.10 in 2025, before weakening to approximately USD/ZAR 18.39 in 2026.

The chart below outlines the fluctuations in the USD/ZAR exchange rate over the past 10 years.



Source: Bloomberg

Mining

Companies carrying out mining activities in South Africa are regulated by the Mineral and Petroleum Resources Development Act (**'MPRDA'**), which is the primary legislation that governs mining in South Africa. Obtaining mining rights in South Africa involves several key requirements, including an assessment of the mineral resources and reserves in the proposed mining area, an environmental impact assessment, social and labour plans, and financial provisioning for environmental rehabilitation upon the closure of a mine.

South Africa hosts the largest known reserves and is the leading producer of platinum-group metals. The country also hosts considerable reserves of manganese, chromium, and gold. In 2023, South Africa's mining industry contributed approximately US$11.18 billion to the economy, representing approximately 6.2% of the country's GDP. However, mining activity in South Africa has been consistently on the decline since the 1990s. This can be largely attributed to social and political unrest in South Africa, combined with a decline in international competitiveness due to a lack of investment relative to other countries towards developing mining techniques.

Source: *Statement of the Monetary Policy Committee* 19 September 2024, *South African Government Quarterly Labour Force Survey* Q2:2024, *Nedbank Guide to the Economy* 31 July 2024 and Bloomberg.

8. Industry analysis

MC Mining is a coal exploration and development company with operations in South Africa. As such, we have presented an overview of the global coal industry and an analysis of the coal industry in South Africa.

Overview

Coal is a combustible sedimentary rock found below the earth's surface and comprises mostly carbon (50%-98%), hydrogen (3%-13%), oxygen, and small amounts of other elements, including nitrogen and sulphur. When burnt, coal releases energy as heat, which can be utilised in a variety of processes, including energy generation. The quality of a coal deposit is determined by the temperature and pressure at which the deposit is formed, in addition to the length of time in formation, commonly known as its 'organic maturity'. There are two methods generally used to mine coal, being opencast mining and underground mining, with the choice of extraction method largely determined by the geology of the coal deposit.

The rank of coal refers to the physical and chemical properties that coals of different maturities possess. Lower rank brown coals such as Lignite generally possess a much lower organic maturity, have a soft texture, a dull earthy appearance and are characterised by high moisture levels and low energy (carbon) content. Higher ranked black coals such as Anthracite, which is the highest quality and scarcest type of coal, are harder, stronger, contain less moisture, and produce more energy. Black coal can be categorised into two main types, metallurgical (coking) coal and thermal (steaming) coal.

Due to its high carbon content and coking ability, metallurgical coal is used in the production of both iron and steel, and to a lesser extent, for the smelting and casting of base metals. Of the different types of metallurgical coal, hard coal is the most valuable as it has the lowest ash and moisture content and produces the highest quality coke and most energy. Semi-soft coking coal and pulverised coal injection are used more in blending with hard coking coal to be used as an auxiliary fuel source to increase the effectiveness of blast furnaces.

Thermal coal generally contains less carbon than metallurgical coal and consequently cannot be used in the production of steel. Its primary use is therefore as an energy source for coal-fired power plants where it is pulverised and burnt to heat steam generating boilers. Globally, the major producers of thermal coal are China, the United States of America ('**US**') and India, with the largest importers being China, India, Japan and South Korea.

South African Coal Industry

Black coal deposits are found all over the world, with South Africa being one of the top ten largest coal producers globally. South Africa's coal-mining industry has evolved due to its ability to exploit deposits at favourable costs. South Africa is the fourth largest exporter of coal globally, with 32.5% of total domestic coal production in 2021 being exported, primarily through the Richards Bay Coal Terminal. South Africa is also highly reliant on coal. In 2024, 85% of its total electricity generation was derived from coal, compared to the global average of approximately 35%. International recognition of South Africa's high carbonisation has led to the country securing US$8.4 billion in funding from a deal announced in November 2021 to assist in reducing the country's coal usage.

South Africa's coal deposits are primarily located in the northeast of the country, with a relatively even proportion of South African coal mines being underground or opencast. The coal resources are generally found in shallow, un-faulted and lightly inclined areas, making extraction suitable for opencast mines.

Coking coal

Coking coal is used primarily in the production of steel. Coking coal has different quality grades, including hard coking coal, semi-hard coking-coal, semi-soft coking coal and pulverised coal for injection, which are all used in steel production. Coking coal typically contains more carbon, less ash and less moisture than thermal coal. It takes approximately 770 kg of coal to make one tonne of steel. The challenge in steel production is producing steel to generate growth whilst simultaneously reducing emissions in the process. The coking coal market has approximately a third of the volume of the global thermal coal market, as such, South Africa produces no high-quality coking coal in comparison, and therefore primarily imports the commodity.

Coking coal prices plummeted prior to 2016, in line with weaker steel production activity in major export destinations such as China. However, coking coal prices rebounded in 2016 and 2017, largely due to industrial policy changes in China. In April 2016, the Chinese Government announced it would restrict the number of production days per year at Chinese coal mines from 330 to 276. In July 2016, torrential rain in the major coal-producing province of Shanxi in northern China also caused a coking coal supply disruption. This disruption benefited South African and international producers, as the loss of Chinese supply significantly increased prices of coking coal globally.

The outbreak of COVID-19 led to a significant reduction in economic activity, ultimately leading to lower demand for energy and steel, which are products derived from coal. Coking coal prices declined over the course of 2020, but increased in 2021, with strong steel demand from China contributing to the price rises. Coking coal prices experienced limited volatility following the Russia-Ukraine conflict in 2021, in which coking coal prices remained relatively stable amid substantial price spikes amongst other commodities.

The International Energy Agency estimates global coal demand to enter a trend reversal in 2025 following four years of growth. The reversal is expected to be driven by China's first decline in coal demand since 2016, combined with ongoing declines in the European Union, the US, Japan and Korea, which is anticipated to outweigh the continuous growth in India and the Association of Southeast Asian Nations.

Thermal coal

Thermal coal, or steaming coal, is used to generate electricity in many parts of the world, but due to its high carbon and sulphur content, it is a major emissions contributor. For over five decades, thermal coal has been the dominant fuel source used in power generation, representing almost 40% of the global market. Owing to its low cost and availability, coal's role as a major fuel source for power generation is expected to persist into the future, although its share is expected to decline due to the rise of renewables.

While South Africa demands a significantly higher portion of thermal coal compared to the rest of the world, this will decline over time as renewable energy sources increasingly contribute to South Africa's total electricity generation. As a result of decarbonisation trends, many of the large coal mining companies in South Africa have indicated they plan to exit the industry to focus on more sustainable energy practices. However, it is unlikely this will affect the quantity of coal produced, as these companies intend to sell off assets to smaller industry players rather than shutting them down completely.

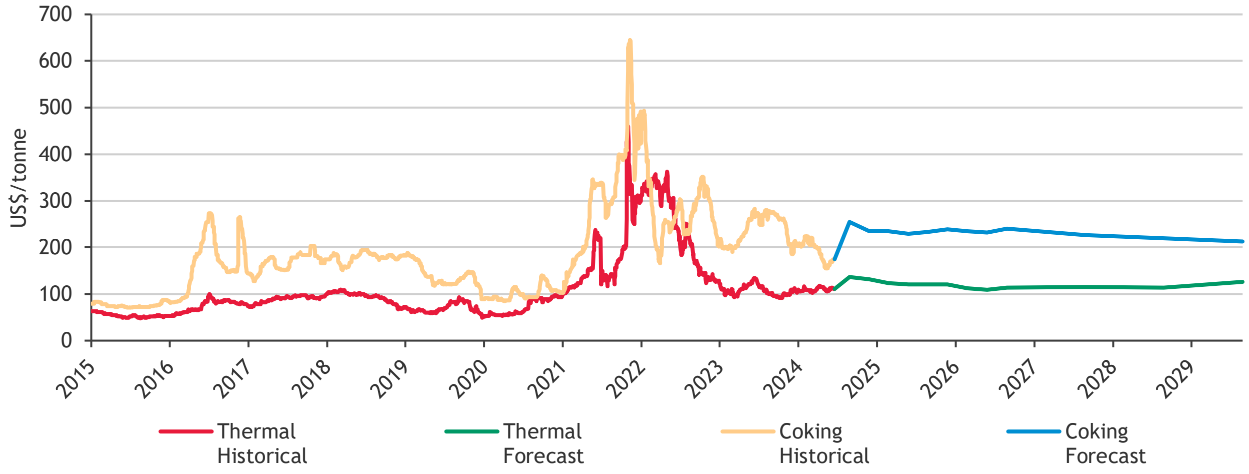
In July 2023, annual growth in global coal trade was projected at 7%, which would surpass the record levels obtained during 2019. However, thermal coal exports are expected to decline by approximately 12% by 2026. This decline is attributed to the rise in domestic production in coal-intensive economies such as China and India, as well as coal phase-out initiatives in regions such as Europe.

Despite experts citing a mass global substitution for alternative energy sources, coal is forecast to generate 31% of global power generation through to 2030, compared to 35% in 2024.

Coal prices

The price of coking coal (TSI Hard Coking Coal Australia Export FOB East Coast) and thermal coal (RB Coal Terminal in South Africa) over the previous nine years, together with coking and thermal coal forecasts from Consensus Economics, are depicted in the graph below.

Coal Spot and Forecast Price



Source: Bloomberg, S&P Capital IQ Pro, Consensus Economics and BDO analysis

Coking coal prices increased sharply over 2016 and 2017, driven by supply side disruptions in China resulting from restrictions to coal production and torrential rain in a major coal-producing province. In 2019, coal prices began to trend downward but stabilised at the beginning of 2020. However, prices then resumed a downwards trajectory due to subdued global energy demand and steelmaking activity as a result of the COVID-19 pandemic.

The price of coal has been volatile over the past few years, with subdued global energy demand due to the COVID-19 pandemic weighing on prices in 2020. In 2021, thermal and coking coal prices increased from approximately US$83/t and US$107/t in February, to US$220/t and US$335/t in October, respectively. This was driven by demand pressure from China and other emerging Asian markets, which account for over 70% of global coal demand, as well as coal shortages in China. China's coal shortages stemmed from its inability to fully replace the volumes normally imported from Australia following an unofficial ban of Australian coal in December 2020.

Prior to 2022, it was expected that prices would fall due to no long-term supply issues, as the main producing countries had not curtailed their production or export capacities. However, the conflict between Russia and Ukraine, as well as the switch to coal-fired generation amidst high gas prices, sent the prices of thermal coal skyrocketing. Russia's war against Ukraine and the subsequent international sanctions against it led to a reshuffling of coal supply chains and a further shift of exports from land-based to seaborne transport. This resulted in thermal coal prices more than doubling to US$460/t in early March 2022, before falling back to approximately US$300/t in May 2022, which is still an elevated position compared to recent pricing.

In the latter half of 2022, coal prices experienced downward pressure, with limited trade forcing domestic production and causing an increase in the global supply of raw materials. This led to coking coal prices falling to US$169.70/t in late July 2022, and thermal coal prices falling to US$183.85/t in early November 2022.

In 2023, as gas prices weakened and global supply of coal increased, the coal market recovered. In October 2023, thermal coal fell to US$124.60/t, although coking coal reached US$276/t. However, by February 2024, both thermal and coking coal prices declined to approximately US$91/t and US$260/t, respectively.

By early-September 2024, thermal coal prices increased to approximately US$115/t while coking coal prices decreased to approximately US$173/t. The increase in thermal coal prices can be attributed to an economic recovery in Asia and higher natural gas prices leading to a heavier reliance on coal for power generation. The decrease in coking coal prices is due to reduced demand, particularly from Chinese steelmakers, and increasing competition from alternative energy sources. Despite the focus on decarbonisation, which is expected to cause global coal demand to decline, forecasts predict limited volatility and for prices to remain consistent with current trends through to 2029.

Consensus Economics forecasts thermal coal prices to increase to US$138/t by the end of 2024, then to gradually decrease to US$105/t by 2027, with a long-term forecast (from 2029 to 2033) of US$119/t. Further, Consensus Economics forecasts coking coal prices to exhibit a declining trend over the period to 2027, from which point they are expected to stabilise over the longer term. According to Consensus Economics, the medium-term forecast coking coal price from 2026 to 2028 is expected to range between US$219/t to US$240/t, with the long-term forecast (from 2029 to 2033) of approximately US$213/t.

Community concerns over fossil fuels

Global carbon emissions have increased significantly over the past 150 years, with the largest driver being the rise in global energy consumption. Fossil fuels, which have been the major source of carbon emissions, have also been the largest contributor to global energy supply.

In a global effort to reduce carbon emissions, governments have set emissions targets to reduce the impacts of global warming. The impact of net-zero emissions targets on global fossil fuel exports is uncertain as the policies to achieve them have not been fully articulated. Despite coal being a key global export, growing pressures from shareholders and climate activists have influenced global banks, insurers, and other industries to reduce their support for coal mining projects. This movement has had a noticeable impact on coal companies' ability to obtain insurance and secure adequate access to finance. As support for fossil fuels slows, future demand will be shaped by the speed of transition towards renewable energy sources, technological advancement, and economic growth. However, South Africa, along with several other governments, is expected to miss its 2030 carbon emissions targets under the 2015 Paris Climate Agreement, as it plans to operate coal-fired power plants for longer than initially anticipated.

Donald Trump's recent victory in the US presidential election and his pro-fossil fuels agenda are likely to introduce uncertainty in global markets. This stems from the potential deregulation of fossil fuel industries and the likelihood of import tariffs being imposed on US imports from China.

Sources: IBIS World, IEA, Bloomberg Intelligence, Capital IQ Pro, Mining, Mining Technology Africa, Worldometer and Consensus Economics.

9. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings (‘**FME**’)
- Discounted cash flow (‘**DCF**’)
- Quoted market price basis (‘**QMP**’)
- Net asset value (‘**NAV**’)
- Market based assessment, such as a Resource Multiple.

A summary of each of these methodologies is outlined in Appendix 2 of our Report.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information.

It is possible for a combination of different methodologies to be used together to determine an overall value, where separate assets and liabilities are valued using different methodologies. When such a combination of methodologies is used, it is referred to as a ‘sum-of-parts’ valuation (‘**Sum-of-Parts**’).

The approach using Sum-of-Parts involves separately valuing each asset and liability of the company. The value of each asset may be determined using different methodologies as described above. The component parts are then valued using the NAV methodology, which involves aggregating the estimated fair market value of each component part.

9.1 Valuation of an MC Mining share prior to the Proposed Transaction

In our assessment of the value of an MC Mining share prior to the Proposed Transaction, we have chosen to employ the following methodologies:

- Sum-of-Parts as our primary methodology, which estimates the fair market value of a company by assessing the realisable value of each of its component parts. The value of each component part may be determined using different methodologies and the component parts are then aggregated using the NAV methodology. The value derived from this methodology reflects a control value.
- QMP as our secondary methodology, utilising quoted market prices of MC Mining shares prior to the announcement of the Proposed Transaction. The QMP of MC Mining shares represents the value that a Shareholder may receive for an MC Mining share if it were sold on market prior to the announcement of the Proposed Transaction. The value derived from this methodology reflects a minority interest value. Given our valuation assessment of an MC Mining share prior to the Proposed Transaction is on a controlling interest basis, we have applied a premium for control to the value derived from this methodology.

We considered employing the DCF methodology to value the Makhado Project and Uitkomst, based on the forecast cash flow models provided to us by the Company (‘**Models**’). We reviewed the Models to assess their integrity and mathematical accuracy, and the reasonableness of the economic assumptions underpinning the Models. In addition, we instructed SRK, an independent technical specialist, to review the Models and assess the reasonableness of the technical assumptions underpinning the Models.

We made the following adjustments to the Models:

- Adjusted coal prices to reflect BDO’s assessed forecast coal pricing, based on consensus forecasts from Consensus Economics, and forecast USD/ZAR exchange rates, based on consensus forecasts from Consensus Economics and Bloomberg.

- Converted cash flows from a real basis to a nominal basis, using BDO’s assessed forecast inflation rates over the respective life of mines, based on consensus forecasts from Bloomberg and BDO analysis.
- Adjusted the discount rate.
- Adjusted the technical assumptions underpinning the Models to reflect SRK’s recommendations.

Following the above adjustments to the Models, we arrived at an adjusted model for each of the Makhado Project and Uitkomst (**‘Adjusted Models’**).

Based on our analysis and current economic assumptions, the Adjusted Models indicate that operating the projects does not represent the highest and best use of these assets. This was largely driven by the following:

- SRK’s recommendations relating to the technical assumptions in the Models, which included increases to mining costs, capital expenditure, and rehabilitation costs at both the Makhado Project and Uitkomst.
- BDO’s assessed economic inputs in the Models, which included current consensus forecast coal prices, inflation rates and our assessed discount rate over the respective life of mines.

In addition, the net present values of the cash flows derived from the Adjusted Models were substantially lower than the values ascribed by SRK for the Makhado Project and Uitkomst (comprising the Mineral Resources), which was performed using alternative valuation methodologies, as contained in the Independent Specialist Report in Appendix 3. Therefore, the highest and best use values of both the Makhado Project and Uitkomst are derived from employing a market-based valuation, which represents the value that could be obtained in the market by selling the projects as a resource with associated infrastructure.

It is not uncommon for a market-based valuation approach, such as comparable transaction multiples, to result in a valuation higher than the net present value of cash flows derived under a DCF approach. This is largely because a DCF valuation represents forecast cash flows using forecast inputs as at the valuation date. In the context of an IER, the expert must have reasonable grounds in accordance with RG 170 and IS 214 for the assumptions underpinning a DCF valuation.

Therefore, whilst we have considered the DCF approach, we have not relied on it to inform our view of the value of the Makhado Project and Uitkomst. Our preferred approach is to rely on the valuations performed by SRK in valuing the Makhado Project and Uitkomst, with the various valuation approaches detailed in the Independent Specialist Report in Appendix 3.

We have employed the Sum-of-Parts methodology in estimating the fair market value of an MC Mining share prior to the Proposed Transaction, by aggregating the fair market values of its underlying assets and liabilities. We have considered the following component parts in our valuation of MC Mining prior to the Proposed Transactions:

- The value of MC Mining’s 67.3% interest in the Makhado Project, having reliance on the valuation performed by SRK.
- The value of MC Mining’s 84% interest in Uitkomst, having reliance on the valuation performed by SRK.
- The value of the Vele Colliery, having reliance on the valuation performed by SRK.
- The value of MC Mining’s 74% interest in the GSP, having reliance on the valuation performed by SRK.
- The value of other assets and liabilities, using the cost approach under the NAV valuation methodology.

We have chosen these methodologies for the following reasons:

- The core value of MC Mining lies in the future cash flows to be generated from its mineral assets. As discussed above, we considered employing the DCF methodology to value the Makhado Project and Uitkomst. However, based on the Adjusted Models, the highest and best use values of both the Makhado Project and Uitkomst are derived from employing a market-based valuation based on the Mineral Resource of each project, which was performed by SRK using various valuation approaches detailed in its Independent Specialist Report in Appendix 3. Based on discussions with SRK and in accordance with RG 170 and IS 214, we do not consider there to be sufficient reasonable grounds to estimate the future cash flows to be generated from the Vele Colliery and the GSP. The reasons for SRK's advice to not use an income approach for these assets is set out in its Independent Specialist Report in Appendix 3. Therefore, based on SRK's advice and application of RG 170 and IS 214, we do not consider the application of a DCF approach to be appropriate for the valuation of these mineral assets. However, there are certain other assets and liabilities of MC Mining that are not suited to the valuation approach used to value MC Mining's mineral assets. Where different approaches are used to value different component parts of a business, a Sum-of-Parts approach is the most appropriate valuation methodology to employ.
- We have adopted QMP as our secondary approach. The QMP basis is a relevant methodology to consider because the shares of MC Mining are listed on the ASX, therefore reflecting the value that a Shareholder will receive for a share sold on the market. This means there is a regulated and observable market where the shares of MC Mining can be traded. However, in order for the QMP methodology to be considered appropriate, the listed shares should be liquid, and the market should be fully informed of the Company's activities. We have analysed the liquidity of MC Mining shares in assessing whether application of the QMP methodology is appropriate. We note that the shares of MC Mining are also listed on the JSE. Therefore, we have analysed the QMP of MC Mining shares traded on the JSE for comparative purposes. However, given that the Company's primary listing is on the ASX, our assessment of the QMP value of an MC Mining share is based on the QMP and trading of MC Mining shares on the ASX.
- Given that lack of liquidity of MC Mining shares as assessed in Section 10.2 of our Report, we have also considered the offer price in connection with the Goldway Takeover. We consider the offer price to be a relevant indicator of the market value of an MC Mining share prior to the Proposed Transaction, as the Goldway Takeover represents an arm's length transaction between a willing buyer and many willing sellers. We note that the offer price in connection with the Goldway Takeover represents a controlling interest value.
- The FME methodology is most commonly applicable to profitable businesses with steady growth histories and forecasts. Further, the FME methodology is not considered appropriate for valuing finite life assets, such as mining assets. Therefore, we do not consider the application of the FME approach to be appropriate.

Independent Technical Expert

In performing our valuation of an MC Mining share prior to, and following, the Proposed Transaction, we have relied on the Independent Specialist Report prepared by SRK, which includes an assessment of the market value of MC Mining's mineral assets, including the Makhado Project, Uitkomst, the Vele Colliery, and the GSP.

SRK's Independent Specialist Report has been prepared in accordance with the Australasian Code for Public Reporting of Technical Assessments and Valuation of Mineral Assets (2015 Edition) (**'VALMIN Code'**) and the JORC Code. We are satisfied with the valuation methodologies adopted by SRK, which we believe are in accordance with industry practices and are compliant with the requirements of the VALMIN Code.

The specific valuation methodologies used by SRK are referred to in the respective sections of our Report and further detailed in the Independent Specialist Report contained in Appendix 3.

9.2 Valuation of an MC Mining share following the Proposed Transaction

In our assessment of the value of an MC Mining share following the Proposed Transaction, we have chosen to employ the following methodologies:

- Sum-of-Parts as our primary methodology. The value derived from this methodology reflects a control value. Given our assessment of the value of an MC Mining share following the Proposed Transaction is on a minority interest basis, we have applied a minority interest discount to our Sum-of-Parts value.
- QMP as our secondary methodology, utilising quoted market prices of MC Mining shares following the announcement of the Proposed Transaction. The value derived from this methodology reflects a minority interest value.

We have employed the Sum-of-Parts methodology in estimating the fair market value of an MC Mining share following the Proposed Transaction, by aggregating the fair market values of its underlying assets and liabilities. We have considered the following component parts in our valuation of MC Mining following the Proposed Transaction:

- The value of MC Mining's 67.3% interest in the Makhado Project, having reliance on the valuation performed by SRK.
- The value of MC Mining's 84% interest in Uitkomst, having reliance on the valuation performed by SRK.
- The value of the Vele Colliery, having reliance on the valuation performed by SRK.
- The value of MC Mining's 74% interest in the GSP, having reliance on the valuation performed by SRK.
- The cash raised from the Second Subscription, and the resulting shares issued to KDG.
- The value of other assets and liabilities, using the cost approach under the NAV valuation methodology.

The reasons for choosing these methodologies are the same as those detailed in Section 9.1 of our Report.

The difference between our valuation of an MC Mining share prior to, and following the Proposed Transaction is the increase in cash from the Second Subscription and the resulting increase in MC Mining shares on issue.

Post-announcement pricing of MC Mining

We have considered the QMP of MC Mining shares as our secondary methodology, utilising QMPs of MC Mining shares following the announcement of the Proposed Transaction. The QMPs of MC Mining shares in the period following the announcement of the Proposed Transaction is considered to be an indicator of the value of an MC Mining share following the Proposed Transaction, because market participants are fully informed as to the terms of the Proposed Transaction, with the price of MC Mining shares reflecting the market's view of value. This value includes the funds to be raised under the Second Subscription and the resulting shares issued to KDG.

10. Valuation of MC Mining prior to the Proposed Transaction

10.1 Sum-of-Parts valuation

We have employed the Sum-of-Parts methodology in estimating the fair market value of an MC Mining share prior to the Proposed Transaction (on a controlling interest basis), by aggregating the estimated fair market value of its underlying assets and liabilities, having consideration to the following:

- The value of MC Mining's 67.3% interest in the Makhado Project
- The value of MC Mining's 84% interest in Uitkomst
- The value of the Vele Colliery
- The value of MC Mining's 74% interest in the GSP
- The value of other assets and liabilities not included in the other components of the Sum-of-Parts valuation.

Our Sum-of-Parts valuation of MC Mining prior to the Proposed Transaction is set out in the table below:

Valuation of MC Mining prior to the Proposed Transaction	Ref	Low ZAR m	Preferred ZAR m	High ZAR m
Value of MC Mining's interest in the Makhado Project	10.1.1	438.04	620.37	802.71
Value of MC Mining's interest in the Uitkomst Colliery	10.1.2	31.27	44.29	57.31
Value of the Vele Colliery	10.1.3	382.95	542.35	701.75
Value of MC Mining's interest in the GSP	10.1.4	262.91	382.48	502.05
Value of other assets and liabilities	10.1.5	(176.24)	(176.24)	(176.24)
Total value of MC Mining prior to the Proposed Transaction (control) (ZAR m)		**938.93**	**1,413.25**	**1,887.58**
Number of MC Mining shares on issue prior to the Proposed Transaction	10.1.6	476,115,351	476,115,351	476,115,351
Value per MC Mining share prior to the Proposed Transaction (control) (ZAR/share)		**1.972**	**2.968**	**3.965**
AUD/ZAR exchange rate assumed		11.75	11.75	11.75
Value per MC Mining share prior to the Proposed Transaction (control) (A$/share)		**0.168**	**0.253**	**0.337**

Source: BDO analysis

We have assumed the following exchange rates for all currency conversions throughout our valuation, based on a 30-day historical average to 7 November 2024:

- AUD/ZAR exchange rate of 11.75
- USD/ZAR exchange rate of 17.55.

Based on the above, we have assessed the value of an MC Mining share prior to the Proposed Transaction (on a controlling interest basis) to be in the range of $0.168 to $0.337, with a preferred value of $0.253.

10.1.1 Valuation of MC Mining's 67.3% interest in the Makhado Project

In performing our valuation of MC Mining's interest in the Makhado Project, we have relied on the Independent Specialist Report prepared by SRK. We instructed SRK to provide an independent market valuation of the Makhado Project, which includes the Mineral Resource and the exploration potential of the Makhado Project. SRK considered various valuation methodologies when valuing the Makhado Project, including the comparable market transactions approach (including the implied multiple from the offer from the Consortium) as the primary valuation methodology and the yardstick approach as the secondary valuation methodology.

SRK determined the fair market value of MC Mining's interest in the Makhado Project to be within the range of ZAR 438.04 million to ZAR 802.71 million, with a preferred value of ZAR 620.37 million. We note that SRK's valuation was conducted on an attributable basis, and as such, the values reflect MC Mining's ownership interest in the Makhado Project.

For further information on SRK's approach and conclusions, refer to the Independent Specialist Report, which is included as Appendix 3 of our Report.

10.1.2 Valuation of MC Mining's 84% interest in Uitkomst

In performing our valuation of MC Mining's interest in Uitkomst, we have relied on the Independent Specialist Report prepared by SRK. We instructed SRK to provide an independent market valuation of Uitkomst, which includes the Mineral Resource and the exploration potential of Uitkomst. SRK considered various valuation methodologies when valuing Uitkomst, including the comparable market transactions approach (including the implied multiple from the offer from the Consortium) as the primary valuation methodology and the yardstick approach as the secondary valuation methodology.

SRK determined the fair market value of MC Mining's interest in Uitkomst to be within the range of ZAR 31.27 million to ZAR 57.31 million, with a preferred value of ZAR 44.29 million. We note that SRK's valuation was conducted on an attributable basis, and as such, the values reflect MC Mining's ownership interest in Uitkomst.

10.1.3 Valuation of the Vele Colliery

In performing our valuation of the Vele Colliery, we have relied on the Independent Specialist Report prepared by SRK. Based on advice from SRK in relation to the uncertainties surrounding the future operating parameters of Vele Colliery, it was concluded that the DCF approach is not appropriate and as such, we instructed SRK to provide an independent valuation of MC Mining's interest in the Vele Colliery.

SRK considered various valuation methodologies when valuing the Vele Colliery, including the comparable market transactions approach (including the implied multiple from the offer from the Consortium) as the primary valuation methodology and the yardstick approach as the secondary valuation methodology.

SRK determined the fair market value of MC Mining's interest in the Vele Colliery to be within the range of ZAR 382.95 million to ZAR 701.75 million, with a preferred value of ZAR 542.35 million.

10.1.4 Valuation of MC Mining's 74% interest in GSP

In performing our valuation of MC Mining's interest in the GSP, we have relied on the Independent Specialist Report prepared by SRK. We instructed SRK to provide an independent market valuation of the GSP, which comprises the Mopane, Generaal and Chapudi projects. SRK considered various valuation methodologies when valuing the GSP, including the comparable market transactions approach (including the implied multiple from the offer from the Consortium) as the primary valuation methodology and the yardstick approach as the secondary valuation methodology. As discussed in the Independent Specialist

Report, SRK has elected to adopt the assessed values implied by the comparable transactions analysis (including the implied multiple from the offer from the Consortium) to form its valuation range.

SRK determined the fair market value of MC Mining's interest the GSP to be within the range of ZAR 262.91 million to ZAR 502.05 million, with a preferred value of ZAR 382.48 million. We note that SRK's valuation was conducted on an attributable basis, and as such, the values reflect MC Mining's ownership interest in the GSP.

The range of values for MC Mining's interest in the projects comprising the GSP as determined by SRK is set out below:

Value of MC Mining's interest in the GSP	Low ZAR m	Preferred ZAR m	High ZAR m
Mopane	130.99	185.57	240.15
Generaal	7.89	11.78	15.67
Chapudi	124.03	185.13	246.23
Total value of the GSP (ZAR m)	**262.91**	**382.48**	**502.05**

Source: Independent Specialist Report prepared by SRK

10.1.5 Valuation of MC Mining's other assets and liabilities

The other assets and liabilities of MC Mining represent the assets and liabilities that have not been specifically addressed elsewhere in our Sum-of-Parts valuation. From our discussions with management of MC Mining and our analysis of the other assets and liabilities outlined in the table below, we do not consider there to be a material difference between book value and fair value, unless an adjustment has been noted below.

The table below represents a summary of the assets and liabilities identified:

NAV	Notes	Audited as at 30-Jun-24 US$'000	Adjusted US$'000
CURRENT ASSETS			
Inventories		643	643
Trade and other receivables	a)	1,329	1,323
Cash and cash equivalents	b)	234	10,772
TOTAL CURRENT ASSETS		**2,206**	**12,738**
NON-CURRENT ASSETS			
Property, plant and equipment	c)	33,745	-
Right-of-use assets		1,965	1,965
Exploration and evaluation assets	d)	70,545	-
Intangible assets		488	488
Other financial assets	a)	6,667	6,613
Restricted cash		23	23
TOTAL NON-CURRENT ASSETS		**113,433**	**9,089**
TOTAL ASSETS		**115,639**	**21,827**
CURRENT LIABILITIES			
Provisions	a)	461	459
Trade and other payables	a)	6,357	6,286

NAV	Notes	Audited as at 30-Jun-24 US$'000	Adjusted US$'000
Current tax liabilities	a)	257	172
Lease liabilities		733	733
Borrowings	e)	17,509	18,004
Bank overdraft		1,291	1,291
TOTAL CURRENT LIABILITIES		**26,608**	**26,945**
NON-CURRENT LIABILITIES			
Provisions	f)	8,700	-
Deferred tax liability		3,349	3,349
Lease liabilities		1,539	1,539
Borrowings		36	36
TOTAL NON-CURRENT LIABILITIES		**13,624**	**4,924**
TOTAL LIABILITIES		**40,232**	**31,869**
NET ASSETS (US$'000)		**75,407**	**(10,042)**
USD/ZAR exchange rate assumed	**g)**		***17.55***
NET ASSETS (ZAR'000)			**(176,243)**

Source: MC Mining's audited financial statements for the year ended 30 June 2024 and BDO analysis

We have been advised that there have not been any significant changes to the net assets of MC Mining since 30 June 2024 and that the above assets and liabilities represent their fair market values apart from the adjustments detailed below. Where the above balances differ materially from the audited position at 30 June 2024, we have obtained supporting documentation to validate the adjusted values used.

We note the following in relation to the above valuation of MC Mining's other assets and liabilities:

Note a) Non-controlling interest

MC Mining has non-controlling interests of US$1.24 million as at 30 June 2024, which relates to non-controlling interests in various subsidiaries that MC Mining does not wholly own. As such, the audited position of MC Mining's net assets at 30 June 2024 reflects a 100% interest in the controlled entities. Therefore, we have adjusted the Company's relevant assets and liabilities balances to reflect the amounts owned by MC Mining.

Note b) Cash and cash equivalents

We have adjusted the book value of cash and cash equivalents of US$0.23 million as at 30 June 2024 to reflect the Company's cash and cash equivalents based on the Company's 30 September 2024 quarterly cash flow report, being US$10.77 million. We note that this balance includes the cash consideration of US$12.97 million received under the First Subscription, which completed on 30 August 2024.

Note c) Property, plant and equipment

The book value of property, plant and equipment ('**PP&E**') of US$33.75 million as at 30 June 2024 predominantly comprised PP&E used for mining-related activities, which is accounted for separately in SRK's valuations of MC Mining's interests in the Makhado Project and Uitkomst, which have been valued separately in Sections 10.1.1 and 10.1.2 of our Report, respectively. Therefore, we have adjusted the book value of PP&E as at 30 June 2024 to nil.

Note d) Exploration and evaluation assets

We have adjusted the book value of development, exploration and evaluation assets of US$70.55 million as at 30 June 2024 to nil, as it is reflected in SRK's valuations of MC Mining's interests in the Makhado Project, Uitkomst, the Vele Colliery and the GSP, which have been valued separately in Sections 10.1.1, 10.1.2, 10.1.3 and 10.1.4 of our Report, respectively.

Note e) Current borrowings

We have adjusted the book value of current borrowings of US$17.51 million as at 30 June 2024 for the NCI adjustment as discussed above, and the drawdown of US$1.70 million during the 30 September 2024 quarter. Our adjustments to the 30 June 2024 current borrowings balance are shown in the table below:

Current borrowings	US$'000
Current borrowings as at 30 June 2024	17,509
NCI adjustment	(1,208)
Drawdown	1,703
Current borrowings as at 30 September 2024	**18,004**

Source: MC Mining's audited financial statements for the year ended 30 June 2024, MC Mining's quarterly cash flow report for the quarter ended 30 September 2024, and BDO analysis

Note f) Non-current provisions

The book value of non-current provisions of US$8.70 million as at 30 June 2024 comprised rehabilitation and biodiversity offset provisions, which are accounted for separately in SRK's valuations of MC Mining's interests in the Makhado Project and Uitkomst, which have been valued separately in Sections 10.1.1 and 10.1.2 of our Report, respectively. Therefore, we have adjusted the book value of non-current provisions as at 30 June 2024 to nil.

Note g) USD/ZAR exchange rate assumed

We have converted MC Mining's adjusted net liabilities balance as at 30 June 2024 using the 30-day average of the USD/ZAR exchange rate to 7 November 2024 sourced from Bloomberg, being 17.55.

10.1.6 Number of MC Mining shares on issue prior to the Proposed Transaction

As detailed in Section 4 of our Report, the number of MC Mining shares on issue as at the date of our Report is 476,115,351, which we have used in our Sum-of-Parts valuation. The number of MC Mining shares on issue prior to the Proposed Transaction includes the 62,102,002 shares issued to KDG under the First Subscription.

10.2 QMP valuation

To provide a comparison to the valuation of an MC Mining share prior to the Proposed Transaction in Section 10.1, we have also assessed the QMP of an MC Mining share utilising quoted market prices of MC Mining shares prior to the announcement of the Proposed Transaction.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.43 suggests that when considering the value of a company's shares for the purposes of a control transaction the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

- Control over decision making and strategic direction
- Access to underlying cash flows
- Control over dividend policies
- Access to potential tax losses.

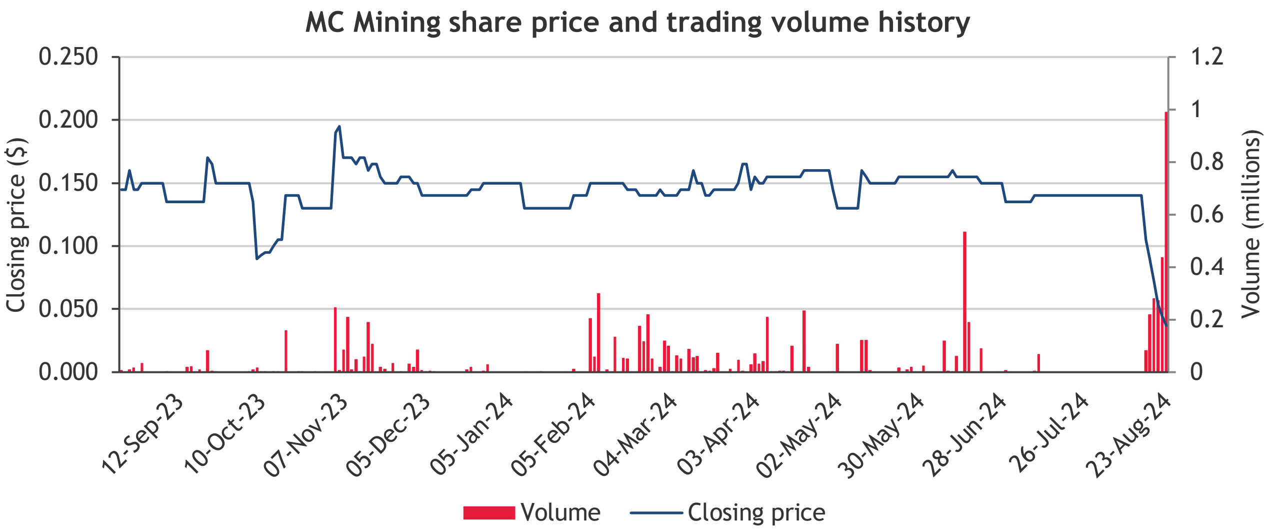
Whilst KDG will not be obtaining 100% of the shares in MC Mining, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. The expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness has been considered in Section 13.

Therefore, our calculation of the QMP of an MC Mining share including a premium for control has been prepared in two parts. The first part is to calculate the QMP of an MC Mining share on a minority interest basis. The second part is to add a premium for control to the minority interest value to arrive at a QMP value that includes a premium for control.

Minority interest value

Our analysis of the QMP of an MC Mining share is based on the pricing prior to the announcement of the Proposed Transaction. This is because the value of an MC Mining share after the announcement may include the effects of any change in value as a result of the Proposed Transaction. However, we have considered the value of an MC Mining share following the announcement when we have considered reasonableness in Section 13.

Information on the Proposed Transaction was announced to the market on 28 August 2024. Leading up to the announcement of the Proposed Transaction, the shares of MC Mining were placed into a trading halt, occurring from 23 August 2024 to 28 August 2024. Therefore, we have assessed the QMP of an MC Mining share over the 12-month period from 23 August 2023 to 23 August 2024. The following chart provides a summary of the closing share price movements and trading volume over this period.



Source: Bloomberg and BDO analysis

The daily price of an MC Mining share over the period from 23 August 2023 to 23 August 2024 ranged from a low of $0.037 on 23 August 2024 to a high of $0.195 on 6 November 2023. The largest single day of trading over the assessed period was 23 August 2024, when 989,122 shares were traded.

During this period a number of announcements were made to the market. The key announcements are set out below:

Date	Announcement	Closing Share Price Following Announcement $ (movement)			Closing Share Price Three Days After Announcement $ (movement)		
16/08/2024	Employee Options Extension	0.105	▼	25.0%	0.054	▼	48.6%
01/07/2024	Loan Facility Agreement	0.135	▼	10.0%	0.135	►	0.0%
26/06/2024	Managing Director Appointment Update	0.150	►	0.0%	0.135	▼	10.0%
30/04/2024	MCM Receipt of Shareholder Notice	0.160	►	0.0%	0.130	▼	18.8%
30/04/2024	MCM Appendix 5B Quarterly Cash Flow Report	0.160	►	0.0%	0.130	▼	18.8%
30/04/2024	MCM Quarterly Activities Report	0.160	►	0.0%	0.130	▼	18.8%
26/04/2024	MCM Resignation of Independent Non-executive Chairman	0.160	►	0.0%	0.145	▼	9.4%
02/04/2024	Change in substantial holding	0.145	▼	12.1%	0.150	▲	3.4%
11/03/2024	MCM Non-Binding Indicative Offer from Vulcan Resources	0.160	▲	10.3%	0.140	▼	12.5%
07/11/2023	Application for quotation of securities - MCM	0.170	▼	12.8%	0.165	▼	2.9%
03/11/2023	MCM Receipt of Notice of Intention to make a Takeover	0.190	▲	46.2%	0.170	▼	10.5%
31/10/2023	MCM Annual Report to shareholders	0.130	►	0.0%	0.190	▲	46.2%
31/10/2023	MCM Quarterly Activities Report	0.130	►	0.0%	0.190	▲	46.2%
05/10/2023	MCM Annual General Meeting Details	0.150	►	0.0%	0.093	▼	38.0%
22/09/2023	MCM FY2023 Financial Results Announcement	0.165	▼	2.9%	0.150	▼	9.1%

Source: Bloomberg and BDO analysis

On 1 July 2024, MC Mining announced that it had entered into the Dendocept Facility. On the date of the announcement the share price decreased by 10.0% to close at $0.135, before remaining unchanged over the subsequent three-day period to close at $0.135.

On 30 April 2024, MC Mining released its quarterly activities report and cash flow report for the March 2024 quarter, which highlighted that ROM coal production at Uitkomst over the quarter was 14% higher than in the March 2023 quarter, with a total of 75,590t of coal being sold during the quarter. In addition, the Company highlighted the recent off-market takeover offer from Goldway. On the date of the announcement, the share price remained unchanged and closed at $0.160, before decreasing by 18.8% over the subsequent three-day period to close at $0.130.

On 11 March 2024, MC Mining announced the receipt of a non-binding indicative offer from Vulcan Resources Limited ('**Vulcan**') outlining Vulcan's proposal to make an off-market cash takeover offer for all the shares in the Company at an indicative price of between $0.17 and $0.20 per share. On the date of the announcement, the share price increased by 10.3% to close at $0.160, before decreasing by 12.5% over the subsequent three-day period to close at $0.140.

On 3 November 2023, MC Mining announced the receipt of a notice of intention to make a takeover offer from Senosi and Dendocept, sent on behalf of shareholders and associates stated to represent in aggregate 64.5% of the issued capital in the Company at the time. The announcement outlined the indicative details of the proposal including an indicative cash consideration offer range of $0.20 to $0.23 per share. On the date of the announcement the share price increased by 46.2% to close at $0.190, before decreasing by 10.5% over the subsequent three-day period to close at $0.170.

To provide further analysis of the QMP of an MC Mining share, we have also considered the VWAP for 10-, 30-, 60- and 90-day periods to 23 August 2024.

Share price per unit	23-Aug-24	10 days	30 days	60 days	90 days
Closing price	$0.037				
Volume weighted average price (VWAP)		$0.056	$0.056	$0.088	$0.098

Source: Bloomberg and BDO analysis

The above VWAPs are prior to the date of the announcement of the Proposed Transaction, to avoid the influence of any movements in the price of MC Mining shares that have occurred since the Proposed Transaction was announced.

An analysis of the volume of trading in MC Mining shares over the period from 23 August 2023 to 23 August 2024 set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of issued capital
1 day	$0.037	$0.042	989,122	0.21%
10 days	$0.037	$0.140	2,279,617	0.48%
30 days	$0.037	$0.140	2,279,617	0.48%
60 days	$0.037	$0.160	3,385,964	0.71%
90 days	$0.037	$0.170	4,045,157	0.85%
180 days	$0.037	$0.170	6,703,639	1.41%
1 year	$0.037	$0.215	8,269,536	1.74%

Source: Bloomberg and BDO analysis

This table indicates that MC Mining's shares display a low level of liquidity, with 1.74% of the Company's issued capital being traded in a twelve month period. RG 111.86 states that for the quoted market price methodology to be an appropriate methodology there needs to be a 'liquid and active' market in the shares and allowing for the fact that the quoted price may not reflect their value should 100% of the securities not be available for sale. We consider the following characteristics to be representative of a liquid and active market:

- Regular trading in a company's securities.
- Approximately 1% of a company's securities are traded on a weekly basis.
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company.
- There are no significant but unexplained movements in share price.

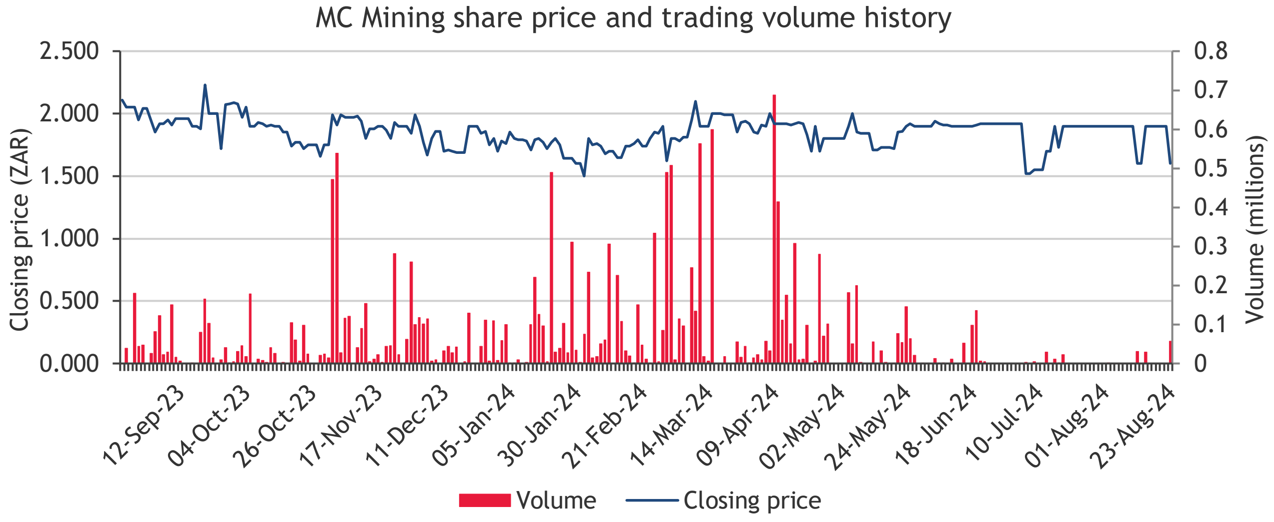
A company's shares should meet all of the above criteria to be considered 'liquid and active', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of MC Mining, we consider the market for MC Mining's shares to be neither liquid, nor active, with less than 1% of the Company's issued capital being traded on a weekly basis over the assessed twelve month period. Furthermore, there were 139 trading days over the assessed period where there was no trading in MC Mining shares.

Notwithstanding the low levels of liquidity, our assessment is that a range of values for an MC Mining share based on market pricing, after disregarding post-announcement pricing, is between $0.035 and $0.060.

QMP of an MC Mining share on the JSE

Despite MC Mining's primary listing being on the ASX, we have also considered the QMP of MC Mining's shares traded on the JSE for comparative purposes. The following chart provides a summary of the closing share price movements and trading volume over this period.



Source: Bloomberg and BDO analysis

The daily price of an MC Mining share over the period from 23 August 2023 to 23 August 2024 ranged from a low of ZAR 1.50 on 1 February 2024 to a high of ZAR 2.23 on 20 September 2023. The largest single day of trading over the assessed period was 9 April 2024, when 688,520 shares were traded.

To provide further analysis of the QMP of an MC Mining share, we have also considered the VWAP for 10-, 30-, 60- and 90-day periods to 23 August 2024.

Share price per unit	23-Aug-24	10 days	30 days	60 days	90 days
Closing price	ZAR 1.60				
Volume weighted average price (VWAP)		ZAR 1.68	ZAR 1.72	ZAR 1.83	ZAR 1.85

Source: Bloomberg and BDO analysis

The above VWAPs are prior to the date of the announcement of the Proposed Transaction, to avoid the influence of any movements in the price of MC Mining shares that have occurred since the Transaction was announced.

An analysis of the volume of trading in MC Mining shares over the period from 23 August 2023 to 23 August 2024 set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of issued capital
1 day	ZAR 1.60	ZAR 1.60	57,500	0.01%
10 days	ZAR 1.60	ZAR 1.90	116,749	0.02%
30 days	ZAR 1.60	ZAR 1.90	152,821	0.03%
60 days	ZAR 1.52	ZAR 1.94	513,259	0.11%
90 days	ZAR 1.52	ZAR 2.05	1,977,028	0.42%
180 days	ZAR 1.45	ZAR 2.10	10,902,727	2.29%
1 year	ZAR 1.45	ZAR 2.28	15,518,964	3.26%

Source: Bloomberg and BDO analysis

This table indicates that MC Mining's shares display a low level of liquidity, with 3.26% of the Company's issued capital being traded in a twelve month period. However, we note that there is an observable difference in the cumulative volume traded on the ASX and the JSE, with the cumulative volume traded on the JSE being approximately 88% greater than the cumulative volume traded on the ASX over the same assessed period.

Based on the above, we consider the market for MC Mining's shares on the JSE to be neither liquid, nor active, with less than 1% of the Company's issued capital being traded on a weekly basis over the assessed period. Furthermore, there were 75 trading days over the assessed period where there was no trading in MC Mining shares.

Given the lack of liquidity on the ASX and the LSE, we have assessed the value range based on trading on the ASX, which is the Company's primary exchange.

Control premium

We have reviewed the control premiums on completed transactions, paid by acquirers of ASX-listed coal mining companies, ASX-listed energy companies, and all ASX-listed companies over the ten-year period from January 2014 to August 2024.

In assessing the appropriate sample of transactions from which to determine an appropriate control premium, we have excluded transactions where an acquirer obtained a controlling interest (20% and above) at a discount (i.e., less than a 0% premium) and at a premium in excess of 100%. We have summarised our findings below:

ASX-listed coal mining companies

Year	Number of Transactions	Average Deal Value ($m)	Average Control Premium (%)
2024	-	-	-
2023	-	-	-
2022	-	-	-
2021	-	-	-
2020	2	85.36	29.39
2019	1	13.32	7.04
2018	1	226.41	73.41
2017	1	147.78	97.80
2016	1	0.21	37.34
2015	4	19.73	29.65
2014	1	15.19	38.34

Source: Bloomberg and BDO analysis

ASX-listed energy companies

Year	Number of Transactions	Average Deal Value ($m)	Average Control Premium (%)
2024	-	-	-
2023	4	225.42	11.61
2022	2	1,875.97	8.14
2021	1	12,692.96	9.84
2020	4	403.46	23.39
2019	2	13.32	18.64
2018	4	231.55	34.79
2017	2	79.32	67.87
2016	2	169.96	29.33
2015	8	65.56	22.12
2014	4	684.22	64.78

Source: Bloomberg and BDO analysis

All ASX-listed companies

Year	Number of Transactions	Average Deal Value ($m)	Average Control Premium (%)
2024	21	717.14	25.05
2023	35	421.28	27.41
2022	39	3,199.03	23.39
2021	28	1,095.24	35.17
2020	16	367.97	40.43
2019	29	4,165.55	32.83
2018	26	1,571.79	30.07
2017	24	1,168.71	36.75

Year	Number of Transactions	Average Deal Value ($m)	Average Control Premium (%)
2016	28	490.46	38.53
2015	28	948.39	33.53
2014	35	394.93	38.31

Source: Bloomberg and BDO analysis

The mean and median of the entire data sets comprising control transactions from 2014 onwards for ASX-listed energy companies, ASX-listed coal companies and all ASX-listed companies are set out below:

Entire Data Set Metrics	ASX-listed coal companies		ASX-listed energy companies		All ASX listed companies	
	Deal Value ($m)	Control Premium (%)	Deal Value ($m)	Control Premium (%)	Deal Value ($m)	Control Premium (%)
Mean	59.32	39.21	717.37	29.49	1,396.10	32.37
Median	15.19	37.34	54.79	21.32	134.96	28.36

Source: Bloomberg and BDO analysis

In arriving at an appropriate control premium to apply, we note that observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets
- Nature and magnitude of discretionary expenses
- Perceived quality of existing management
- Nature and magnitude of business opportunities not currently being exploited
- Ability to integrate the acquiree into the acquirer's business
- Level of pre-announcement speculation of the transaction
- Level of liquidity in the trade of the acquiree's securities.

When performing our control premium analysis, we consider completed transactions where the acquirer held a controlling interest, defined at 20% or above, pre-transaction or proceed to hold a controlling interest post-transaction in the target company.

We have removed transactions for which the announced premium was in excess of 100%. We have removed these transactions because we consider it likely that the acquirer in these transactions would be paying for special value and/or synergies in excess of the standard premium for control. Whereas the purpose of this analysis is to assess the premium that is likely to be paid for control, not specific value to the acquirer.

The table above indicates that the long-term average control premium by acquirers of ASX-listed coal mining companies, ASX-listed energy companies and all ASX-listed companies is approximately 39.21%, 29.49%, and 32.37% respectively. However, in assessing the transactions included in the table above, we noted that control premiums appeared to be positively skewed.

In population where the data is skewed, the median often represents a superior measure of central tendency compared to the mean. We note that the median announced control premium over the assessed period was approximately 37.34% for ASX-listed coal mining companies, 21.32% for ASX-listed energy companies, and 28.36% for all ASX-listed companies.

Based on the above, we consider an appropriate premium for control to be between 25% and 35%.

QMP including control premium

Applying a control premium to MC Mining's QMP results in the following QMP value including a premium for control:

QMP valuation of an MC Mining share	Low $	High $
QMP	$0.035	$0.060
Control premium	25%	35%
QMP valuation including a premium for control	**$0.044**	**$0.081**

Source: BDO analysis

Therefore, our valuation of an MC Mining share based on the QMP methodology and including a premium for control is between $0.044 and $0.081, with our preferred QMP value of an MC Mining share being a rounded midpoint value of $0.062. We have selected a midpoint between the low and high values as the preferred value, as there is no reason for us to select a value on either end of the above assessed range.

10.3 Goldway Takeover Offer Price

Given the low level of liquidity of MC Mining shares as assessed in Section 10.2, we have also considered the offer price in connection with the Goldway Takeover. As detailed in Section 5, over the period from 2 February 2024 to 22 April 2024, the Company was the subject of an off-market takeover conducted by Goldway, a consortium established by Senosi, Dendocept, and a group of MC Mining shareholders and associates.

Prior to the offer, the Consortium held 64.3% of the issued capital of the Company. At the end of the offer period, the Consortium held approximately 93.1% of the issued capital of the Company, representing an acquisition of 28.8% of the issued capital of the Company.

We consider the offer price to be a relevant indicator of the market value of an MC Mining share prior to the Proposed Transaction, as the Goldway Takeover represents an arm's length transaction between a willing buyer and many willing sellers. The offer price under the Goldway Takeover was $0.16 for every MC Mining share accepted into the offer.

The Goldway Takeover was made over the remaining ordinary shares on issue in the Company which were not currently held by the Consortium. Therefore, the offer price represents a controlling interest value.

10.4 Assessment of the value of an MC Mining share prior to the Proposed Transaction

The results of the valuations performed are summarised in the table below:

Value of an MC Mining share prior to the Proposed Transaction	Ref	Low A$	Preferred A$	High A$
Sum-of-Parts (controlling interest basis)	10.1	0.168	0.253	0.337
QMP (controlling interest basis)	10.2	0.044	0.062	0.081
Goldway Takeover offer price (controlling interest basis)	10.3	0.160	0.160	0.160

Source: BDO analysis

We consider the Sum-of-Parts approach to be the most appropriate valuation methodology to value MC Mining, as the core value of the Company lies in its interest in the Makhado Project, Uitkomst, Vele and the GSP, which have all been independently valued by SRK, an independent technical specialist, in accordance with the VALMIN Code and ASIC's Regulatory Guides. Further, the QMP approach is only appropriate where there is a liquid and active market for the Company's shares. Given that our liquidity analysis in Section 10.2 indicates that MC Mining's shares display a low level of liquidity, we do not consider it appropriate to consider the QMP methodology in our valuation assessment of an MC Mining share prior to the Proposed Transaction. As a result, our valuation range has been solely informed by the values derived under the Sum-of-Parts approach. Further, we consider the offer price under the Goldway Takeover to be relevant for the purposes of a broad cross-check to our valuation under the Sum-of-Parts approach. We note that the offer price under the Goldway Takeover broadly supports the low value under our Sum-of-Parts approach.

The difference in the valuation results under these valuation approaches are explained by the following:

- As determined by our liquidity analysis in Section 10.2, MC Mining's shares display a low level of liquidity. This is likely attributable to the free float of the Company's shares being at a relatively low level, due to the existence of several substantial shareholders of the Company over the assessed period, namely Goldway, Senosi, Shining Capital GP Ltd and Dendocept. Therefore, the market price of MC Mining's shares may not reflect the underlying value of the Company.
- The assumptions made by SRK in assessing the value of MC Mining's mineral assets may be more optimistic than those made by the market.
- The market price may be influenced by the negative sentiment surrounding coal companies, whereas the SRK valuation is based on comparable asset transactions at the project level, which may not reflect equivalent levels of negative sentiment compared to listed coal companies.

Based on the above assessment, we consider the value of an MC Mining share prior to the Proposed Transaction (on a controlling interest basis) to be in the range of $0.168 to $0.337, with a preferred value of $0.253.

11. Valuation of MC Mining following the Proposed Transaction

11.1 Sum-of-Parts valuation

We have employed the Sum-of-Parts methodology in estimating the fair market value of an MC Mining share following the Proposed Transaction (on a minority interest basis), by aggregating the estimated fair market values of the underlying assets and liabilities, having considerations to the following:

- The value of MC Mining prior to the Proposed Transaction, as assessed in Section 10 of our Report
- The cash raised from the Second Subscription, and the resulting shares issued to KDG.

The summary of our Sum-of-Parts valuation is set out in the table below:

Valuation of MC Mining following the Proposed Transaction	Ref	Low ZAR m	Preferred ZAR m	High ZAR m
Value of MC Mining's interest in the Makhado Project	10.1.1	438.04	620.37	802.71
Value of MC Mining's interest in the Uitkomst Colliery	10.1.2	31.27	44.29	57.31
Value of the Vele Colliery	10.1.3	382.95	542.35	701.75
Value of MC Mining's interest in the GSP	10.1.4	262.91	382.48	502.05
Value of MC Mining's other assets and liabilities	10.1.5	(176.24)	(176.24)	(176.24)
Cash raised from the Second Subscription	11.1.1	1,351.87	1,351.87	1,351.87
Total value of MC Mining following the Proposed Transaction (control) (ZAR m)		**2,290.80**	**2,765.12**	**3,239.45**
Number of MC Mining shares on issue following the Proposed Transaction	11.1.2	844,925,202	844,925,202	844,925,202
Value per MC Mining share following the Proposed Transaction (control) (ZAR/share)		**2.711**	**3.273**	**3.834**
Minority interest discount	11.1.3	26%	23%	20%
Value per MC Mining share following the Proposed Transaction (minority) (ZAR/share)		**2.006**	**2.520**	**3.067**
AUD/ZAR exchange rate assumed*		11.75	11.75	11.75
Value per MC Mining share following the Proposed Transaction (minority) (A$/share)		**0.171**	**0.214**	**0.261**

*Based on the 30-day average of the AUD/ZAR exchange rate to 7 November 2024
Source: BDO analysis

Based on the above, we have assessed the value of an MC Mining share (on a minority interest basis) to be in the range of $0.171 to $0.261, with a preferred value of $0.214.

11.1.1 Cash raised from the Second Subscription

As outlined in Section 4, under the Proposed Transaction, KDG will subscribe for 368,809,851 shares in MC Mining for cash consideration of US$77,029,412. Therefore, we have included the cash proceeds to be received from KDG under the Second Subscription in our Sum-of-Parts valuation. The cash to be raised from the Second Subscription translates to ZAR 1,351.87 million, as set out in the table below.

Cash raised from the Second Subscription	
Proceeds from the Second Subscription (US$)	77,029,412
USD/ZAR exchange rate assumed*	17.55
Cash raised from the Second Subscription (ZAR m)	**1,351.87**

*Based on the 30-day average of the USD/ZAR exchange rate to 7 November 2024

11.1.2 Number of MC Mining shares on issue following the Proposed Transaction

The total number of MC Mining shares on issue following the Proposed Transaction is set out below:

Shares on issue following the Proposed Transaction	
Shares on issue prior to the Proposed Transaction	476,115,351
Number of shares to be issued to KDG under the Second Subscription	368,809,851
Total number of MC Mining shares on issue following the Proposed Transaction	**844,925,202**

11.1.3 Minority interest discount

As outlined in Section 9 of our Report, in assessing fairness we have compared the value of an MC Mining share prior to the Proposed Transaction on a controlling interest basis to the value of an MC Mining share following the Proposed Transaction on a minority interest basis, in accordance with RG 111.

The value of an MC Mining share following the Proposed Transaction derived under the Sum-of-Parts approach is reflective of a controlling interest. Therefore, we have adjusted our valuation of an MC Mining share following the Proposed Transaction to reflect a minority interest holding. A minority interest discount is the inverse of a premium for control and is calculated using the formula 1-(1/(1 + control premium)).

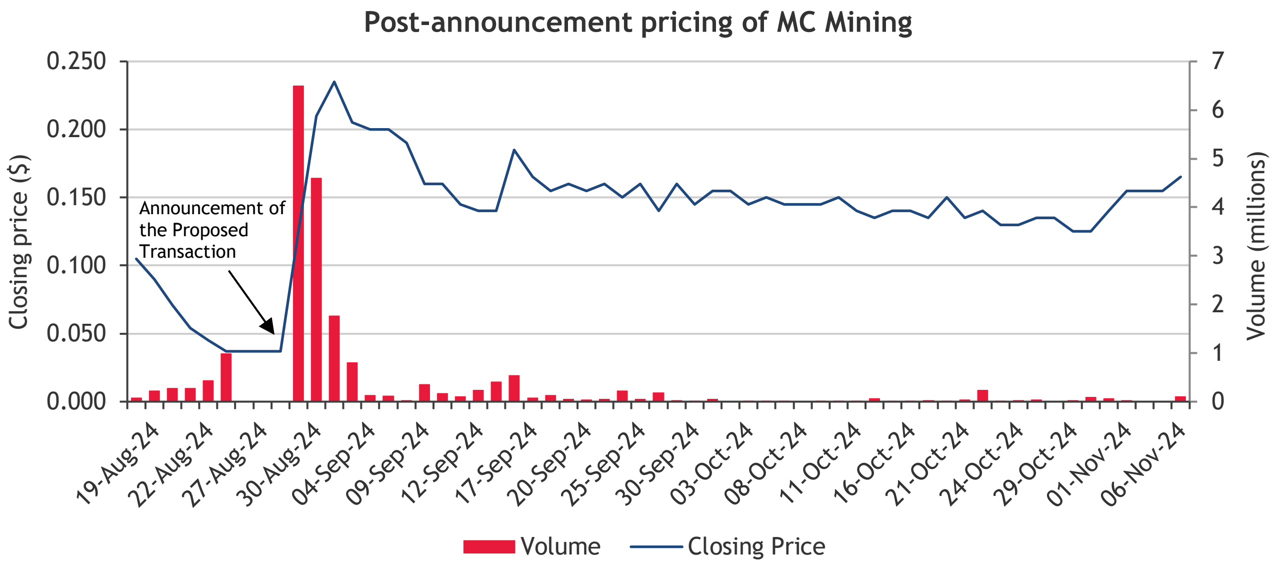
Based on our analysis in Section 10.2, we consider an appropriate control premium to be in the range of 25% to 35%, which gives rise to a rounded minority interest discount in the range of 20% to 26%.

11.2 QMP valuation

To provide a comparison to the valuation of an MC Mining share following the Proposed Transaction in Section 11.1, we have also assessed the QMP of an MC Mining share utilising QMPs of MC Mining shares following the announcement of the Proposed Transaction.

The QMPs of MC Mining shares in the period following the announcement of the Proposed Transaction is considered to be an indicator of the value of an MC Mining share following the Proposed Transaction, because market participants are fully informed as to the terms of the Proposed Transaction, with the price of MC Mining shares reflecting the market's view of value. This value includes the funds to be raised under the Second Subscription and the resulting shares issued to KDG.

We have analysed the movements of MC Mining's share price since the Proposed Transaction was announced. A graph of MC Mining's share price and trading volume leading up to, and following the announcement of the Proposed Transaction is set out below.



Source: Bloomberg and BDO analysis

The Proposed Transaction was announced on 28 August 2024. On the first trading day following the announcement, the share price closed at $0.125, up from the closing price of $0.037 on the previous trading day. On that day, 6,492,000 shares were traded, representing approximately 1.6% of MC Mining's issued capital. Following the announcement of the Proposed Transaction, the share price of MC Mining has fluctuated from a low of $0.125 on 29 August 2024, to a high of $0.235 on 2 September 2024.

To provide further analysis of the QMP of an MC Mining share following the announcement of the Proposed Transaction, we have also considered the VWAP for the below periods following the announcement up to 6 November 2024.

Share price per unit	06-Nov-24	5 days	10 days	15 days	From announcement to 6-Nov-24
Closing price	$0.165				
VWAP		$0.151	$0.140	$0.136	$0.161

Source: Bloomberg and BDO analysis

In accordance with the guidance in RG 111, we also consider it appropriate to assess the liquidity of MC Mining's shares before utilising the QMP methodology to value an MC Mining share following the Proposed Transaction. An analysis of the volume of trading in MC Mining shares over the period from 28 August 2024 to 6 November 2024 is set out below:

Trading days following the announcement of the Proposed Transaction	Share price low	Share price high	Cumulative volume traded	As a % of issued capital
1 day	$0.060	$0.170	6,492,000	1.36%
5 days	$0.060	$0.260	13,796,917	2.90%
10 days	$0.060	$0.260	14,562,414	3.06%
15 days	$0.060	$0.260	15,952,205	3.35%
20 days	$0.060	$0.260	16,353,017	3.43%
25 days	$0.060	$0.260	16,609,953	3.49%
30 days	$0.060	$0.260	16,630,848	3.49%
To 6 November 2024 (50 days)	$0.060	$0.260	17,406,159	3.66%

Source: Bloomberg and BDO analysis

The table above indicates that MC Mining's shares display a low level of liquidity over the assessed period following the announcement of the Proposed Transaction, with 3.66% of MC Mining's current issued capital being traded over the assessed period following the announcement of the Proposed Transaction (50 trading days to 6 November 2024).

As detailed in our QMP valuation of an MC Mining share prior to the Proposed Transaction in Section 10.1, RG 111.86 states that for the quoted market price methodology to be an appropriate methodology there needs to be a 'liquid and active' market in the shares and allowing for the fact that the quoted price may not reflect their value should 100% of the securities not be available for sale. We consider the following characteristics to be representative of a liquid and active market:

- Regular trading in a company's securities.
- Approximately 1% of a company's securities are traded on a weekly basis.
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company.
- There are no significant but unexplained movements in share price.

Over the assessed period following the Proposed Transaction, we consider the market for MC Mining's shares to be neither liquid, nor active, with less than 1% of the Company's issued capital being traded on a weekly basis over the assessed period. Furthermore, there were five trading days over the assessed 50-day period where there was no trading in MC Mining shares.

Based on the above analysis, we do not consider there to be sufficient liquidity in MC Mining's shares following the announcement of the Proposed Transaction in order to utilise the post-announcement pricing as an approach to assessing the value of an MC Mining share following the Proposed Transaction. We also note that there are other market factors which may influence the MC Mining share price following the announcement on 28 August 2024, such as industry changes, commodity prices, significant corporate actions and other market factors.

Notwithstanding the low levels of liquidity, our assessment is that a range of values for an MC Mining share based on post-announcement market pricing, is between $0.135 and $0.165.

11.3 Assessment of the value of an MC Mining share following the Proposed Transaction

The results of the valuations performed are summarised in the table below:

Value of an MC Mining share following the Proposed Transaction	Ref	Low A$	Preferred A$	High A$
Sum-of-Parts (minority interest basis)	11.1	0.171	0.214	0.261
QMP (minority interest basis)	11.2	0.135	0.150	0.165

Source: BDO analysis

Similar to the reasons as detailed in Section 10.3 of our Report, we consider the Sum-of-Parts approach to be the most appropriate valuation methodology to value MC Mining, as the core value of the Company lies in its interest in the Makhado Project, Uitkomst, Vele and the GSP, which have all been independently valued by SRK, an independent technical specialist, in accordance with the VALMIN Code and ASIC's Regulatory Guides. Further, the QMP approach is only appropriate where there is a liquid and active market for the Company's shares. Given that our liquidity analysis in Section 11.2 indicates that MC Mining's shares display a low level of liquidity, we do not consider it appropriate to consider the QMP methodology in our valuation assessment of an MC Mining share following the Proposed Transaction. As a result, our valuation range has been informed by the values derived under the Sum-of-Parts approach. Notwithstanding the above, we consider the QMP approach to be relevant for the purposes of a broad cross-check to our valuation under the Sum-of-Parts approach.

Based on the above assessment, we consider the value of an MC Mining share following the Proposed Transaction (on a controlling interest basis) to be in the range of $0.171 to $0.261, with a preferred value of $0.214.

12. Is the Proposed Transaction fair?

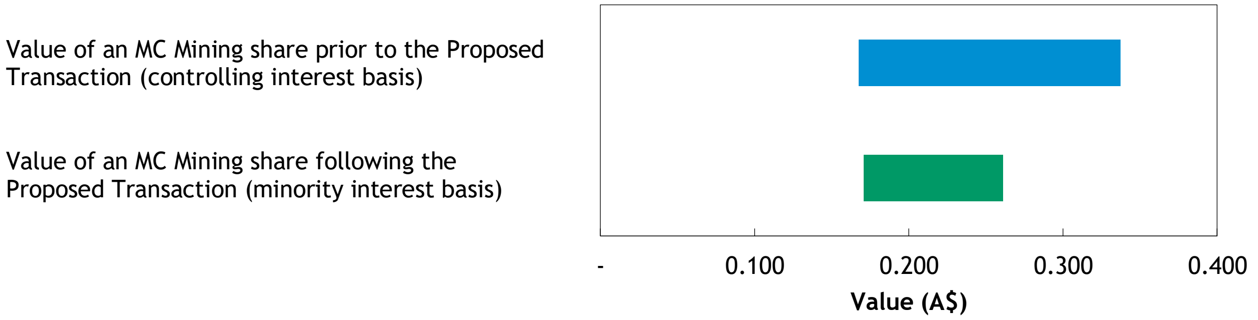
The value of an MC Mining share prior to the Proposed Transaction (on a controlling basis), and the value of an MC Mining share following the Proposed Transaction (on a minority interest basis) is compared below:

	Ref	Low $	Preferred $	High $
Value of an MC Mining share prior to the Proposed Transaction (controlling interest basis)	10	0.168	0.253	0.337
Value of an MC Mining share following the Proposed Transaction (minority interest basis)	11	0.171	0.214	0.261

Source: BDO analysis

The above valuation ranges are graphically presented below:

Valuation Summary



The above pricing indicates that the Proposed Transaction is not fair for Shareholders. We consider the Proposed Transaction to be not fair because the value of an MC Mining share following the Proposed Transaction (on a minority interest basis) is lower than the value of an MC Mining share prior to the Proposed Transaction (on a controlling interest basis) under the preferred and high end of our valuation range.

13. Is the Proposed Transaction reasonable?

We have considered the analysis below, in terms of the following:

- Advantages and disadvantages of the Proposed Transaction.
- Other considerations, including the position of Shareholders if the Proposed Transaction does not proceed and the consequences of not approving the Transaction.

In our opinion, the position of Shareholders if the Proposed Transaction is approved is more advantageous than the position if the Proposed Transaction is not approved. Accordingly, in the absence of any other relevant information and/or an alternate proposal we consider that the Proposed Transaction is reasonable for Shareholders.

13.1 Advantages of approving the Proposed Transaction

We have considered the following advantages in our assessment of whether the Proposed Transaction is reasonable.

13.1.1. Funds raised under the Second Subscription will allow the Company to advance its projects

As detailed in Section 10.1.5 of our Report, MC Mining currently has cash and cash equivalents of approximately US$13 million. Following the Proposed Transaction, the Company will receive US$77.03 million, which will be used to advance the Makhado Project to production as well as to accelerate the development of the Company's other mineral assets, specifically the Vele Colliery and the GSP.

13.1.2. The Company will be able to leverage KDG's experience and expertise to optimise the development of its projects

If Shareholders approve the Proposed Transaction, KDG intends to be involved in the Company's operations, including advancing the development of its projects. In addition, KDG will be entitled (and is expected) to appoint additional directors to the board of the Company, such that its nominee directors constitute a majority of the Company's directors.

KDG is an integrated coal mining and trading group with extensive operational experience and expertise across the entire coal industry supply chain. In particular, KDG developed the Dafanpu Coal Mine since its establishment into a coal producing asset. As a result, the Company will be able to leverage KDG's expertise as an integrated coal enterprise to minimise project implementation risk and optimise operational efficiency across the Company's projects.

13.1.3. The Proposed Transaction will allow the Company to continue as a going concern and meet its working capital requirements

As outlined in Section 4 of our Report, the Company's auditor highlighted a material uncertainty over the Company's ability to continue as a going concern in its audit reports for the years ended 30 June 2022, 30 June 2023 and 30 June 2024.

Specifically, the Company's auditor outlined that the ability to continue as a going concern is dependent on future debt and equity funding at a level satisfactory to enable ongoing operations and future developments to be completed.

If Shareholders approve the Proposed Transaction, this will provide the Company with US$77.03 million, which will allow the Company to continue as a going concern and meet its working capital requirements.

As detailed in Section 4 of our Report, the Company intends to use the proceeds raised from the Second Subscription for the following purposes:

- Maintenance, security and compliance costs related to the Makhado Project, the Vele Colliery and the GSP
- Commissioning of a coal handing and preparation plant at the Makhado Project
- Establishment of power and water infrastructure and civil works at the Makhado Project
- Partial repayment of certain outstanding loans.

13.2 Disadvantages of approving the Proposed Transaction

We have considered the following disadvantages in our assessment of whether the Proposed Transaction is reasonable.

13.1.1. Shareholders' interests in the Company will be diluted and they will have a reduced level of control over the Company

If Shareholders approve the Proposed Transaction, KDG's interest in the Company will increase from 13.04% to 51%. As a result, existing Shareholders' interests in the Company will be diluted from 86.96% to 49.00% following the Proposed Transaction. Therefore, Shareholders' ability to participate in the potential upside of the Company's projects will be reduced following the Proposed Transaction.

Following the Proposed Transaction, KDG's control of MC Mining will be significant when compared to all other shareholders. Specifically, KDG will be able to pass and block general resolutions, and block special resolutions.

However, as detailed in Section 13.5 below, alternative sources of funding may be less advantageous to the Company and/or more dilutive to Shareholders compared to the terms of the SSA.

13.1.2. Future takeover offers may be deterred

If Shareholders approve the Proposed Transaction, there will be several substantial shareholders in the Company. Specifically, there will be a single shareholder (KDG) that will hold a 51% interest in the Company that will be able to prevent Shareholders receiving a takeover premium. In addition, the top five substantial shareholders will hold an aggregate 85% interest in the Company.

The existence of large substantial shareholders with the ability to pass and block general resolutions, and block special resolutions may deter future takeover offers, reducing the likelihood of Shareholders receiving a takeover premium in the future.

13.3 Alternative proposal

We are unaware of any alternative proposal that might offer Shareholders a premium over the value resulting from the Proposed Transaction. Management of MC Mining have assessed alternative funding options and deemed the Proposed Transaction to be most beneficial to the Company and its shareholders.

13.4 Practical level of control

When shareholders are required to approve a matter that relates to a company, there are two types of approval levels. These are general resolutions and special resolutions. A general resolution requires 50% of shares to be voted in favour to approve a matter, and a special resolution requires 75% of shares on issue to be voted in favour to approve a matter. If the Proposed Transaction is approved, then KDG will hold an interest of 51% in MC Mining. As a result, KDG will be able to pass and block general resolutions, and block special resolutions.

MC Mining's Board currently comprises seven directors. Following the Proposed Transaction, KDG is entitled (and is expected) to appoint additional directors to the board of the Company, such that its nominee directors constitute a majority of the Company's directors.

Based on the above, KDG's control of MC Mining following the Proposed Transaction will be significant when compared to all other shareholders.

13.5 Consequences of not approving the Proposed Transaction

The Company will not receive the funds to be raised under the Second Subscription

If Shareholders do not approve the Proposed Transaction, then the Company will not receive the funds to be raised under the Second Subscription of US$77.03 million.

As set out in the Notice of Meeting, the funds raised will be used to advance the Makhado Project to production, accelerate the development of the Company's other mineral assets, and for general working capital purposes. Therefore, if Shareholders do not approve the Proposed Transaction, the Company will likely need to pursue alternative funding options. As detailed in Section 13.3, management of MC Mining have assessed alternative funding options and deemed the Proposed Transaction to be most beneficial to the Company and its shareholders.

In the absence of the Proposed Transaction, the Company may face difficulties raising equity at more favourable terms than under the Proposed Transaction. Therefore, any alternative equity raisings are likely to be at a price lower than the Second Subscription Price of $0.32 per share, therefore diluting existing Shareholders' interests in the Company by a larger magnitude than under the Proposed Transaction.

In addition, given the current stage of the Company's assets, it is unlikely that the Company will be able to obtain debt funding of the same magnitude as the funds to be raised under the Second Subscription.

Therefore, based on the above, alternative sources of funding may be less advantageous to the Company and/or more dilutive to Shareholders compared to the terms of the SSA.

KDG has the right to request MC Mining to buy-back the shares issued under the First Subscription

As outlined in Section 4, if the Second Subscription is not completed within 270 days of the SSA (27 May 2025), other than as a result of KDG's breach, then KDG can request the Company to buy-back the shares issued under the First Subscription.

Based on the Company's 30 September 2024 quarterly cash flow report, the Company had cash and cash equivalents of US$10.8 million, being less than the US$13.0 million funds raised under the First Subscription. Therefore, if Shareholders do not approve the Proposed Transaction and KDG exercises this right, the Company in effect will return the funds initially raised under the First Subscription. As a result, the Company will need to pursue alternative funding options, which may be less advantageous to the Company and/or more dilutive to Shareholders compared to the terms of the SSA.

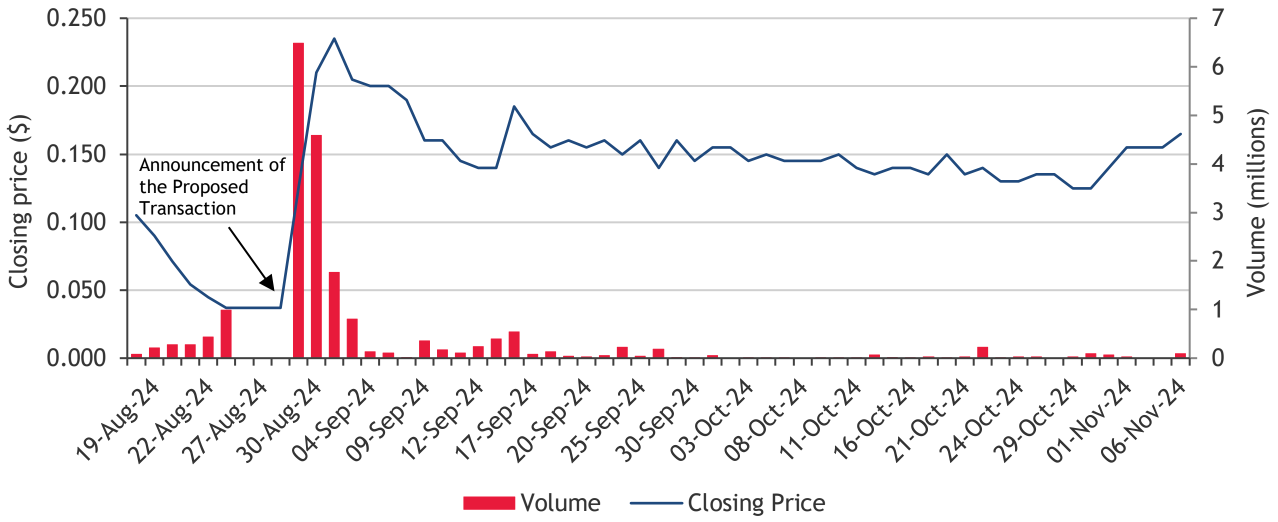
Shareholders will retain their existing ownership of the Company

If Shareholders do not approve the Proposed Transaction, then the Company will not issue the shares under the Second Subscription. Therefore, Shareholders will retain their existing 86.96% ownership of the Company in the first instance and then if KDG exercises its right to request the Company to buy back the shares issued under the First Subscription, KDG will no longer have an interest in MC Mining.

Potential impact on share price

We have analysed movements in MC Mining's share price since the announcement of the Proposed Transaction. A graph of MC Mining's share price and trading volume leading up to, and following the announcement of the Proposed Transaction is set out below.

Post-announcement pricing of MC Mining



Source: Bloomberg and BDO analysis

The Proposed Transaction was announced on 28 August 2024. On the first trading day following the announcement, the share price closed at $0.125, up from the closing price of $0.037 on the previous trading day. On that day, 6,492,000 shares were traded, representing approximately 1.6% of MC Mining's issued capital at the time. Following the announcement of the Proposed Transaction, the share price of MC Mining has fluctuated from a low of $0.125 on 29 August 2024, to a high of $0.235 on 2 September 2024.

Given the above analysis it is likely that if the Proposed Transaction is not approved then MC Mining's share price may decline to pre-announcement levels.

13.6 Other considerations

The Proposed Transaction is value accretive on a like-for-like basis

In our assessment of whether the Proposed Transaction is fair, we have assessed the value of an MC Mining share prior to the Proposed Transaction on a controlling interest basis, to the value of an MC Mining share following the Proposed Transaction on a minority interest basis. However, we note that on a like-for-like basis, where the value of an MC Mining share is measured on a controlling interest basis both prior to, and following the Proposed Transaction, the Proposed Transaction is value accretive under our assessed low and preferred valuations, as outlined below:

	Low A$	Preferred A$	High A$
Value of an MC Mining share prior to the Proposed Transaction (controlling interest basis)	$0.168	$0.253	$0.337
Value of an MC Mining share following the Proposed Transaction (controlling interest basis)	$0.231	$0.279	$0.326

Source: BDO analysis

This analysis also indicates that whilst KDG is paying a premium for control, it is not the full control premium that we have assessed an acquirer should pay. This assessment is detailed in Section 10.2 and is based on historical premiums paid by ASX-listed companies as well as Company specific factors.

14. Sources of information

This report has been based on the following information:

- Draft Notice of Extraordinary Meeting on or about the date of this report
- Audited financial statements of MC Mining for the years ended 30 June 2022, 30 June 2023 and 30 June 2024
- Independent Specialist Report of MC Mining's mineral assets dated 27 November 2024 performed by SRK Consulting (Australasia) Pty Ltd
- Share Subscription Agreement
- The Makhado Model, provided by MC Mining
- The Uitkomst Model, provided by MC Mining
- MC Mining's internal analysis of funding options for the Makhado Project, including indicative terms of funding
- Share registry information
- S&P Capital IQ
- Bloomberg
- Consensus Economics
- Information in the public domain
- Discussions with the Independent Directors and Management of MC Mining.

15. Independence

BDO Corporate Finance Australia Pty Ltd is entitled to receive a fee of $65,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance Australia Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance Australia Pty Ltd has been indemnified by MC Mining in respect of any claim arising from BDO Corporate Finance Australia Pty Ltd's reliance on information provided by MC Mining, including the non-provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance Australia Pty Ltd has considered its independence with respect to MC Mining, KDG, and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance Australia Pty Ltd's opinion it is independent of MC Mining, KDG, and their respective associates.

A draft of this report was provided to MC Mining and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

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Independent Member Firms. BDO in Australia, is a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International).

16. Qualifications

BDO Corporate Finance Australia Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance Australia Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investments Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Ashton Lombardo of BDO Corporate Finance Australia Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of Chartered Accountants Australia & New Zealand. He has over 35 years' experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 700 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These expert's reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Corporate Finance Practice Group Leader of BDO in Western Australia, the Global Head of Natural Resources for BDO and a former Chairman of BDO in Western Australia.

Ashton Lombardo is a member of the Australian Institute of Chartered Accountants, is a CA BV Specialist and is member of the committee established to develop and maintain the VALMIN Code. Ashton has over thirteen years of experience in Corporate Finance and has facilitated the preparation of numerous independent expert's reports and valuations. Ashton has a Bachelor of Economics and a Bachelor of Commerce from the University of Western Australia and has completed a Graduate Diploma of Applied Corporate Governance with the Governance Institute of Australia.

17. Disclaimers and consents

This report has been prepared at the request of MC Mining for inclusion in the Notice of Meeting which will be sent to all MC Mining shareholders. MC Mining engaged BDO Corporate Finance Australia Pty Ltd to prepare an independent expert's report to consider the proposed issue of shares to KDG, which will result in KDG's interest in MC Mining increasing from 13.04% to 51%.

BDO Corporate Finance Australia Pty Ltd hereby consents to this report accompanying the above Notice of Meeting. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement, or letter without the prior written consent of BDO Corporate Finance Australia Pty Ltd.

BDO Corporate Finance Australia Pty Ltd takes no responsibility for the contents of the Notice of Meeting other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance Australia Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to KDG. BDO

Corporate Finance Australia Pty Ltd provides no warranty as to the adequacy, effectiveness, or completeness of the due diligence process.

The opinion of BDO Corporate Finance Australia Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

The forecasts provided to BDO Corporate Finance Australia Pty Ltd by MC Mining and its advisers are based upon assumptions about events and circumstances that have not yet occurred. Accordingly, BDO Corporate Finance Australia Pty Ltd cannot provide any assurance that the forecasts will be representative of results that will actually be achieved.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Proposed Transaction, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the shareholders of MC Mining, or any other party.

BDO Corporate Finance Australia Pty Ltd has also considered and relied upon independent valuations for mineral assets held by MC Mining. The valuer engaged for the mineral asset valuation, SRK, possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation are appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance Australia Pty Ltd is required to provide a supplementary report if we become aware of a significant change affecting the information in this report arising between the date of this report and prior to the date of the meeting.

Yours faithfully

BDO CORPORATE FINANCE AUSTRALIA PTY LTD

Sherif Andrawes
Director

Ashton Lombardo
Director

Appendix 1 – Glossary of Terms

Reference	Definition
A$ or $	Australian Dollars
The Act	The Corporations Act 2001 (Cth)
Adjusted Models	The Models for the Makhado Project and Uitkomst adjusted for BDO's assessed economic inputs and SRK's recommendations on the technical assumptions.
AFCA	Australian Financial Complaints Authority
AIM	Alternative Investment Market
AMSA	ArcelorMittal South Africa Limited
ANC	African National Congress
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
Baobab	Baobab Mining and Exploration Pty Ltd
BDO	BDO Corporate Finance Australia Pty Ltd
BEE	Black Economic Empowerment
BFS	Bankable feasibility study
BOA	Biodiversity offset agreement
CHPP	Coal handling and processing plant
The Company	MC Mining Limited
Consortium	A consortium established by Senosi, Dendocept and a group of MC Mining shareholders and associates
Corporations Act	The Corporations Act 2001 (Cth)
CPP	Coal Processing Plant

Reference	Definition
DCF	Discounted Future Cash Flows
DEA	Department of Environmental Affairs
Dendocept	Dendocept Pty Ltd
Dendocept Facility	Unsecured loan facility agreement with Dendocept
DFS	Definitive feasibility study
DMRE	Department of Mineral Resources & Energy
Eagle Canyon	Eagle Canyon International Group Holding Limited
Eagle Canyon Facility	Unsecured loan facility agreement with Eagle Canyon
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Erudite	Erudite Pty Ltd
First Subscription	First tranche involving KDG's first subscription of 13.04% of the Company's issued capital for cash consideration of US$12,970,588
FME	Future Maintainable Earnings
FSG	Financial Services Guide
GDP	Gross Domestic Product
Goldway	Goldway Capital Investment Limited
Goldway Takeover	Goldway's takeover of the Company
GSP	Greater Soutpansberg Project
HKSE	Hong Kong Stock Exchange
HOS	Hlalethembeni Outsourcing Services Pty Ltd
HOS Mining Agreement	A five-year contract mining agreement between MC Mining and HOS executed to facilitate the recommissioning of the Vele Colliery CPP
IDC	Industrial Development Corporation of South Africa Ltd

Reference	Definition
Implementation Plan	The five-year Makhado implementation plan, which improved the confidence levels for the first five years of the Makhado BFS and previous feasibility studies, increasing the estimated accuracy from +70% to approximately +90%
Independent Specialist Report	Independent specialist report prepared by SRK
IS 214	Mining and resources: Forward-looking statements (March 2011)
Item 7 s611	Item 7 of Section 611 of the Corporations Act 2001 (Cth)
JSE	Johannesburg Stock Exchange
KCL	Kinetic Crest Limited
KDG	Kinetic Development Group Limited
Km	Kilometres
Km^2	Square kilometres
LOM	Life-of-mine
LSE	London Stock Exchange
MC Mining	MC Mining Limited
Models	Forecasted cash flow models provided to us by the Company
MPC	The SARB's Monetary Policy Committee
MPRDA	Mineral and Petroleum Resources Development Act
Mtpa	Million tonnes per annum
NAV	Net Asset Value
our Report	This Independent Expert's Report prepared by BDO
Our	BDO Corporate Finance Australia Pty Ltd
Overlooked	Overlooked Pty Ltd
Paladar	Paladar Resources Proprietary Limited
PP&E	Property, plant and equipment

Reference	Definition
Proposed Transaction	The proposed transaction between MC Mining and KDG whereby KDG will increase its interest in the Company to 51%
QMP	Quoted market price
RBA	The Reserve Bank of Australia
Repo Rate	Repurchase rate
RG 74	Acquisitions approved by members (March 2011)
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
RG 170	Prospective financial information (March 2011)
RG 9	Takeover bids (March 2011)
Rights Issue	The Company's fully underwritten renounceable rights issue
ROM	Run-of-mine
SARB	The South African Reserve Bank
Second Subscription	Second tranche involving KDG's second subscription for an additional 37.96% of the Company's issued capital for cash consideration of US$77,029,412
Section 606	Section 606 of the Corporations Act 2001 Cth
Section 611	Section 611 of the Corporations Act 2001 Cth
Senosi	Senosi Group Investment Holding Pty Ltd
Shareholders	Shareholders of MC Mining not associated with KDG
SRK	SRK Consulting (Australasia) Pty Ltd
SSA	Share subscription agreement
Sum-of-Parts	Sum-of-Parts valuation
Uitkomst	Uitkomst Colliery
Us	BDO Corporate Finance Australia Pty Ltd

Reference	Definition
US	United States of America
US$ or USD	United States Dollars
VALMIN Code	Australasian Code for Public Reporting of Technical Assessments and Valuation of Mineral Assets (2015)
Vele	The Vele Colliery
Vulcan	Vulcan Resources Limited
WA	Western Australia
We	BDO Corporate Finance Australia Pty Ltd
ZAR	South African Rand

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Appendix 2 – Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 *Net asset value*

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

Orderly realisation of assets method

Liquidation of assets method

Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 *Quoted market price basis*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a liquid and active market in that security.

3 *Capitalisation of future maintainable earnings*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax or earnings before interest, tax, depreciation and amortisation. The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

4 *Discounted future cash flows*

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start-up phase, or experience irregular cash flows.

5 *Market-based assessment*

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

The resource multiple is a market based approach which seeks to arrive at a value for a company by reference to its total reported resources and to the enterprise value per tonne/lb/oz of the reported resources of comparable listed companies. The resource multiple represents the value placed on the resources of comparable companies by a liquid market.

Appendix 3 – Independent Specialist Report

FINAL

Independent Specialist Report on the Mineral Assets of MC Mining Limited

Uitkomst Colliery, Kwazulu Natal, South Africa
Vele Colliery, Limpopo, South Africa
Makhado Project, Limpopo, South Africa
Greater Soutpansberg Project, Limpopo, South Africa

Prepared for BDO Corporate Finance Australia Pty Ltd

SRK Consulting (Australasia) Pty Ltd ▪ BDO037 ▪ 27 November 2024

srk consulting

FINAL

Independent Specialist Report on the Mineral Assets of MC Mining Limited

Kwazulu Natal and Limpopo provinces, South Africa

Prepared for:
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Acknowledgments

The following consultants have contributed to the preparation of this report.

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Useful definitions

This list contains definitions of symbols, units, abbreviations, and terminology that may be unfamiliar to the reader.

°C	degrees Celsius
%	per cent, percentage
A$	Australian dollars
A&C	A&C Mining Investments Pty Ltd
AD or ADB	air dried basis
AIG	Australian Institute of Geoscientists
AMSL	above mean sea level
AMSA	ArcelorMittal South Africa Limited
ash	ash content
ASIC	Australian Securities and Investment Commission
ASX	Australian Securities Exchange
AusIMM	Australasian Institute of Mining and Metallurgy
bcm	bank cubic metres
BDO	BDO Corporate Finance Australia Pty Ltd
BEE	Black Economic Empowerment
BFA	bench face angle
BFS	bankable feasibility study
Blue Falcon	Blue Falcon 232 Trading (Pty) Ltd
Brandywine	Brandywine Valley Investments (Pty) Ltd
BTU/lb	International Steam Table British thermal unit per pound (BTU(IT)/lb)
CHPP	coal handling and preparation plant
CoAL	Coal of Africa Ltd
Coal Resource	a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade (or quality), and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade (or quality), continuity and other geological characteristics of a Coal Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling. Coal Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.
COPs	Codes of Practice
Cove	Cove Mining Pty Ltd
CPR	Competent Persons Report
CV	calorific value
CY	calendar year
DAC	design acceptance criteria
DAF	dry, ash free
DAFF	Department of Agriculture, Forestry and Fisheries

DCF	discounted cash flow
DFFE	Department of Forestry, Fisheries and the Environment (previously known as DAFF)
DMC	dense medium cyclone
DMR	South African Department of Mineral Resources
DMRE	Department of Mineral Resources and Energy (formerly Department of Mineral Resources)
DMS	dense media separation
dmt	dry metric tonnes
DWS	Department of Water and Sanitation
EA	Environmental Authorisation
EIA	environmental impact assessment
EMC	Environmental Management Committee
EMPR	Environmental Management Programme Report
EMS	Environmental Management System
ESG	environmental, social and governance
Eskom	Eskom Holdings SOC Ltd (the state-owned electricity utility)
EV	Enterprise Value
Exploration Result	Data and information generated by mineral exploration programs that might be of use to investors, but which do not form part of a declaration of Mineral Resources or Ore Reserves.
Exploration Target	A statement or estimate of the exploration potential of a mineral deposit in a defined geological setting where the statement or estimate, quoted as a range of tonnes and a range of grade (or quality), relates to mineralisation for which there has been insufficient exploration to estimate a Mineral Resource.
FC	fixed carbon
FEL	front-end loader
FS	feasibility study. A feasibility study is a comprehensive technical and economic study of the selected development option for a mineral project that includes appropriately detailed assessments of applicable Modifying Factors together with any other relevant operational factors and detailed financial analysis that are necessary to demonstrate at the time of reporting that extraction is reasonably justified (economically mineable). The results of the study may reasonably serve as the basis for a final decision by a proponent or financial institution to proceed with, or finance, the development of the project. The confidence level of the study will be higher than that of a pre-feasibility study.
FoS	factor of safety
FY	financial year
GAR	gross as received
g/cm^3	grams per cubic centimetre
Goldway	Goldway Capital Investment Ltd
gross in situ	gross in situ Coal Resource before geological lose
GSP	Greater Soutpansberg Project
GTIS	gross tonnes in situ
GVM	GVM Metals Limited

ha	hectares
HCC	hard coking coal
HOS	Hlalethembeni Outsourcing Services (Pty) Ltd
IER	Independent Expert Report
Ikwezi	Ikwezi Mining Ltd
IM	inherent moisture
Indicated Resource	that part of a Mineral/Coal Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit.
Inferred Resource	that part of a Mineral/Coal Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.
IRA	inter-ramp angle
Iscor	The South African Iron and Steel Industrial Corporation
ISR or Report	Independent Specialist Report
IVSC	International Valuation Standards Council
IWUL	Integrated Water Use Licence
IWWMP	Integrated Water and Waste Management Plan
JORC	Joint Ore Reserves Committee
JORC Code	2012 edition of the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves*
JSE	Johannesburg Securities Exchange
kcal/kg	kilocalorie per kilogram
kg	kilograms
kL/day	kilolitres per day
km	kilometres
km^2	square kilometres
koz	thousand ounces
kW	kilowatts
kt/min	kilotonnes per minute
kWh	kilowatt hours
L	litres
LiDAR	light detection and ranging
Limpopo Coal	Limpopo Coal Company (Pty) Ltd
LOM	life-of-mine
M	million
m	metres

Makhado	Makhado Project
MCM	MC Mining Limited
Mbcm	million bank cubic metres
Measured Resource	that part of a Mineral/Coal Resource for which quantity, grade (or quality), densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit.
MEE	multiples of exploration expenditure
MJ	megajoules
MJ/kg	megajoules per kilogram
mm	millimetres
MPRDA	*Minerals and Petroleum Resources Development Act* (Act No. 28 of 2002)
Mt	million tonnes
MTIS	mineable tonnes in situ
Mt/a	million tonnes per annum
NAR	net as received
NEMA	*National Environmental Management Act* (Act No. 107 of 1998)
NSR	net smelter return
NST	Northern Star Limited
NWA	*National Water Act* (Act No. 36 of 1998)
Coal Reserve	the economically mineable part of a Measured and/or Indicated Coal Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at pre-feasibility or feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified.
PCD	Pollution Control Dam
PCI	pulverised coal injection
PFS	preliminary feasibility study (pre-feasibility study). A PFS is a comprehensive study of a range of options for the technical and economic viability of a mineral project that has advanced to a stage where a preferred mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, is established and an effective method of mineral processing is determined. It includes a financial analysis based on reasonable assumptions on the Modifying Factors and the evaluation of any other relevant factors which are sufficient for a Competent Person, acting reasonably, to determine if all or part of the Mineral Resources may be converted to an Ore Reserve at the time of reporting. A PFS is at a lower confidence level than a feasibility study.
PM_{10}	particulate matter (PM). PM_{10} describes inhalable particles, with diameters that are generally 10 µm and smaller
Probable Reserve	the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. The confidence in the Modifying Factors applying to a Probable Ore Reserve is lower than that applying to a Proved Ore Reserve.
Proved Reserve	the economically mineable part of a Measured Mineral Resource. A Proved Ore Reserve implies a high degree of confidence in the Modifying Factors.
RBCT	Richards Bay Coal Terminal

RC	reverse circulation
RD	relative density
RG	Regulatory Guide
RICS	Royal Institution of Chartered Surveyors
ROM	run-of-mine
ROMt	run-of-mine tonnes
RPEEE	reasonable prospects for eventual economic extraction
SAIMM	Southern African Institute of Mining and Metallurgy
SAMREC Code	*South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves* as prepared by the South African Resource Committee under the auspices of the South African Institute of Mining and Metallurgy
SANS10320	Edition 1 (2004) of the South African National Standard 10320 (SANS10320)
SSCC	semi-soft coking coal
SLP	Social and Labour Plan
SOP	Standard Operating Procedure
SRK	SRK Consulting (Australasia) Pty Ltd
TEPs	technical and economic parameters
TTIS	total tonnes in situ
t	tonnes
Terrecom	Terrecom Resources Ltd
t/h	tonnes per hour
TS	total sulfur content
UCPL	Uitkomst Colliery (Pty) Ltd
Uitkomst	Uitkomst Colliery
US$	United States dollars
VALMIN	The 2015 edition of the *Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets* (or the VALMIN Code)
Vele	Vele Aluwani Colliery
VM	volatile matter
VRM	Valuation & Resource Management
WA	Western Australia
WUL	Water Use Licence
ZAR	South African Rands

Executive summary

Background

BDO Corporate Finance Australia Pty Ltd (BDO) has been engaged by MC Mining Limited (MCM or the Company) to prepare an Independent Expert Report (IER) in relation to a potential transaction involving Kinetic Development Group Limited increasing its interest in MCM to 51%. MCM has coal assets located in the Kwazulu Natal and Limpopo provinces of South Africa.

BDO has subsequently engaged SRK Consulting (Australasia) Pty Ltd (SRK) to prepare an Independent Specialist Report (ISR or Report) in relation to matters on which BDO is not an expert. The scope of the work to be completed by SRK was determined by BDO. SRK's ISR will form part of BDO's IER, which is to be provided to MCM shareholders and comment on the 'fairness and reasonableness' of the proposed transaction. SRK's Report does not comment on the 'fairness and reasonableness' of any transaction between MCM and any other parties.

The key mineral assets to be considered in this Report are collectively known as the Mineral Assets and comprise:

- an 84% interest in the Uitkomst Colliery (pulverised coal injection (PCI) metallurgical and thermal coal)
- a 100% interest in the Vele Colliery (semi-soft coking and thermal coal)
- a 67% interest in the Makhado Project (hard coking coal and thermal coal byproduct)
- a 74% effective interest in tenements comprising the Greater Soutpansberg Project (GSP) (coking and thermal coal).

This ISR presents the following key technical information as at the Effective Date (27 November 2024):

- a review of the geological setting and coal seams present in association with the Mineral Assets
- Coal Resource and Reserve statements (for Uitkomst, Vele, Makhado and GSP) reported in accordance with the terms and definitions of the JORC Code (as defined below) and used as the basis for the economic analysis
- the associated life-of-mine (LOM) plans and associated technical and economic parameters (TEPs) included in the LOM plans
- a techno-economic assessment of the Uitkomst and Makhado Mineral Assets
- commentary on MCM's exploration and project growth plans.

Requirement and reporting standard

SRK's ISR has been prepared in accordance with the guidelines outlined in the *Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets* (VALMIN Code, 2015), which incorporates the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves* (JORC Code, 2012).

As defined in the VALMIN Code (2015), Mineral Assets comprise all property including (but not limited to) tangible property, intellectual property, mining and exploration tenure and other rights held or acquired in relation to the exploration, development of, and production from, those tenures. This may include plant, equipment and infrastructure owned or acquired for the development, extraction and processing of minerals relating to that tenure.

Techno-economic assumptions and valuation

As mandated in its scope of work, SRK has reviewed the technical assumptions and provided an assessment on the reasonableness of the techno-economic assumptions in the supplied Uitkomst, and Makhado cashflow models (the Models). These Models consider the LOM plans as developed by MCM, including the Coal Resource and Coal Reserve estimates, the mining physicals, the processing assumptions, the operating costs, the capital expenditure and the environmental and permitting provisions. SRK has considered the assumptions and advised BDO to not value the Coal Resource using an Income Approach.

SRK has excluded commentary related to the marketing, exchange rate, inflation rates and discount rate assumptions adopted in the Models, on the understanding that these are to be considered by BDO.

Value of Coal Resources

SRK has provided an opinion regarding the Market Value of the Coal Resources and the exploration potential at Uitkomst, Vele, Makhado and GSP.

In forming its overall opinion regarding the Market Value for each of MCM's coal assets, SRK has adopted the market valuation approach using comparable market transactions and an actual transaction supported by peer analysis and yardstick methods as secondary guides.

Based on its technical review, SRK has not attributed any additional value to the exploration potential of the broader tenure as, in its view, this value is encapsulated within the value assigned to the Coal Resources, given the valuation approach and methodologies adopted.

On this basis, SRK considers the current market is likely to pay between ZAR1,115 M and ZAR2,064 M, with a preferred value of ZAR1,589 M for the attributable Coal Resources held by MCM.

1 Introduction

BDO has been engaged by MCM to prepare an IER in relation to a potential transaction involving Kinetic Development Group Limited increasing its interest in MCM to 51%. MCM has coal assets located in the Kwazulu Natal and Limpopo provinces of South Africa.

BDO has subsequently instructed SRK to prepare an ISR incorporating a technical assessment and valuation of MCM's coal assets. The scope of the work to be completed by SRK was established by BDO. SRK's ISR will form part of the BDO IER and will be provided to MCM shareholders. SRK's Report does not comment on the 'fairness and reasonableness' of any transaction between MCM and any other parties.

The key mineral assets to be considered in this Report are collectively known as the Mineral Assets and comprise:

- an 84% interest in the Uitkomst Colliery (metallurgical and thermal coal)
- a 100% interest in the Vele Colliery (semi-soft coking and thermal coal), which is currently on care and maintenance
- a 67% interest in the Makhado Project (hard coking coal and thermal coal)
- a 74% effective interest in the tenements comprising the GSP (coking and thermal coal).

1.1 Terms of reference and purpose of the Report

SRK understands that this Report is to be used in relation to a potential transaction involving the coal assets of MCM. It is understood that this Report will be included in BDO's IER.

The quality of information, conclusions, and estimates contained herein is consistent with the level of effort involved in SRK's services, based on: i) information available at the time of preparation and ii) the assumptions, conditions, and qualifications set forth in this Report. This Report is intended for use by BDO and MCM subject to the terms and conditions of the agreed contract with SRK and relevant securities legislation in Australia.

Except for the purposes legislated under prevailing securities law, any other use of this Report by any third party is at that party's sole risk. The responsibility for this disclosure remains with MCM.

The purpose of the ISR is to compile the results of previous technical studies into a single document and to provide an independent overview and assessment of the technical merits that might reasonably be expected to be applied by the market when considering investment in the South African mineral assets currently held by MCM. Further, it provides an assessment of the reasonableness of the Coal Resource estimates at each of the Company's projects and the reasonableness of the technical inputs underpinning the Company's models. In particular, the ISR covers the pertinent aspects in detail appropriate to the strategic importance of the projects and provides commentary on the exploration and development potential of the Mineral Assets. However, based on the outcome of the discounted cash flow (DCF) modelling, a market-based valuation approach has been adopted. Therefore, the technical inputs to the project models have not been presented in the ISR.

1.2 Reporting compliance, reporting standard and reliance

1.2.1 Scope of work

As requested by BDO, SRK is to provide BDO with an independent opinion of the market valuation of the Vele Colliery, Greater Soutpansberg Project and MC Mining's interest in any residual resources or reserves of the Makhado Project and the Uitkomst Colliery that are not already incorporated into their respective cash flow models (Models). To this end, SRK is to review the technical inputs and assumptions to the Models and provide BDO with an assessment of the reasonableness of the following:

1. Coal Reserves and Coal Resources incorporated into the Models
2. mining physicals (including tonnes of coal mined, quality, waste material and mine life)
3. processing physicals (including yield, coal processed and produced)
4. production and operating costs (including but not limited to drilling, blasting, mining, haulage, processing, transport, general administration, distribution and marketing, contingencies and royalties or levies)
5. capital expenditure (including but not limited to pre-production costs, project capital costs, sustaining capital expenditure, salvage value, rehabilitation and contingency)
6. any other relevant technical assumptions not listed above.

In so doing, SRK is to explain the basis for which a discounted cash flow valuation approach may not be considered appropriate for the Vele Colliery.

In regard to the Makhado Project and the Uitkomst Colliery Models, if an assumption is considered unreasonable, this should be reflected in SRK's Report and BDO advised ahead of the report delivery. Consideration of the assumptions for more than one scenario may be required.

In addition, SRK is to provide BDO with an expected rehabilitation cost for both the Makhado Project and the Uitkomst Colliery for inclusion in the respective Models.

Furthermore, SRK is to prepare a report summarising its findings, recommendations and valuation opinion of the Market Value of MC Mining's mineral assets outside of the Models for the purpose of supporting BDO's IER.

SRK's services exclude any work in relation to:

- marketing, commodity price and exchange rate assumptions adopted in the financial models
- financial and/or corporate taxation analysis.

As part of its investigations, SRK has made enquiries but not conducted any independent due diligence on the status of the associated mineral titles and issues relating to land access and environmental regulations. SRK is not qualified to make legal representations in this regard and therefore specifically disclaims responsibility for these aspects for the purpose of this review.

1.2.2 Reporting standard

The authors of this Report are Members or Fellows of the Australasian Institute of Mining and Metallurgy (AusIMM) and/or the Australian Institute of Geoscientists (AIG) and therefore are bound by both the VALMIN and JORC codes. SRK's Report is prepared in accordance with the *Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets* – VALMIN Code (2015), which incorporates the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves* – JORC Code (2012), in addition to other regulatory guidance (RG) (i.e. Australian Securities and Investment Commission (ASIC) RGs 111 and 112).

As per the VALMIN Code (2015), a draft of the Report was supplied to BDO and MCM to check for material error, factual accuracy and omissions before the final version of the Report was issued.

1.2.3 Work program

This assignment commenced in October 2024. It relies on data and information supplied by MCM, as well as other publicly available data and other information sourced by SRK from literature, as well as subscription databases such as S&P Capital IQ Pro database services. MCM also provided SRK with access to an online data room.

To meet the requirements set out in Section 11.1 of the VALMIN Code (2015), a site inspection of the material Mineral Assets may be required. SRK previously (from 13 to 15 February 2024) conducted a site visit to MCM's Vele and Makhado projects, and has previously inspected the Uitkomst Colliery (for a previous assignment in May 2022), but did not visit the exploration mineral asset portfolio given the early-stage exploration status.

SRK's designated project manager, Shaun Barry, coordinated the contributions from each team member to ensure consistency of approach and appropriate levels of reporting as befitting an ISR for public reporting purposes.

SRK has satisfied itself and MCM has warranted that all material information in its possession has been fully disclosed to SRK.

1.2.4 Legal matters

SRK has not been engaged to comment on any legal matters. SRK notes that it is not qualified to make legal representations as to the ownership and legal standing of the mineral tenements that are the subject of this Report. In accordance with Section 7.2 of the VALMIN Code (2015), SRK has satisfied itself regarding the legal status of the Company's projects as it was provided in a legal opinion from White and Case Inc. dated 15 March 2024 that outlines the status of the project tenures. SRK has been informed by MCM that there has been no change to the legal status of the Company's projects since this date.

1.2.5 Effective Date

The Effective Date of this Report is 27 November 2024.

1.3 Project team

This Report has been prepared by a team of SRK consultants and associates in South Africa and Australia. Details of the qualifications and experience of the consultants who have conducted the work in this Report, who have extensive experience in the mining industry and are members in good standing of appropriate professional institutions, are set out below in Table 1.1.

Table 1.1: Details of the qualifications and experience of the project team

Specialist	Position	Responsibility	Length and type of experience	Site inspection	Professional designation
Shaun Barry	Principal Consultant	Project manager, reporting and valuation	30 years – 12 years in consulting specialising in valuation, financial modelling, sensitivity analyses, due diligence studies, IERs, optimisation studies, risk analysis, business and marketing strategy development; 9 years marketing; 7 years analyst; 2 years in operations.	No	BSc Hons, MSc Eng, AusIMM (CP) MRICS
Ian de Klerk	Principal Consultant	Geology	>35 years – +20 years in exploration, evaluation and assessment of Mineral Resources, 15 years in geological modelling and resource consulting.	No	BSc Hons, MSc (Expl. Geol), GDip Eng (Mining Engineering), MAusIMM
Jack Steenekamp	Associate Principal Consultant	Mining and infrastructure/ services	+35 years – 20 years in consulting with experience in various technical and managerial capacities to include studies, reviews and due diligences, and balance of career in operational and management roles within corporate mining companies, specialising in coal mining operations and projects.	No	BEng (Mechanical), BEng Hons (Mining), MBA, GDip (Mine Ventilation), FAusIMM(CP), RPEQ
Richard Klecha	Associate Principal Consultant	Coal processing	>30 years in coal processing including CHPP Manager and Study Manager roles with various Tier One companies, as well as extensive consulting experience.	No	City and Guilds 040 and 051 Coal Preparation Technology, MAusIMM
Ludovic Rollin	Senior Consultant	Environmental and social	12 years – 6 years in consulting specialising in environmental, social and governance studies and reviews, 6 years in environmental, social and health and safety operational management	No	BSc, MSc Eng, EUR ING (CP), MAusIMM
Gerry McCaughan	Principal Consultant	Peer review	+20 years of experience in exploration targeting, structural geology risk analysis, geological modelling and resource estimation of coal deposits.	No	PhD (Geology), BA Nat Sci Hons (Geology), MAusIMM, MAIG

Note: CHPP – Coal Handling and Preparation Plant.

1.4 Limitations, reliance on information, declaration and consent

1.4.1 Limitations

SRK's opinion contained herein is based on information provided to SRK by MCM throughout the course of SRK's investigations as described in this Report, which in turn reflects various technical and economic conditions at the time of writing. Such technical information as provided by MCM was taken in good faith by SRK. SRK has not independently verified the stated Exploration Results, Coal Resources and Coal Reserves by means of recalculation but instead has completed limited verification and review for the purposes of establishing whether they are reasonable in accordance with the purpose of this Report.

This Report includes technical information, which requires subsequent calculations to derive subtotals, totals, averages and weighted averages. Such calculations may involve a degree of rounding. Where such rounding occurs, SRK does not consider them to be material.

As far as SRK has been able to ascertain, the information provided by MCM was complete and not incorrect, misleading or irrelevant in any material aspect. MCM has confirmed in writing to SRK that full disclosure has been made of all material information and that to the best of its knowledge and understanding, the information provided by MCM was complete, accurate and true and not incorrect, misleading or irrelevant in any material aspect. SRK has no reason to believe that any material facts have been withheld.

1.4.2 Statement of SRK independence

Neither SRK, nor any of the authors of this Report, have any material present or contingent interest in the outcome of this Report, nor any pecuniary or other interest that could be reasonably regarded as capable of affecting their independence or that of SRK. SRK has no beneficial interest in the outcome of this Report capable of affecting its independence.

1.4.3 Indemnities

As recommended by the VALMIN Code (2015), MCM has provided SRK with an indemnity under which SRK is to be compensated for any liability and/or any additional work or expenditure resulting from any additional work required:

- that results from SRK's reliance on information provided by MCM or from MCM not providing material information
- that relates to any consequential extension workload through queries, questions or public hearings arising from this Report.

1.4.4 Consent

SRK consents to this Report being included, in full, in BDO's IER documents in the form and context in which it is provided, and not for any other purpose. SRK provides this consent on the basis that the technical assessment and valuation expressed in the Executive summary and in the individual sections of this Report are considered with, and not independently of, the information set out in the complete Report.

1.4.5 Practitioner consent

The information in this Report that relates to Technical Assessment and Valuation of the Coal Assets is based on and fairly reflects information compiled and conclusions derived a team of consultants supervised by Mr Shaun Barry, who is a Member of the AusIMM. Mr Barry is employed by SRK, an independent mining consultancy. Mr Barry has sufficient experience that is relevant to the Technical Assessment and Valuation of the Mineral Assets under consideration, the style of mineralisation and the types of deposit under consideration and to the activity being undertaken to qualify as a Practitioner as defined in the 2015 edition of the *Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets*, and as a Competent Person as defined in the 2012 Edition of the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves*. Mr Barry consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

1.4.6 Consulting fees

SRK's estimated fee for completing this Report is based on its normal professional daily rates plus reimbursement of incidental expenses. The fees are agreed based on the complexity of the assignment, SRK's knowledge of the assets and availability of data. The fee payable to SRK for this engagement is estimated at approximately A$55,000. The payment of this professional fee is not contingent upon the outcome of this Report.

1.4.7 Units of measure and currency

Throughout this report, measurements are in metric units and currency in South African rands (ZAR), United States dollars (US$) or Australian dollars (A$) unless otherwise stated.

2 Overview of MC Mining

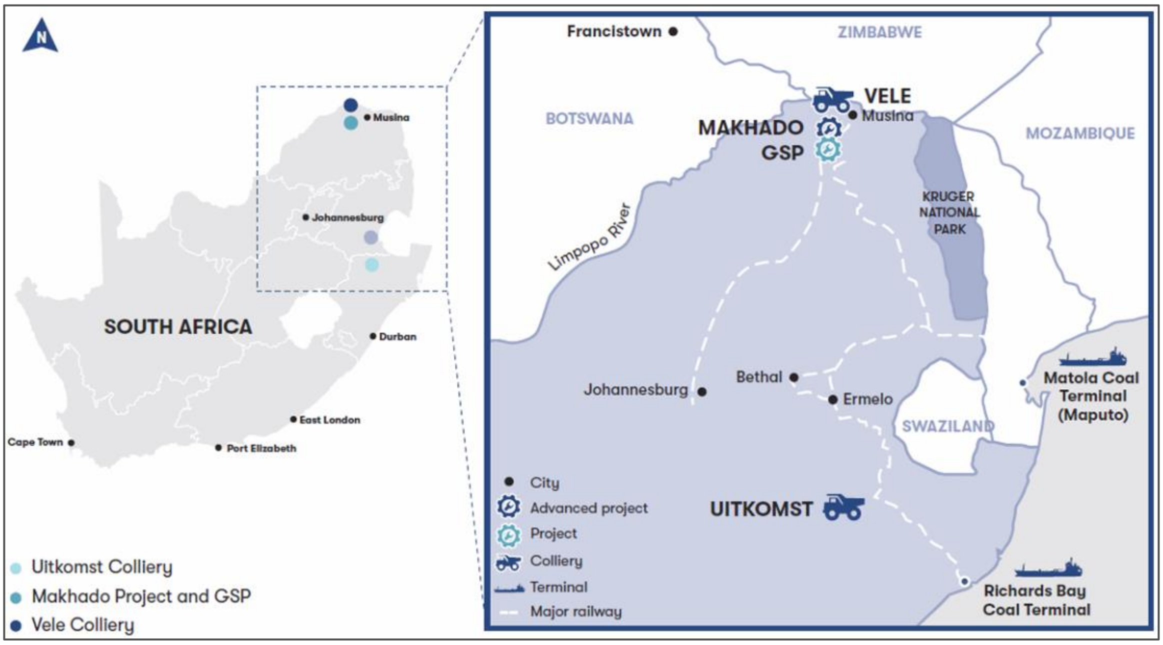
2.1 Company background

MCM is a mineral resources company listed on the AIM, ASX and JSE, and is primarily focused on its metallurgical coal assets in South Africa. Formerly known as Coal of Africa Limited (CoAL), the Company received shareholder approval for its name change to MC Mining Limited in November 2017.

Following the purchase of the Uitkomst Colliery in 2017, the Company's focus has shifted to a combination of project development and operations. The Company's key projects (Figure 2.1) include the Uitkomst Colliery (PCI metallurgical coal), Makhado Project (hard coking and thermal coal), Vele Aluwani Colliery (semi-soft and thermal coal) and the GSP – MbeuYashu (coking and thermal coal).

MCM is an emerging developer of high-quality coking and thermal coal assets, located primarily in the Limpopo Province of South Africa.

Figure 2.1: Location of operations and projects



Source: MCM

With good access to rail and port infrastructure, MCM can effectively service domestic and international coal markets, providing a much-needed resource for economic growth and development to the country and the provinces in which it operates.

3 Uitkomst Colliery

3.1 Overview

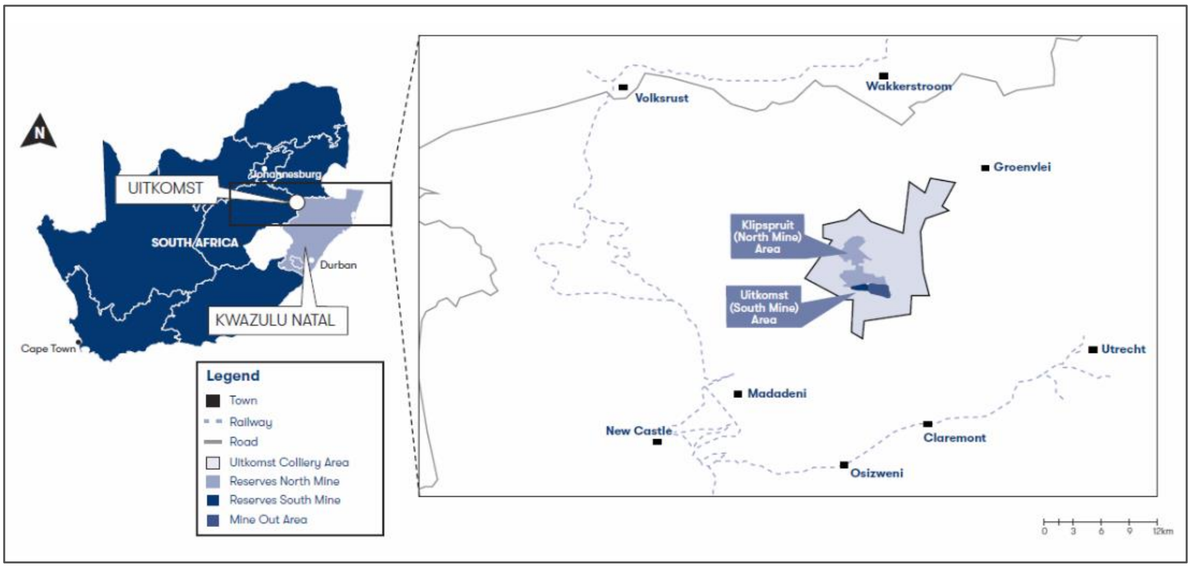
Uitkomst Colliery (Pty) Ltd (UCPL) is a producer of thermal and metallurgical coal from the Uitkomst Colliery (Uitkomst) which is situated 20 km northwest of Utrecht and 23 km northeast of Newcastle in the KwaZulu Natal Province (Figure 3.1). The colliery lies approximately 315 km directly northwest of the Richards Bay Coal Terminal (RBCT) and 320 km southeast of Johannesburg.

Uitkomst is an underground bord and pillar (conventional drill and blast) colliery that extracts the Gus coal seam.

The operation is accessible via a well-maintained largely sealed road network and a rail line that runs to the west of the operations. The Wykom rail siding is located 5.7 km north of the town of Newcastle and provides the main loading point for rail transported coals.

MCM owns an 84% interest in UCPL, which is the registered holder of a consolidated mineral right for coal issued by the South African Department of Mineral Resources (DMR) under reference KZN30/5/1/2/2/94 MR (94 MR).

Figure 3.1: Location of the Uitkomst Colliery



Source: MCM website, accessed 13 May 2022

The colliery is situated at the foothills of the Balele Mountains within an important sheep farming and major cattle and mixed farming region.

The surrounding region to the colliery experiences a temperate climate with mild summers (typically 15°C to 28°C) and cool winters (typically 3°C to 23°C). Rain typically falls during the summer months, mostly from October through to March. Mining can take place throughout the year.

3.2 History

Uitkomst Colliery currently consists of the operating section, the South Mine (the 'Uitkomst area') and the planned future expansion, the North Mine (the 'Klipspruit area').

The Klipspruit area represents the previously-mined underground Klipspruit Colliery, originally owned by Newcastle Coal Mines (Pty) Ltd. The colliery commenced production in 1987, before being sold in 1989 to Welgedacht Exploration Company (Pty) Ltd, a Rand Mines Limited subsidiary, and later acquired by Ingwe Coal Corporation. The colliery was then sold to Kangra Holdings in 1993. In 2014, the colliery was owned by Shanduka Resources, although it had ceased operations and rehabilitation was completed (Barker's Coalfield Maps of South Africa, 2014).

Operations were commenced in the adjacent Uitkomst area (the original Uitkomst Colliery) in 2007 by Brandywine Valley Investments (Pty) Ltd (Brandywine). In April 2015, Blue Falcon 232 Trading (Pty) Ltd (Blue Falcon) bought Brandywine and consolidated the Klipspruit and Uitkomst mineral rights through a Section 102 application, which was granted in March 2016. Blue Falcon was acquired by Pan African Resources PLC, effective 1 April 2016, which then ceded the mineral rights to its subsidiary, UCPL. In June 2017, the company was acquired by MCM.

Uitkomst was then mined by an independent mining contractor, Khethekile Mining, until 1 August 2018, when MCM acquired all the contractor's mining equipment and employees. The mine has been owner-operated ever since.

Details of historical exploration are limited. Exploration was conducted from the 1950s through to 2013 by a variety of companies (Table 3.1), resulting in a total of 491 drill holes. However, analytical results are only available for 429 of these holes.

Twenty of the drill holes completed in 2023 delineated the old Klipspruit workings. These have been incorporated into the most recent statement of Coal Resources and Coal Reserves reported as at 30 June 2024.

Table 3.1: Historical exploration for the Uitkomst Colliery

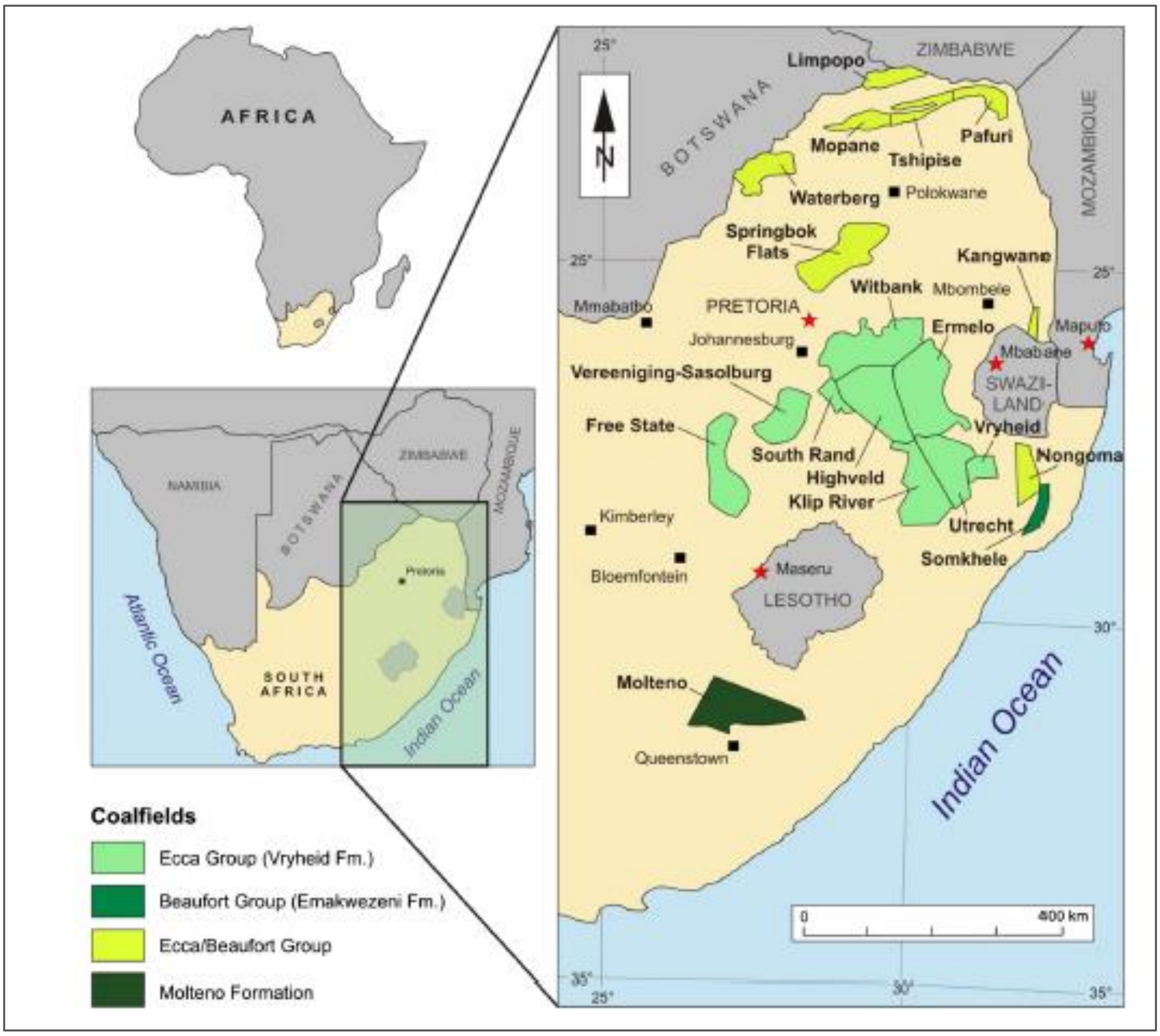
Year	Number of drill holes	Company
1971, 1978–79	41	Iscor Ltd[1]
1983	16	St George Mining
1980–88	268	Grinaker Desert Spar/Grinaker Mining[2]
1987–88	19	Newcastle Coal Mines (Pty) Ltd[2]
1988–89	16	Rand Mines Ltd/Ingwe Ltd
2001	24	Welgedacht
2007–09	27	Brandywine
2013	13	Uitkomst Colliery
2017	20	Uitkomst Colliery
2019	6	Uitkomst Colliery
2023	41	Uitkomst Colliery
Total	**491**	

Source: Minxcon (2017), Independent Competent Persons Report on the Uitkomst Colliery.
Notes:
[1] Previously, the state-owned South African Iron and Steel Industrial Corporation Limited.
[2] Subsidiary of Anglovaal Ltd.

3.3 Local geology

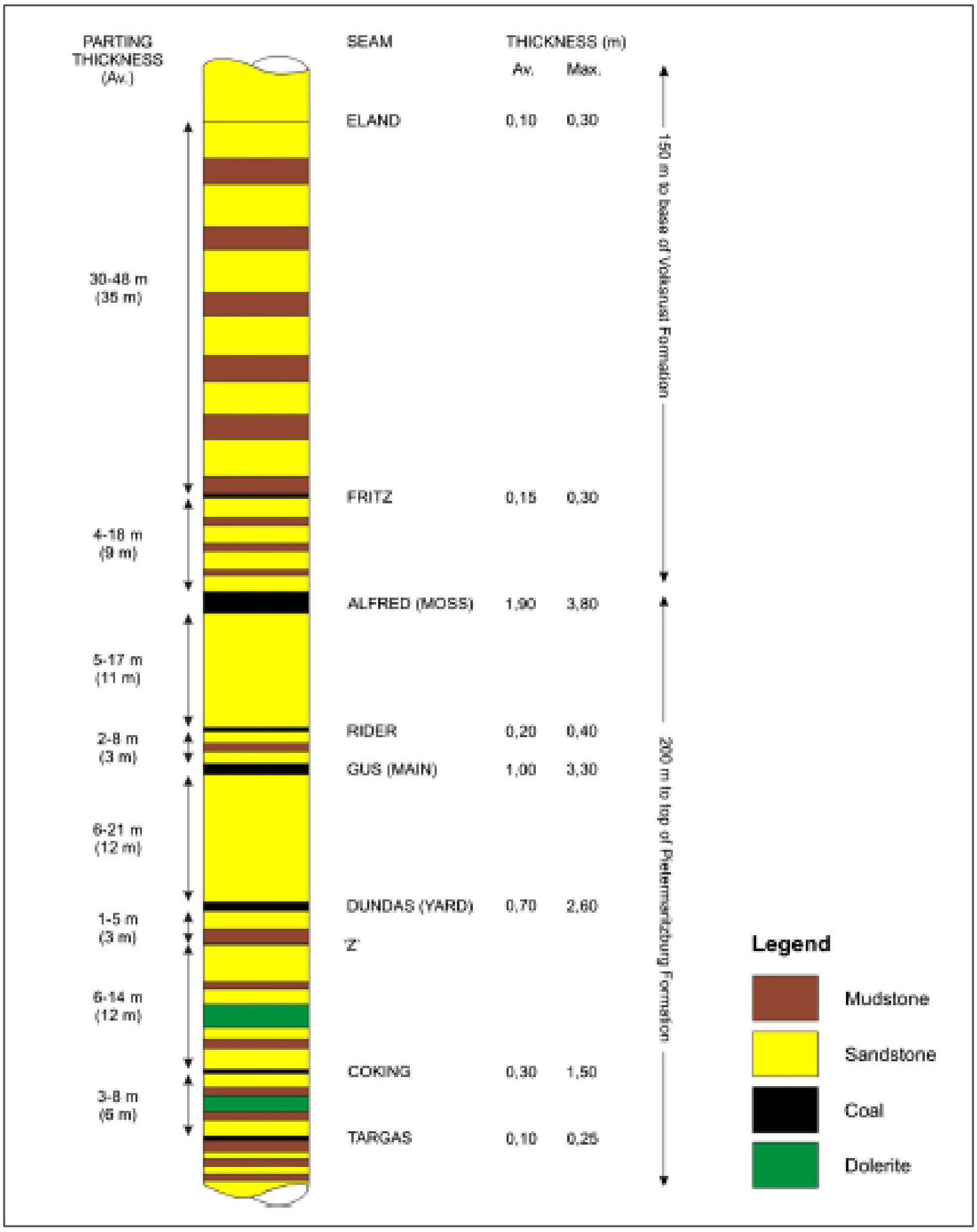
Uitkomst Colliery is located in the Utrecht Coalfield (Figure 3.2) – the coal seams are developed in the Vryheid Formation of the Ecca Group, which is of Permian age. Seven main seams and two smaller seams are recorded (Figure 3.3), although not all seams are developed in all areas. Four seams are demonstrated to have economic value – the Coking, Dundas, Gus and Alfred seams. Dolerite intrusions ranging from thin dykes to very thick sills are extremely common in the coalfield, often causing major displacement of the seams (in the order of 150 m) and affecting the quality and rank of the seams. Coal rank varies from medium to high within the Utrecht Coalfield depending on proximity to dolerite intrusions.

Figure 3.2: Coalfields of South Africa



Source: Hancox and Götz (2014)

Figure 3.3: General stratigraphy of the coal zone in the Utrecht Coalfield



Source: Hancox and Götz (2014)

At Uitkomst, only two seams are intersected, namely, the Alfred and Gus seams. As the Alfred Seam is poorly developed, only the Gus Seam is currently extracted.

The Gus Seam occurs in a north–south trending zone in the central portion of the mining lease and outcrops to the south in the Dorpspruit and Kweekspruit valleys. To the north, the seam extends beneath the escarpment at a depth from surface of around 300 m; due to the extreme topography of the escarpment, the depths increase rapidly to over 800 m. The seam ranges in thickness from 0.8 m to 1.9 m and consists of banded bright, dull and lustrous coal with the coal quality decreasing towards the top of the seam. This upper portion also contains a number of fine-grained sandstone partings, that may attain thicknesses of 20 cm.

3.4 Exploration potential

Drilling north of the presently defined LOM area suggests there may be potential for additional resources to be defined through ongoing exploration, although this is considered to be limited. Future drilling campaigns will target these areas.

3.5 Coal Resources and Coal Reserves

3.5.1 Coal Resources

The critical variable considered for the Uitkomst coal product is the ash content; the main products are both domestic products, namely a 12% ash product from the -10 mm fraction, usually sold to ArcelorMittal South Africa Limited, and a 12–14% ash product from sized and unsized coal sold into the local domestic market.

In addition, the following cut-off values were imposed to estimate the mineable Coal Resource:

- Mineral Rights boundaries
- seam sub-crop
- mined out areas have been excluded
- raw dry, ash-free (DAF) volatile matter (VM) >27% to exclude devolatilised areas
- minimum depth of 25 m for mineable tonnes in situ (MTIS) – any coal less than 25 m below surface is difficult to access from underground and does not have open cast potential due to the abrupt topography
- maximum seam depth of 300 m
- a minimum seam thickness of 0.5 m for gross tonnes in situ (GTIS) and 1.2 m for MTIS.

The Coal Resource estimates were also discounted for unknown geological structures, based on the confidence in the Coal Resource classification; namely:

- Measured 10%
- Indicated 15%
- Inferred 20%.

SRK has reviewed the geological model and is satisfied that the data are represented sufficiently accurately in the grids, that the modelling principles employed and the estimation methods used are fit-for-purpose and that the geological model and the resource estimates can be relied upon.

The Coal Resources were estimated by Mr John Sparrow in accordance with Edition 1 (2004) of the South African National Standard 10320 (SANS10320). Mr Sparrow is a Competent Person as defined by the *South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves* (SAMREC Code, 2020).

All Coal Resources and coal qualities have been estimated on an air-dry basis and are inclusive of the Coal Reserves.

The Coal Resources as at 30 June 2023 are shown in Table 3.2. The Coal Resources are reported in accordance with both the SAMREC (2020) and JORC (2012) codes.

Table 3.2: Uitkomst Coal Resources (as declared at 30 June 2023)

Resource Category	GTIS (Mt)	MTIS (Mt)	MCM Attributable Interest (%)	MCM Attributable Resource (Mt)
Measured	15.941	14.347	84	12.051
Indicated	3.964	3.369	84	2.830
Subtotal Measured and Indicated	*19.905*	17.716	84	*14.881*
Inferred	5.678	4.543	84	3.816
Total	25.583	22.259	84	18.697

Source: MCM 2023 Annual Report

MCM has supplied SRK with a spreadsheet updating the Uitkomst Coal Resource to 30 June 2024 but that is yet to be released to the market. The updated Coal Resource (2024) is shown in Table 3.5 and accounts for depletion of approximately 0.499 Mt of coal mined, and approximately 0.194 Mt of mining and layout losses, from the measured gross tonnes in situ category over the year and an increase of some 1.47 Mt (GTIS) in the Indicated and Inferred categories, due to additional drilling.

SRK has used the June 2024 Coal Resources in its valuation of the Uitkomst Colliery value contribution in this report. The change is not material to the overall market value ascribed to MCM's coal assets.

Table 3.3: Uitkomst Coal Resources (as at 30 June 2024 – undisclosed)

Resource category	GTIS (Mt)	MTIS (Mt)	MCM attributable interest (%)	MCM attributable Resource (Mt)
Measured	15.248	13.723	84	11.527
Indicated	4.017	3.415	84	2.868
Subtotal Measured and Indicated	**19.265**	**17.138**	**84**	**14.396**
Inferred	7.101	5.681	84	4.772
Total	26.366	22.819	84	19.168

Source: 46.09.02.202406 resources and reserves by project2_2024.xlsx

3.5.2 Coal Reserves

The stated Coal Reserves disclosed to the market and dated 30 June 2023 are shown in Table 3.4.

The Coal Reserves were estimated and reported by Mr Craig Archer. Mr Archer is a Competent Person as defined by the SAMREC Code (2020).

Table 3.4: Uitkomst Coal Reserves as at 30 June 2023 (in 100% terms)

Coal Reserves Category	ROM Mt	Sales Mt
Proved	6.044	3.917
Probable	1.021	0.696
Total	7.065	4.613

Source: MC Mining Limited Annual Report 2023

Notes:

[1] Includes all contamination and roof brushing.

[2] There are 0.762 Mt of ROM that are unclassified that are included in the LOM.

The updated Coal Reserves as at 30 June 2024 shown in Table 3.5 are from information provided by MCM and as yet undisclosed to the market. It is noted that a reported 498,589 run-of-mine (ROM) tonnes have been mined at Uitkomst Colliery since the preparation of the previous Coal Reserves estimate, i.e. from 1 July 2023 to 30 June 2024. From the information provided, it is noted that the Coal Reserves for Uitkomst are based on a detailed revised LOM layout as of 1 July 2024.

SRK has used the June 2024 Coal Reserves in its valuation of the Uitkomst Colliery value contribution in this report. The change is not material to the overall market value ascribed to MCM's coal assets.

Table 3.5: Uitkomst Coal Reserves as at 30 June 2024 – undisclosed (in 100% terms)

Coal Reserves category	ROM (Mt)	Sales (Mt)
Proved	6.730	4.472
Probable	1.254	0.878
Total	7.984	5.351

Source: 46.09.02.202406 resources and reserves by project2_2024.xlsx

Notes:

[1] Includes all contamination and roof brushing.

[2] The declared Coal Reserves are based upon Measured and Indicated Coal Resources only.

[3] SRK was provided with information in an Excel sheet format. These updated Coal Reserves have not yet been disclosed to the market.

3.6 Mining

The defined Coal Resources target the Gus Seam and outcrop in the valley portions in the southern and northern parts of the mining right. This seam ranges between 0.8 m and 1.9 m in thickness.

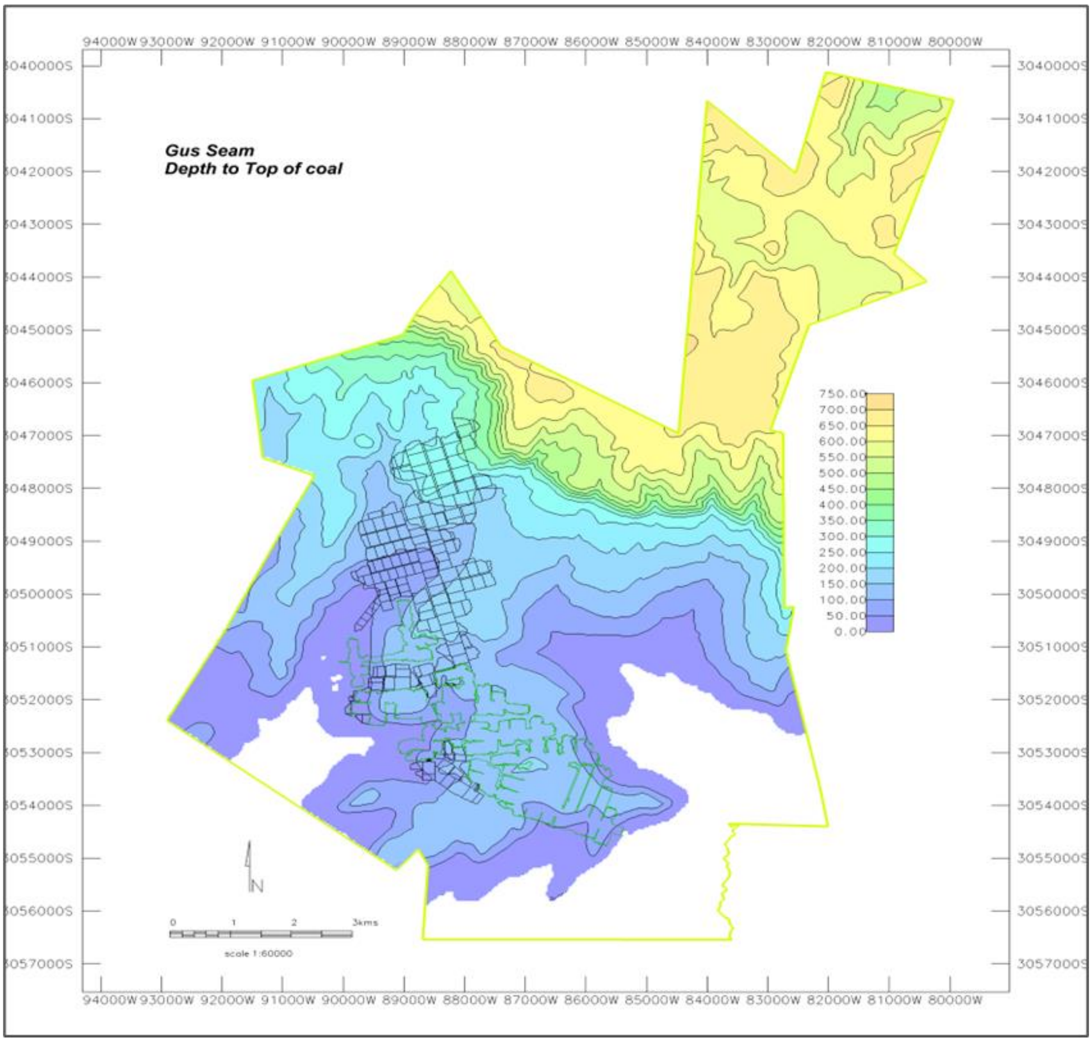
The key constraint to the mine layout is the escarpment topography, which rises to over 800 m with cover, which impacts on potential coal recovery. The outcrop areas are accessed from a box-cut to approximately 30 m depth to allow an adit-type access into the coal seam.

The coal seam is considered to be horizontal (i.e. it has a zero dip) but does have some floor rolls that affect the potential mining height. The mining panels have been laid out from the development drive in Adit 1 to the extent of the mining thickness, as defined by a minimum seam thickness of 1.2 m and a minimum overburden cover of 30 m. The maximum panel cover is set at 150 m overburden thickness, where the coal recovery beyond this becomes uneconomic (refer Figure 3.4).

The original old Klipspruit workings in the vicinity of Adit 2 were mined on a similar basis before discontinuing the operations.

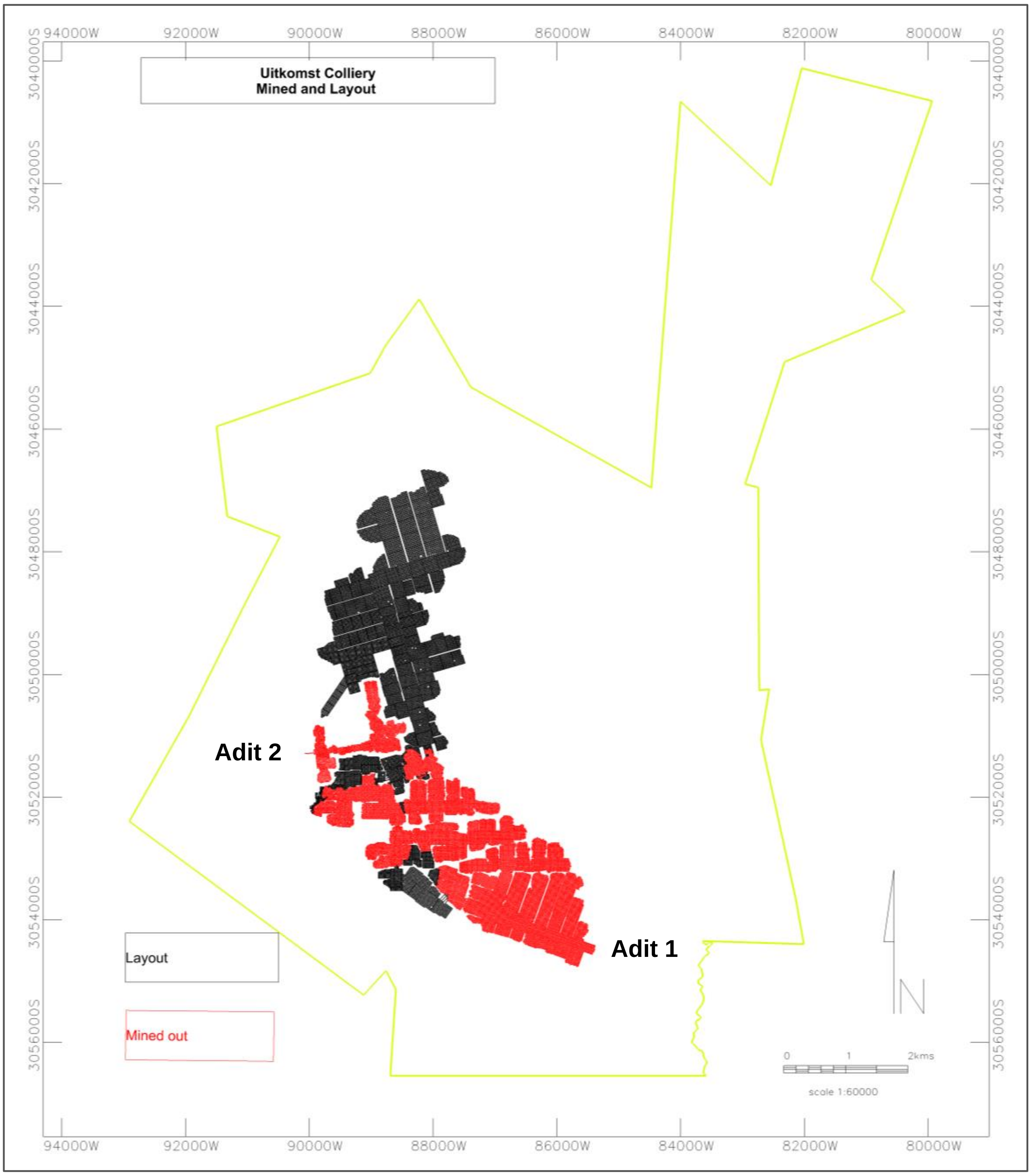
The plan in Figure 3.5 shows the mined-out areas and the remaining panels to be mined in the LOM plan provided by MCM, dated 2022. The mine essentially splits into the South mine exploited from Adit 1 and the North mine, accessed from Adit 2, which is adjacent to the old Klipspruit workings to reduce travel time and aid in ventilation. The two blocks are planned to be joined by a main development, but the seam is thinner in the area between the two blocks and hence will need to have the main roads roof brushed to provide sufficient mining height. The area is intersected by several dykes, but the panels are able to mine through and exploit the coal beyond these intrusive bodies (Figure 3.5).

Figure 3.4: Uitkomst Colliery overburden depth to the Gus Seam



Source: Minxcon (2017), Uitkomst Technical Review.

Figure 3.5: Uitkomst Colliery mining panel layout



Source: MCM, 2024

The mining method is bord and pillar, drill and blast mining in the thin seam using coal cutters for the undercut, and with electric hand drills for blastholes. The mine panels are designed as 13 or 15 road panels at a bord width of 6.0 m, and the pillars are designed in a squat pillar design to a safety factor of 1.6. In the main development panels, this is increased to 2.0. This means that there is no potential pillar recovery planned.

The clearance of the coal is achieved using battery powered scoops prior to loading onto a low-profile feeder breaker and conveyor system to exit the mine.

The mine is ventilated by two main surface fans supplying 125 m^3/s of fresh air into the workings through a ventilation shaft that was commissioned in March 2022. The roof support is done using low profile roof bolters. The mine has sufficient equipment to operate three sections, and occasionally when required combines the sections into a single panel for faster linear advance. Within the panels, the travelling ways are roof brushed to 2.0 m, and the conveyor transfer points are brushed to 2.6 m. The mine attempts to extract the full coal horizon, hence dilution from the roof and floor is included in the ROM tonnages stated in the Coal Reserves.

All mine planning information is uploaded to an XPAC software database for scheduling purposes, together with the coal qualities and sales product information. The latest Coal Reserves estimate generated for the mine was completed by Mr C Archer in June 2024, who is of good standing as a qualified mining engineer and registered member of the SAIMM (706388).

It is understood that the sections are scheduled at approximately 15,000 to 20,000 ROMt/month on a two-shift basis, with slight variation for the mining height. SRK notes that in developing a scheduled mining rate for thin seam mines, the schedule is highly dependent upon roof conditions and floor tramming conditions, which can be extremely disruptive to production activities and rates. Also, the use of coal cutters is an older mining technology, and is very dependent upon the reliability of refurbished machinery, as these are not manufactured as new anymore. SRK does not expect that the design of future panels will vary significantly from historical panels, hence is also not expecting that the scheduled rates will deviate largely in the future LOM.

Uitkomst produced close to 500,000 ROMt from July 2023 to June 2024, which is in line with future planned production of approximately 500,000 ROMt/annum, e.g. 510,828 t for FY2025 and 513,405 t for FY2026. At this annual production rate, Uitkomst has a remaining mine life of approximately 15 years.

3.7 Geotechnical

The underground mining activities at Uitkomst are relatively mature, with well-established geotechnical practices and standards with regards to pillar and bord widths, ground support requirements and ground hazard plans. Examples of minutes from monthly Mine Planning meetings indicate that bord width and ground support spacing for developing areas is assessed on an ongoing basis – with checking and identification of nonconformances and the development of problem issues, and update of ground hazard plans. Directions and recommendations are then made to mitigate issues and ensure that required standards are maintained. Ongoing vigilance and assessment of varying conditions will ensure that risks are kept to a minimum.

3.8 Processing

The Uitkomst wash plant is located adjacent to the South Mine Adit 1. The plant was constructed in 2007 and primarily treats ROM coal from the South Mine. The wash plant is owner-operated and employs conventional well-tested coal washing technology with a total design capacity of 70 kt/min.

The plant consists of a dual stage roller crushing circuit followed by coarse (10 to 40 mm), coal (1 to 10 mm) dense medium cyclone (DMC) washing circuits with the fines (-1 mm) material upgraded in a fines spirals circuit. Equipment is generally in good condition with the plant being structurally sound. The plant is operated using mainly grid power, with make-up water sourced from nearby farm dams and potable water from boreholes.

The plant is currently underutilised treating only 40 kt/min of coal on average due to the current ROM schedule, and this is consistent with future ROM predictions in the financial model.

Uitkomst produces and sells ‘export’ (0 to 40 mm) and ‘peas’ (10 to 25 mm) sized coal products. The plant produces a 28 MJ/kg (6,690 kcal/kg) coal with an ash and sulfur content of 12% and 1% respectively. The plant yield ranged between 60% to 64%, averaging 61% between July 2023 and September 2024. SRK expects that practical plant yields on Uitkomst material will be maintained at current levels for the LOM.

Plant coarse and slimes discards are deposited on a co-disposal facility. The slimes are pumped to the centre and stored in three paddocks which operate in sequence. Once dry and depending on qualities, the slimes are removed and sold separately from normal Uitkomst products. The costs in producing these additional sales tonnes still form part of the overall plant costs used in the supplied financial model, as they are not accounted for separately.

Dry slimes are blended with a thermal middlings product produced from the three-product DMS cyclone module to produce a net as received (NAR) 5,000 kcal/kg product. The three-product DMS cyclone allows for a production of a thermal middlings product in addition to the 12 to 14% ash peas product.

The main product from Uitkomst is used by ArcelorMittal as a metallurgical coal for PCI processing, with the balance being a typical thermal export grade coal. This thermal product is marketed through agents. Other users include A-grade domestic coal.

3.9 Infrastructure and services

Power to the mine is provided by Eskom and is sufficient for the underground mining operations and the processing plant. A series of generators provide a back-up to the main supply. The colliery has six generator sets in use for back-up power supply. Water is provided from surrounding farm dams and underground boreholes, and is reportedly sufficient for the plant and mine use.

Other surface administration and workshops are temporary structures located at Adit 1.

The mine is serviced by a rail siding (Wykom siding), which is a spur line from the main line with connections to RBCT. Coal is loaded into trains using contractor front-end loaders (FELs), with some sales distributed directly by truck via a weighbridge located near the processing plant.

3.10 Environmental and social aspects

3.10.1 Mining rights and land access rights

Uitkomst Colliery holds a consolidated mining right issued on 20 May 2016 by the Department of Mineral Resources and Energy (DMRE), which is recorded as KZN 30/5/1/2/2/94MR (94MR).

The consolidated mining right, 94MR, incorporates various properties that previously formed part of mining right reference KZN30/5/1/2/2/21 (21MR), as well as the properties held under the original mining right 94MR (Minxcon, 2017)[1]. Based on information reviewed, the mining right granted for Uitkomst Colliery is presented in Table 3.6.

Table 3.6: Uitkomst Colliery mining right

File Ref No.	Surface area (ha)	Date granted	Effective date*	Expired date	Farms Portion
KZN 30/5/1/2/2/94 MR	11,169.4	20/05/2016	26/05/2016	Initially: 02/10/2023 As amended: 20/11/2052	Kweekspruit No.22 (Portion 3 [of 2] and Portion 8 [of 1]); Uitkomst No.95-HT (Remainder of Portion 1 and Portion 5 [of 2]); Vaalbank No.103-HT (Remainder of Portion 1, Portion 4 [of 1] and Portion 5 [of 1]), Rustverwacht No.151-HT (Remainder of Portion 1, Remainder of Portion 2, Remainder of Portion 3 [of 1], Portion 4 [of 1], Portion 5 [of 1], Remainder of Portion 6 [of 1], Portion 7 [of 1], Portion 8 [of 2], Remainder of Portion 9 [of 2], Portion 11 [of 6], Portion 12 [of 9], Portion 13 [of 2], Portion 14 [of 2], Portion 15 [of 3], Portion 16 [of 3] and Portion 17 [of 2]); Waterval No.157-HT (Portion 18 [of 3]); Jackhalsdraai No.299-HT (Remainder of Portion 1); Jericho B No.400-HT (Remainder, Portion 1, Portion 2, Portion 3); Jericho C No.413-HT (Remainder and Portion 1); Jericho A No.414-HT (Remainder of Portion 1, Remainder of Portion 2 [of 1], Portion 3 [of 1], Portion 4 [of 1], Portion 5 [of 2] and Portion 6 [of 1]); Margin No.420-HT (Remainder).

Sources: Minxcon (2017); Elemental (2023a)

Notes: * Date on which the Environmental Management Programme Report (EMPR) is approved in terms of section 39(4) of the *Mineral and Petroleum Resources Development Act* 28 of 2002 (MPRDA).

The supplied LOM schedule and associated cashflow model for the Uitkomst Colliery provides that operations are planned to cease in June 2040[2]. Upon completion of the operations, SRK expects a minimum of 2 years for closure works and 10 years post-closure monitoring activities as specified in the 2023 annual closure update report (Elemental, 2023a)[3] (i.e. 2052), which is within the validity period of the mining right.

According to the 2017 Minxcon review, the surface rights for the farm portions where mine and plant infrastructure are situated are owned by the Qophumlando Communal Property Association with whom a lease agreement was in place.

[1] Minxcon, 2017. Uitkomst Colliery Pty Ltd, Summary of technical Review 2017, Minxcon Pty Ltd, 18 January 2017

[2] 46.05.03.02 Uitkomst Model 202410.xlsm, October 2024

[3] Elemental, 2023a. Annual update of the preliminary closure and financial provision assessment for Uitkomst Colliery, 2022–2023 closure update report, Elemental Sustainability Pty Ltd, 7 August 2023

The status of conformance with the mining right, land ownership, rental and land access agreements requirements is regularly reviewed by management. Based on information reviewed by SRK, there is no evidence of anything that would suggest MCM does not remain compliant. SRK recommends that MCM undertakes a detailed compliance review to identify Uitkomst's operational risks associated with the current land access agreements. Additional budget and time might be required to amend agreements.

The environmental and social compliance risk is considered qualitatively in SRK's assessment of an appropriate range of resource multiples to apply in determining its valuation range.

3.10.2 Environmental approvals

According to the 2023 annual closure report (Elemental, 2023a)[4], the following environmental approvals are held by Uitkomst Colliery:

- A consolidated EMPR in support of the consolidated mining right was approved on 26 May 2016.
- Environmental Authorisation (EA) for section 102 was granted on 4 May 2023, and is supposedly valid for the life of mine.
- Water Use Licences (WULs):
  - licence number 11/V32B/ACGIJ/11507 issued on 8 April 2022
  - licence number 11/V31D/ACGIJ/13085 issued on 11 June 2023.

3.10.3 Social and Labour Plan

Based on the information reviewed, it is SRK's understanding that the new Social and Labour Plan (SLP) for the period 2021–25 was approved on 24 March 2022.

3.10.4 Environmental and social management

It was reported that the Environmental Management System (EMS) adopted at the Vele and Uitkomst collieries was developed as the formal tool for environmental management. Continuous monitoring is implemented at the mining sites to assess the effectiveness of controls with regular analysis and reporting, and action management on failures. It is noted that, while not ISO 14001:2015 accredited, MCM states that its Uitkomst EMS is aligned with ISO 14001.

The water quality report for the period from September 2021 to November 2021 was provided for Uitkomst Colliery (Elemental Sustainability, 2021a) and Wykom Siding (Elemental Sustainability, 2021b) and indicated the following key impacts:

- Uitkomst Colliery:
  - Mitigation measures have been put in place to ensure no discharge from the Pollution Control Dam (PCD).

[4] Elemental, 2023a. Annual update of the preliminary closure and financial provision assessment for Uitkomst Colliery, 2022–2023 closure update report, Elemental Sustainability Pty Ltd, 7 August 2023

- Wykom Siding:
  - The water within the PCD is polluted and the management measures to ensure that the PCD does not spill into the receiving environment should be maintained.
  - When considering the upstream surface points of MP01, MP03 and MP05 (and then compared to downstream point MP04), it is clear that there are other system contributors that change electrical conductivity, total dissolved solids, pH and sulfate levels.

Annual internal WUL audits for Uitkomst Colliery (Uitkomst Colliery, 2022) and Wykom Siding (Wykom Siding, 2022) dated February 2022, prior to issuing the new WULs, were provided for review. The key non-compliances were related to:

- Uitkomst Colliery:
  - exceeding quality limits for disposal of stormwater/dirty water
  - impact from the mine activities on the groundwater resources
- Wykom Siding:
  - calibration of flow meters
  - exceeding disposal quantities into the Pollution Control Dam, Slurry Dam, Settling Pond, Return Water Dam
  - exceeding disposal quantities onto the Discard Dam
  - exceeding dust suppression limits
  - exceeding quality limits for disposal of stormwater/dirty water.

In September 2021, the DMRE conducted a monitoring and compliance inspection in respect of the Uitkomst Colliery mining right renewal application. The findings of the inspection resulted in the issuing of a notice of intent to issue a compliance notice in terms of Section 31 L of the *National Environmental Management Act* (Act 107 of 1998) (NEMA) due to transgressions relating to waste management, poor housekeeping and non-implementation of a general environmental awareness or job-specific environmental awareness plan on site (DMRE, 2022).

External environmental and water performance against the colliery's consolidated EMPR and Integrated WUL (IWUL) were not made available, and therefore the level of compliance with regulatory requirements could not be determined. The materiality of these aspects can therefore not be assessed as SRK does not have the information to give an informed opinion on whether the operation is complying with the requirements of its environmental licences and permits.

The supplied financial model shows annual environmental cost provisions through the Uitkomst Colliery LOM totalling ZAR88,903,292. It is unclear what this cost covers. SRK assumes this to be related to environmental management and monitoring activities.

3.10.5 Mine closure provisions

SRK understands that the Uitkomst Colliery mine closure plan and associated financial provision are to be updated annually to comply with the regulations. The 2023 annual closure update (Elemental, 2023a)[5] provided the following costs to cover closure liabilities for the current and proposed operations:

- ZAR28,820,936.58 for the current Uitkomst Colliery's closure liabilities
- ZAR7,857,645.42 for the proposed development at Klipspruit Adit 2K.

This closure cost estimation has been developed in accordance with the 2005 Department of Mineral Resources guideline. Known as the asset retirement obligation cost, it considers current environmental liabilities and activities of the site and excludes any planned activities.

SRK understands that MCM holds current rehabilitation financial guarantees of ZAR28,952,253 for Uitkomst Colliery as of December 2023[6]. SRK understands that this total rehabilitation financial guarantee is equivalent to the estimated cost for Uitkomst Colliery's closure liabilities.

The supplied LOM schedule and associated cashflow model for the Uitkomst Colliery mine provides that operations are planned to cease in June 2040[7]. Upon completion of the operations, SRK expects a minimum of 2 years for closure works and 10 years for post-closure monitoring activities as specified in the 2023 closure report (i.e. 2052), which is within the validity period of the mining right. The supplied financial model shows no provision for Uitkomst Colliery mine closure. Uitkomst is an underground operation and therefore opportunities for concurrent rehabilitation are limited. The 2023 closure report estimates that only 5% of the mine residue disposal can be rehabilitated on an annual basis.

SRK notes that the costs outlined in the Elemental (2023a) report include the following assumptions and comments:

- Costs estimations are conceptual and based on current day liability costs (i.e. costs that could be required in case of sudden closure), not LOM closure costs, with the exception of the proposed development at Klipspruit Adit 2K.
- All demolition rubble is considered General Waste as per the definition of Demolition waste in Category B of Schedule 3 of the *National Environmental Management Waste Amendment Act* and based on the classification as General can therefore be incorporated into the backfill. The cost associated with potentially contaminated waste management is excluded.
- Concurrent rehabilitation of the Mine Residue Disposal Site will be performed as mining progresses. However, no cost for concurrent rehabilitation is included in the current provision.
- Contractor rates were obtained in 2018 for the demolition and/or removal of the various types of infrastructure and structures, and the rehabilitation of affected areas. The average of the three contractor rates obtained were used to establish a unit rate for each rehabilitation action. The contractor rates have been updated with CPI since 2019 and the average CPI for the 2022 period update of 6.9% was used. However, the cost does consider CPI increase over the LOM of the operation until the closure phase.

[5] Elemental, 2023a. Annual update of the preliminary closure and financial provision assessment for Uitkomst Colliery, 2022–2023 closure update report, Elemental Sustainability Pty Ltd, 7 August 2023

[6] MCM SA Guarantees-202312 (1 1), December 2023

[7] 46.05.03.02 Uitkomst Model 202410.xlsm, October 2024

- Preliminary and General are set at 7.5%, however, no justification is provided. It is good international industry practice for Preliminary and General to be at 12% for cost estimates under ZAR100 M.
- VAT at 15%.
- The estimate incorporates a 5% continency allowance. As the accuracy of conceptual closure design typically ranges from ±30% to ±35%, it is good international industry practice for contingency allowances to range between 25% and 35%[8].
- For post-closure monitoring, costs of groundwater and surface water monitoring have been assumed to take place over a period of 10 years with sampling taking place on a biannual basis, and 2–3 years required for maintenance of vegetation after rehabilitation.
- Several cost elements do not appear to be included in the provision:
  - specialist studies, professional fees and project management
  - detailed assessment of long-term decant from workings and its treatment costs
  - labour redundancy or other human resources
  - social transitioning to closure related costs.
- The cost estimates presented in the calculations was prepared to an accuracy level of ±70% (including 5% contingency). Elemental’s estimated total liability cost ranges from ZAR11 M to ZAR62 M.

Current closure provisions totalling ZAR37 M to an accuracy level of ±70% (including 5% contingency) provided for Uitkomst Colliery are conceptual and have been developed to consider current disturbance/liabilities of the mine site for financial reporting processes. There is a risk that additional costs may be required once the underlying assumptions have been addressed such as alignment with closure designs and completion criteria, alignment with project development, contamination assessments, ground-truth measurements and inventory, site-based rehabilitation trials, and cashflow scheduling alignment. As such, there is a risk that the Uitkomst Colliery LOM closure cost estimations are underestimated. This conclusion is based on the information outlined in the 2023 Preliminary Closure and Financial Provision Assessment, as well as liability cost estimate assumptions, and considering current practice in similar mining and processing operations in South Africa. At this conceptual stage of the closure cost estimations, SRK recommends a minimum 35% contingency and 12% Preliminary and General be applied to the closure provisions for a base case LOM closure cost estimate of ZAR47.9 M. Current and recommended costs are presented in Table 3.7.

[8] *AusIMM Cost Estimation Handbook*, Second Edition, Monograph 27

Table 3.7: Uitkomst Colliery's total closure cost estimations – as at 7 August 2023

	Elemental's Asset Retirement Obligation estimates (ZAR)	SRK's LOM closure cost minimum recommendations (ZAR)
Liability cost estimate	28,350,595	28,350,595
Preliminary and General ■ Elemental 7.5% ■ SRK 12%	2,126,295	3,402,071
Contingency ■ Elemental 5% ■ SRK 35%	1,417,530	9,922,708
Total excluding VAT	31,894,419	41,675,374
VAT (15%)	4,784,163	6,251,306
Base case total (including VAT)	**36,678,582**	**47,926,680**
Low case total (-70%)	**11,003,575**	- [9]
High case total (+70%)	**62,353,589**	**81,475,357**

Source: Elemental (2023a)

SRK understands that no whole-of-mine-life closure cost estimates are available for Uitkomst Colliery. Good international industry practice normally requires estimation of whole-of project closure costs for the mine, processing plant and associated auxiliaries. SRK recommends an LOM closure cost estimate be developed according to the updated LOM plan and aligned with the closure objectives and requirements for Uitkomst Colliery. There is a risk the Uitkomst Colliery LOM closure cost estimate is underestimated.

3.11 Risks and opportunities

Geological risks relate to devolatilisation of the coal due to the presence of unmapped, and hence unexpected, dolerite intrusions.

SRK notes that with thin seam mining in particular, variations in floor and roof rolls will affect the mining height more severely, which could create unforeseen risks within these mining conditions. Uitkomst Colliery has historically mined in these conditions and has been managing this aspect by the existing drilling practices, and also by limited horizontal drilling conducted at the mine, to proactively provide information on potential anomalies within the seam and/or roof and floor conditions.

Equipment obsolescence, in particular the outdated Joy coal cutters and the scoop trams, present further risk, with the latter not common in the local thin seam coal mining industry. This has been managed by owning surplus equipment, allowing for repairs to be undertaken as required and fewer impacts on the mining operation.

[9] Considering closure cost estimations for similar operations, SRK does not suggest a low case estimate lower than the recommended base case estimate.

In August 2018, MCM took ownership of the equipment from the contract miner at Uitkomst Colliery and transferred staff who were familiar with the equipment and operation. This retained the necessary skills and subsequent equipment availability at the operation, which could be considered a noticeable risk with related consequences, if not managed appropriately.

4 Vele Aluwani Colliery

4.1 Overview

The Vele Aluwani Colliery (Vele) is located 48 km west of the town of Musina and 100 km north of the town of Alldays in the Limpopo Province, South Africa. Musina is the last major town before the Beitbridge border crossing between South Africa and Zimbabwe, and lies 520 km north of Pretoria (Figure 4.1).

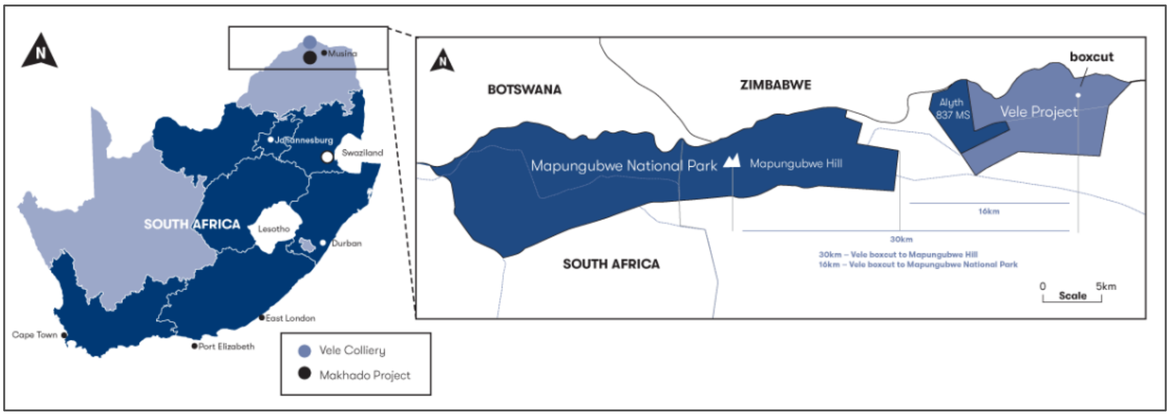
MCM holds a 100% interest in the Vele Colliery through its wholly owned subsidiary, Limpopo Coal. The project is held under a new order mineral right number LP 103 MR, which is granted and remains valid until 18 March 2040. MCM also holds a prospecting right LP 1136 PR over the farm Alyth 837MS.

The colliery started thermal coal production in January 2012 and was subsequently placed on care and maintenance in October 2013 – it recommenced mining with contractor Hlalethembeni Outsourcing Services (Pty) Ltd (HOS) during October 2022. The mine was operated by HOS between October 2022 and December 2023, before mining was suspended again in December 2023 due to the fall in thermal coal prices. Dispatch of stockpiled product continued into 2024. HOS has since been considering options for optimisation of the overall operation, to again achieve financial viability despite low coal prices.

The Limpopo River, which represents the international border between South Africa and Zimbabwe, bounds the Vele operations to the north. The Mapungubwe National Park's eastern border is located 37 km west of the western boundary of the Vele Colliery. The Mapungubwe Hills within the park is a World Heritage site.

The Vele Colliery is well situated with respect to existing rail and road infrastructure. The main road linking South Africa to Zimbabwe and associated rail routes pass through Musina. The R572 sealed bitumen road from Pontdrift to Musina is located adjacent to the Vele Colliery on the southern boundary.

Figure 4.1: Location of Vele Colliery



Source: MCM website, accessed 13 May 2022

The climate at Vele is semi-arid and characterised by hot to extremely hot summers and warm to cool winters, with minimal precipitation. Mining activity is able to be conducted all year round.

4.2 History

Southern Sphere Mining and Development Company Limited undertook exploration drilling between 1973 and 1983. This involved drilling 61 drill holes using air flush coring, resulting in a core size of approximately 16.8 mm. Some 36 large diameter drill holes were also completed for washability and coking testing purposes. All exploration activity then ceased for the next 22 years, after which Limpopo Coal acquired the prospecting rights to various properties within the current colliery area. In 2006, CoAL's predecessor company, GVM, acquired a 74% stake in Limpopo Coal and in 2008, Silkwood Trading 14 (Pty) Ltd obtained additional prospecting rights on the Vele area but was bought by CoAL later that year. CoAL received shareholder approval for its name change to MCM in November 2017.

A high-resolution airborne magnetic and radiometric geophysical survey was flown over the area in 2008. After detailed processing, the final products were a digital terrain model and a geological map, as well as other geophysical data maps.

In March 2010, the mining right was granted by the DMR. An appeal was subsequently lodged against the mining right. In June 2010, the DEA issued a pre-compliance notice followed by a compliance notice in August 2010. The compliance notice was in relation to the commencement of listed activities without *National Environmental Management Act* authorisation. In the same month, the Department of Water Affairs (now Department of Water and Sanitation – DWS) issued a directive to cease all unlawful water activities. In March 2011, a coalition of non-government organisations opposed to Vele submitted an appeal to the country's Water Tribunal. Consequently, the IWUL was automatically suspended but this suspension was lifted in October 2011.

Subsequent to the above, Vele has secured all of the necessary licences to operate at its forecast capacity.

Open pit coal production started in the East Pit in January 2012. Production ceased in October 2013 after logistical difficulties on the Matola railway line in Mozambique (as the coal was exported through the Matola Coal Terminal at Maputo) as well as depressed international thermal coal prices.

The plant produced an 18% ash export thermal coal until it was put on care and maintenance. After additional drilling and analysis, a plant redesign has been planned to produce a 10% ash semi-soft coking coal (SSCC) product and a 5,500 kcal (NAR) thermal coal product.

Following a strategy review it was decided that the optimal strategy was to recommence operations on an outsourcing basis. In December 2022, a 5-year Contract Mining Agreement with HOS was signed. Construction of the overhead electricity line was completed in April 2023 and the Vele CHPP was connected to the national power grid in May 2023. HOS successfully dewatered the Vele open cast pit and produced 269,051 t of saleable thermal coal during CY2023.

Following this, HOS informed MCM that, due to the operating challenges at Vele, combined with elevated logistics costs and the depressed API4 coal price, it intends downscaling operations while it progresses a production optimisation strategy at the colliery.

4.3 Local geology

The Vele Colliery is located in the Permian Tuli Basin of the Limpopo Coalfield. The Limpopo Coalfield is a small intracratonic east–west striking fault-bounded coalfield, where the sedimentation was fault-controlled from initial deposition; the preserved basin length is around 120 km, and the width is approximately 80 km; the coalfield extends north into Botswana and northeast into Zimbabwe (Malaza, 2014). The coalfield is bounded by east-northeast trending normal faults.

The basin sediments belong to the Dwyka and Ecca groups of the Karoo Supergroup and consist of basal diamictites and sandstone of the basal Tshidzi Formation, followed by the sandstone-siltstone-shale-coal assemblage of the Madzaringwe Formation (Figure 4.2). This is overlain by alternating black shale, sandstone and coal of the Mikambeni Formation and sandstones and conglomerates of the Fripp Formation.

The overlying Beaufort Formation is represented by the siltstone and fine-grained sandstones and mudstones of the Solitude Formation. In the central part of the basin, the Solitude Formation is overlain by the coarse sandstones and conglomerates of the Stormberg Group’s Klopperfontein Formation. The red and purple mudstones and subordinate siltstones of the Bosbokpoort Formation are encountered above the Klopperfontein Formation. In turn, these are overlain by the fine-grained sandstones of the Red Rocks and Tshipise Members of the Clarene Formation.

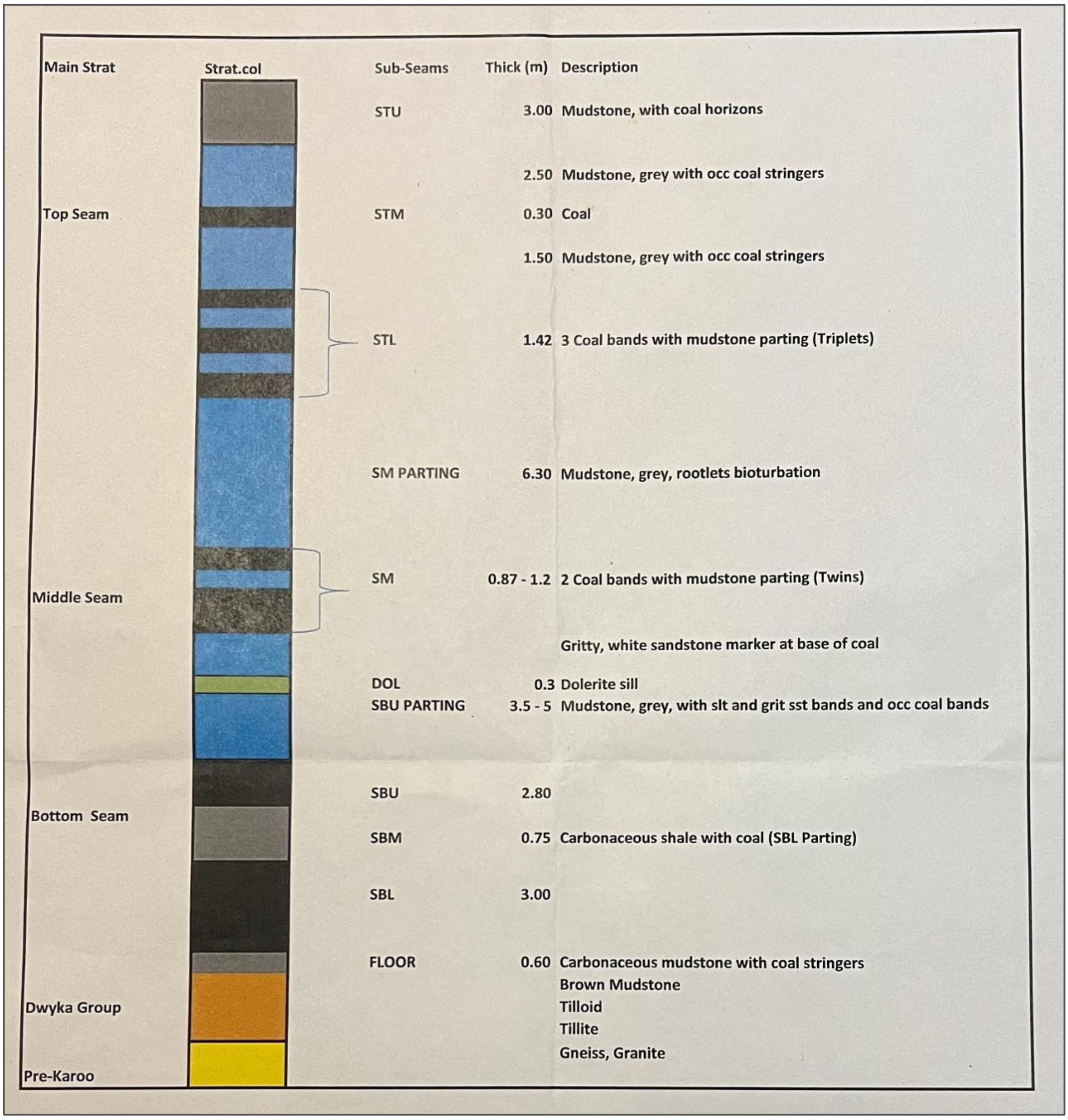
Figure 4.2: Vele and Makhado – general stratigraphy

<table>
<tr><th>A.</th><th>Main Karoo Basin (Johnson, 1994)</th><th colspan="2">1:250000 Geological Map Alldays, 2001</th></tr>
<tr><td rowspan="4">“Stormberg Group”</td><td>Clarene Formation</td><td rowspan="2">Clarene Formation</td><td>Tehipise Sandstone Member</td></tr>
<tr><td rowspan="2">Elliot Formation</td><td>Red Rocks Member</td></tr>
<tr><td colspan="2">Bosbokpoort Formation</td></tr>
<tr><td>Molteno Formation</td><td colspan="2">Klopperfontein Formation</td></tr>
<tr><td colspan="2">Beaufort Group</td><td colspan="2">Solitude Formation</td></tr>
<tr><td colspan="2" rowspan="3">Ecca Group</td><td colspan="2">Fripp Formation</td></tr>
<tr><td colspan="2">Mikambeni Formation</td></tr>
<tr><td colspan="2">Madzaringwe Formation</td></tr>
<tr><td colspan="2">Dwyka Group</td><td colspan="2">Tshidzi Formation</td></tr>
</table>

Source: Sparrow (2012)

The generalised stratigraphy at Vele is depicted in Figure 4.3 and shows the SBL ply of the Bottom Seam to be the thickest individual coal horizon.

Figure 4.3: Vele project seam stratigraphy



Source: Photograph from site visit, 13 February 2024

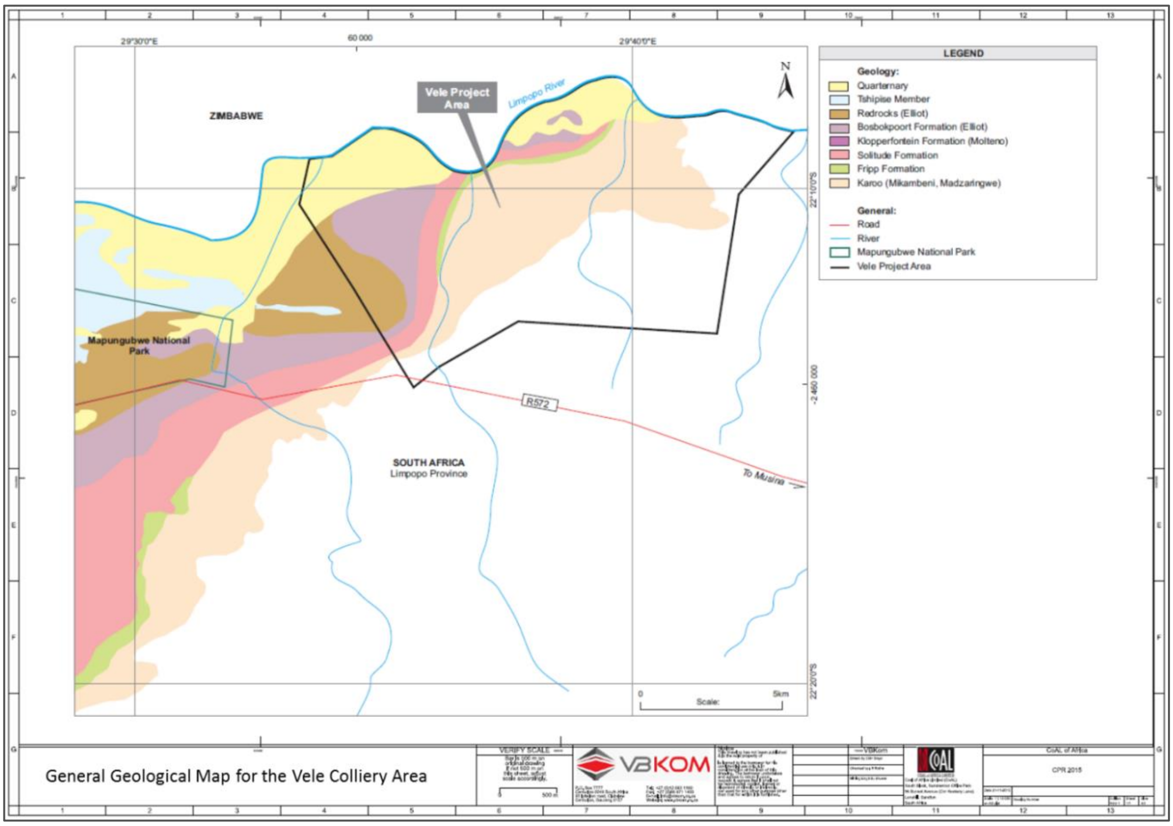
Currently exposed coal seams in East Pit are shown in Figure 4.4. East Pit targets the Top, Middle and Bottom seams.

Figure 4.4: Vele East Pit, looking northeast

Source: Photo from site visit, 13 February 2024

Figure 4.5 depicts the surface geology of the Vele area.

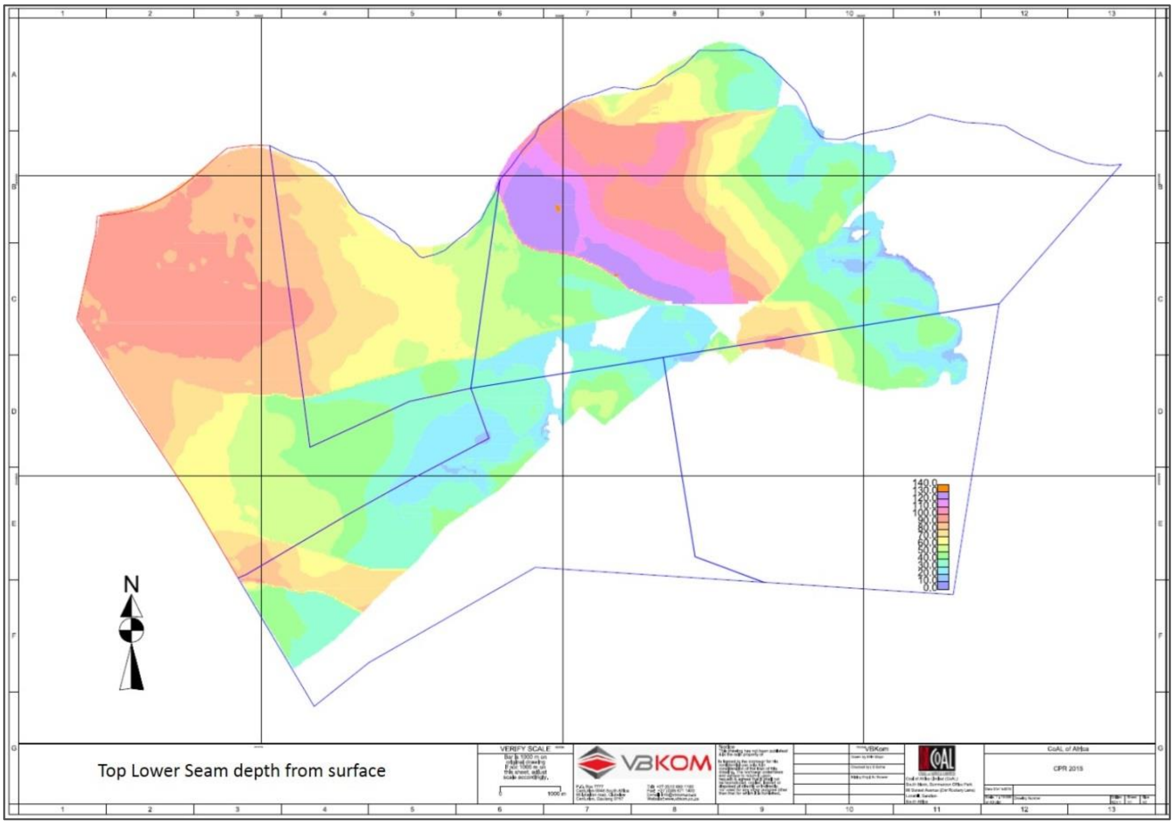
Figure 4.5: Surface geology of the Vele area



Source: VBKOM (2017)

The strata are interpreted to dip northwards at approximately 2° in the Vele area, although the dip increases locally close to faults; the strata sub-crop to the east and south. Near-vertical dolerite dykes are encountered, devolatilising the coal, but not displacing it. Faults not only controlled deposition, but also subdivided the coalfield into a number of blocks, resulting in varying seam depths between the blocks; parts of the deposit can be exploited from surface, while other blocks need to be mined from underground. The differing block depths are shown in Figure 4.6.

Figure 4.6: Top Lower Seam depth illustrating different blocks due to faulting



Source: VBKOM (2017)

At Vele, the coals were extracted from the Main Coal Zone of the Madzaringwe Formation within the Ecca Group. The Main Coal Zone is approximately 15 m thick and consists of three coal-bearing horizons: the Top, Middle and Bottom coal horizons/seams, comprising interlaminated carbonaceous shale, mudstones and coal. The Top Seam is further subdivided into the Top Upper, Top Middle and Top Lower seams, while the Bottom Seam is subdivided into the Bottom Upper and Bottom Lower seams (Table 4.1). The Top Middle and Top Upper seams are not considered economic.

Table 4.1: Vele seam thicknesses

Seam or zone	Average (m)	Maximum (m)	Minimum (m)	Proportion of coal (%)
Main Coal Zone	16.42	31.95	0.25	
Top Lower	1.52	7.66	0	55–65
Middle	1.05	2.19	0	25–45
Bottom Upper	1.98	5.48	0	65–80
Bottom Lower	3.68	7.87	0	65–80

Source: VBKOM (2017)

The coal has been petrographically classified as medium rank, high vitrinite C-grade bituminous coal. The coking coal fraction is classified as a SSCC and can produce a 10% ash coking coal (primary product) and a secondary 5,500 kcal (NAR) thermal product.

4.4 Exploration potential

Future exploration in areas located between areas covered by the LOM plan and the prospecting right boundary are limited, but better fault delineation will assist with defining any potential resources. To date, four inclined drill holes were successful in delineating faults.

MCM has an existing prospecting right to the farm Alyth 837 MS. The area covered by this right requires significant drilling in order to upgrade the presently defined Coal Resources.

4.5 Coal Resources and Coal Reserves

4.5.1 Coal Resources

With regard to the defined Coal Resources at Vele, the critical variable to exclude devolatilised coal is the VM content. The following cut-off values were applied when estimating the mineable resources at Vele:

- mineral rights boundaries (the mining right and prospecting right are reported separately)
- the 100-year floodline for the Limpopo River
- the limit of oxidation
- a 50 m wide exclusion zone around dykes and other geological structures
- minimum raw VM of 18% dry ash free
- a minimum seam thickness of 0.5 m for GTIS
- thickness cut-off criteria for underground resources (Bottom Lower seam) – minimum of 1.4 m and maximum of 4.5 m
- MTIS has been estimated by applying the theoretical mining heights and an estimated mining layout loss of 2% for open cast areas and 10% for underground areas. This translates to an average mining layout loss of 5% for the mining right area and 8% for the prospecting right area.

The Coal Resource estimates were also discounted for unknown geological structures, based on the confidence in the Coal Resource classification, namely:

- Measured 10%
- Indicated 15%
- Inferred 20%.

The Coal Resources have been estimated by Mr John Sparrow and reported in accordance with the JORC Code, 2012.

The Coal Resources were estimated from the geological model, constructed by Mr Sparrow using Minex™ software. SRK has reviewed the geological model and considers that it provides an accurate reflection of the data and that the Coal Resources have been estimated in an appropriate manner.

All Coal Resources and coal qualities have been estimated on an air-dry basis and are inclusive of the Coal Reserves. Note that the Coal Resource estimates include significant amounts of intercalated non-coal material that will be removed during beneficiation.

The Coal Resources as reported at 30 June 2024 are shown in Table 4.2; the Coal Resources, subdivided into those attributable to the mining right area and the prospecting right area are shown in Table 4.3 and Table 4.4, respectively.

Table 4.2: Vele Coal Resources – as at 30 June 2024

Resource Category	GTIS (Mt)	MTIS (Mt)	MCM attributable interest (%)	MCM attributable Resource (Mt)
Measured	146.789	5.353	100	5.353
Indicated	426.854	3.961		3.961
Subtotal Measured and Indicated	573.643	9.314		9.314
Inferred	218.932	0.704		0.704
Total	**792.575**	**10.018**	**100**	**10.018**

Source: MC Mining Limited Annual Report 2023

Table 4.3: Vele Coal Resources – mining right only

Resource category	GTIS (Mt)	TTIS (Mt)	MCM attributable interest (%)	MCM attributable Resource (Mt)	Raw TTIS coal qualities					
					CV (MJ/kg)	Ash (%)	VM (%)	FC (%)	TS (%)	IM (%)
Measured	140.58	126.52	100	126.52	15.69	48.0	21.5	28.8	1.78	1.6
Indicated	356.92	303.39		303.39	14.73	50.7	20.7	26.9	1.80	1.6
Subtotal Measured and Indicated	*497.50*	429.91		*429.91*						
Inferred	167.93	134.35		134.35	14.51	51.5	20.6	26.2	1.86	1.7
Total	**665.43**	**564.25**	**100**	**564.25**	**14.88**	**50.3**	**20.8**	**27.2**	**1.81**	**1.6**

Source: VBKOM (2017)

Notes: CV – calorific value; FC – fixed carbon; IM – inherent moisture; TS – total sulfur; TTIS – total tonnes in situ.

Table 4.4: Vele Coal Resources – prospecting right only

Resource category	GTIS (Mt)	TTIS (Mt)	MCM attributable interest (%)	MCM attributable Resource (Mt)	Raw TTIS coal qualities					
					CV (MJ/kg)	Ash (%)	VM (%)	FC (%)	TS (%)	IM (%)
Measured	7.59	6.83	100	6.83	15.69	48.0	21.5	28.8	1.78	1.7
Indicated	69.93	59.44		59.44	14.73	50.7	20.7	26.9	1.80	1.6
Subtotal Measured and Indicated	77.52	66.27		66.27						
Inferred	51.00	40.80		40.80	14.51	51.5	20.6	26.2	1.86	1.7
Total	**128.52**	**107.07**	**100**	**107.71**	**14.88**	**50.3**	**20.8**	**27.2**	**1.81**	**1.6**

Source: VBKOM (2017)

4.5.2 Coal Reserves

Vele declared a Coal Reserve in 2017 (VBKOM, 2017) based on parameters adopted at an adjacent open pit operation, also supplemented by underground mining. As noted before, mining operations recommenced in December 2022 but ceased again in December 2023. The latest Coal Reserves estimate, provided in Excel spreadsheet format by MCM for Vele, as at 30 June 2024 is shown in Table 4.5.

Table 4.5: Vele Coal Reserves (100% attributable basis)

Coal Reserves category	ROMt (Mt)	Saleable primary product (Mt)
Proved	3.404	1.362
Probable	3.188	1.275
Total Reserves	**6.592**	**2.637**

Source: MC Mining Limited Annual Report 2023

It is clear there is a much larger Coal Resource within the mining right, however the Coal Reserves declared are of substantially lower magnitude. The Coal Reserves (Table 4.5) were estimated and reported by HOS for a 5-year plan only, and these estimates do not represent a true LOM Coal Reserve. Hence, until a clear development profile is established, any assessment of this mining right should be completed on an implied resource multiples basis.

4.6 Mining

The Vele Colliery is located in the Thuli Coalfield and as indicated by MCM in response to a query, has an estimated mine life of approximately 40 years – this is supported by a shorter mine life however, as indicated in the Vele Colliery Financial model (*46.06.02.01 Vele Model 20230801_StR*) provided by MCM of 27 years, which is accepted by SRK as the more accurate LOM estimation. MCM signed an agreement and appointed a contractor to the Vele operations in December 2022, initiating the recommissioning of the Vele Colliery CHPP, as well as commencement of mining by the contractor. The agreement signed between the parties is on an exclusive basis to produce thermal coal and endures for an initial 5-year period up to December 2027. The contract stipulates that, at the end of the 5-year term, MCM (via its 100% subsidiary Limpopo Coal Co. – LCC – which holds the Vele licences), will pay the contractor the equivalent of the ‘value in use’ of the plant and other operating assets for their return to LCC.

The contractor targeted a monthly production of 60,000 t of saleable thermal coal from the operation, with LCC according to the contractual terms earning ZAR200/t (excluding VAT) for each tonne of saleable coal produced, i.e. if the average monthly API4 export coal price holds above US$120/t.

The agreement stipulates that the contractor is responsible for all mining and processing costs at Vele, while LCC remains responsible for the colliery’s regulatory compliance, rehabilitation guarantees, relationships with authorities and communities as well as the supply of bulk electricity and water.

Following recommencement of mining in late December 2022, ramp-up to full production was targeted for H2, CY2023. However, the operation did not deliver as planned.

This was further exacerbated by the depressed API4 coal price, resulting in a decline in the thermal coal price delivered, with the 3-month average API4 price for Q1, CY2023 at US$146/t, reducing to US$115/t in Q2, CY2023, US$109/t in Q3, CY2023, and down to US$102/t in Q4, CY2023.

Hence, due to these impacts on the financial performance and viability of the Vele operation, the contractor reportedly exercised the hardship clause in the agreement, and subsequently ceased operations at Vele during December 2023. MCM in collaboration with the mining contractor proceeded with consideration of various improvement initiatives. MCM has advised that this has not been completed yet, and no further activities or development of formal plans have taken place for the Vele operation.

It is noted that the contractor has indicated that its production optimisation strategy (Operation Shandukani) will potentially include, among other changes, changes to the mining methodology, as well as further modifications to the CHPP and securing access to rail transport at competitive prices. It was mentioned that the potential for underground mining in a northwesterly direction was also considered, in an attempt to access higher-yielding coal compared to that achievable with open cut methods.

SRK conducted a 1-day site visit to Vele Colliery during February 2024 to further understand the mine status and the remaining infrastructure and services following suspension of production. It was observed that there was no apparent activity on site, other than sporadic loading of remaining coal product to be transported by road to a customer in Mpumalanga. No equipment remained on site other than the preparation plant and associated conveyors and stackers, as well as management offices and change houses, which were all in generally good condition at the time. Bulk water and electricity infrastructure remained in place and was functional.

It was noted during SRK's site visit that there was a substantial amount of water in the exposed pit area, with no pumps or pumping in progress. Access haul roads and ramps were established but would need to be repaired and upgraded in some areas before mining could recommence. Coal faces were open for mining, and backfilling with plant discard and rehabilitation with burden and topsoil was evident. SRK's assessment was that a noticeable measure of pit preparation would be required to enable mining operations to recommence.

All of the above mining review are contributing factors to SRK's advice to BDO that there are insufficient reasonable grounds to value Vele Colliery using a DCF approach.

4.7 Geotechnical

A pit slope design schematic provided for Vele indicates the following:

- bench face angles of 35° in the sandy soil of ~5 m thickness
- vertical bench faces in the fresh rock and weathered rock, but with 'soft' bench crests removed in the weathered rock by cutting back the upper bench face to an angle of 63°
- benches of maximum 13 m height in the fresh and weathered materials
- bench faces of 88° in the coal zone in the lowermost part of the slope

- berms of 7 m width, with bunds constructed 3 m back from the bench crest.

This generates an overall slope angle of 63° over a slope height of approximately 50 m. SRK considers this fairly steep, particularly in the weathered materials. By comparison, the slope designed at Makhado is less than 40° over a similar height as discussed in Section 5.7.

Observations made during the site visit by Steven Muller in February 2024 suggest that, except for loose material that spilled over the high wall (probably due to rain), there was no evidence of slope/high wall failures. Therefore, it seemed the design was successfully employed during previous mining at the site. As SRK is not certain of the properties of the materials within the pit walls, it was suggested that this be considered a moderate risk, and the slope performance and groundwater levels be closely monitored during further mining.

4.8 Processing

MCM had planned to mine, crush and screen 3.2 Mt/a of ROM coal at the Makhado mine to a top size of approximately 225 mm before scalping at 31.5 mm. The +31.5 mm (approximately 34% to 38% of the ROM) was going to be discarded and placed on the carbonaceous dump or backfilled into the Makhado open pits as high-ash waste, while the -31.5 mm coal, which accounts for approximately 62% to 66% of the ROM, was going to be hauled with side tipper trucks to the Vele coal processing plant for washing. Vele is approximately 134 km from the Makhado mine.

This plan has now changed to only processing Vele coal at Vele. A new 4.0 Mt/a coal processing plant is proposed to be constructed at Makhado to process the Makhado coal production.

The existing plant at Vele (Figure 4.7) was based on a production rate of 2.2 Mt/a ROM and operated between February 2012 and October 2013 producing a thermal export product (18% ash) at an average yield of 32%.

The current plant consists of the following main sections:

- crushing and screening plant
- secondary washing plant (modular)
- spiral plant (modular)
- filter presses
- ROM, product and discard stockpiles
- general plant services
- a slurry pond.

ROM material supplied from the open cast mining activities comprises a top size of 300 mm. The plant was designed for a ROM feed of 500 t/h into the crushing and screening plant.

The Vele plant was placed on care and maintenance in September 2012 to allow for plant modifications. The objective of the modifications was to create capability to produce multiple products, reduce the amount of fines generated by materials crushing and handling, improve product yield by adding froth flotation to capture the ultra-fine coal and simultaneously produce coking and thermal coal, and reduce operational costs by improving materials handling systems in the plant.

During the 2012 operational period it was clear that there were significant yield and product losses. During this period, investigations showed that product quality coal in the smaller size fractions (fines) was being spoiled either to slimes or discards.

A Front End Engineering and Design study was performed by Sedgman in 2016 to modify the existing CHPP to process 500 t/h ROM and produce an SSCC and a thermal coal product.

The plant upgrade study included:

- a new ROM dual tip hopper, with an 800 mm top size
- a new feeder breaker to size the ROM coal to nominal 50 mm
- new and extended conveyors to transport coal between new plant modules, discard and product stockpiles
- a feed bin for surge capacity
- an upgrade of the de-stoning plant
- a new discard bin and discard extraction system
- a tertiary screening plant for nuts and peas as well as a stacking system
- modification to the coking coal plant feed system (larger openings and vibrating feeder chutes)
- an upgrade of the existing DMS cyclone
- new thermal coal stockpile facilities
- an upgrade of fines beneficiation by incorporating a reflux classifier and flotation circuit
- dewatering using a high frequency screen for thermal coal and screen bowl centrifuge for coking coal
- dust and fire suppression systems as well as integrated control and communication systems.

To SRK's knowledge, none of the above mentioned upgrades and improvements have been implemented to date, and the contractor undertaking mining and processing at Vele between October 2022 and December 2023 used the plant in its unmodified condition. SRK's site visit to Vele showed no evidence of any mining and/or coal processing activities taking place on site apart from loading, weighing and transport from the 6,000 kcal/kg stockpile.

In general, the processing plant seems in good condition apart from a mobile feeder breaker and destoning plant that have been removed. No maintenance or processing activities were evident. Two final product stockpiles were observed, a 6,000 kcal/kg (RB1) stockpile and a 5,500 kcal/kg (RB3) stockpile. The 6,000 kcal product is in the process of being loaded and sold.

The plant and associated conveyor infrastructure are all intact with no evidence of spares pirating or stripping.

The slimes dam is full and there are activities underway to remedy this, including the sale of dry slimes. There was evidence of some dry slimes being loaded out for prospective clients interested in using the dried fines for briquetting.

Figure 4.7: Vele wash plant

Source: Minxcon Projects (2022), Makhado Colliery Bankable Feasibility Study (BFS)

The current Vele plant has provision for water, power and the necessary pollution controls already implemented.

In the event that HOS does not proceed with mining, the plant can be separated into its components and potentially used at Makhado.

4.9 Infrastructure and services

The nearest town to the Vele Colliery is Musina, which is the seat of the local municipality and has a history of mining activity and several active mines in the region. Services available at Musina include schools, rail linkages, a hospital, bitumen roads and electricity from the national grid.

Various infrastructure and services were re-established and commissioned from July 2022 onwards, in preparation for the contractor operation that commenced in October 2022. MCM reported during SRK's previous assessment earlier this year, that the following main infrastructure and services were installed (excluding the preparation plant infrastructure/services):

- A 5 MVA overhead line from the Pontdriff Substation to provide power to Vele, eliminating the operation's reliance on the diesel generator – the generator remains on standby for when required.
- The boreholes located at the Limpopo River are now energised by Eskom, and the diesel generator remains on standby for when required.
- The raw water dam pumps are now also energised by Eskom, and the diesel generator remains on standby.

- Five replacement boreholes were implemented at the Limpopo River, improving water availability to the site.
- A new HDPE water pipeline for dewatering the mining pit(s) was laid from the pits to the slurry pond, located at the plant.
- Replacement of the dilapidated clarifying water tank was completed.
- A crushing and screening plant
- Additional ROM stockpile capacity
- Additional product stockpiles.

SRK's site visit in February 2024 to Vele Colliery confirmed that the power supply infrastructure on and surrounding the mine site was in relatively good condition, other than a section providing power to the substation and eight site-supply water boreholes along the Limpopo River bank which was damaged by a weather event. This damage was subsequently repaired. However, from the site visit it was observed that the powerlines and electrical panels do need clearing of vegetation, as this could cause downtime if not maintained regularly.

Other infrastructure on site and security fencing – e.g. the explosives magazine, substations and electrical gear – remained in good condition but also required clearing of vegetation and follow-up maintenance on a regular basis to prevent potential damage. General road access to the site and other secondary roads were accessible and in relatively good condition.

The site visit revealed that the slimes dam was filled to capacity, but it was evident that the southern dam wall was disturbed and dry fines were removed from this end. SRK was informed that this was sold to a customer who was experimenting with and marketing briquetting of fines for the South African market. Coal is transported from the mine to an existing and upgraded rail siding in Musina, located approximately 50 km by road from the colliery. During 2023 the contractor also experienced challenges in attaining the targeted monthly saleable coal production – while unit costs have been adversely impacted – by the lack of access to rail capacity to transport Vele's coal to port. When recommencing production activities during December 2022, the railing of coal was anticipated to result in a significant reduction in logistics costs, due to the colliery's isolated location and the high cost of trucking coal to port and domestic customers.

4.10 Environmental and social aspects

4.10.1 Mining right and land access rights

The Vele Colliery was issued with a new order mining right (No. 30/5/1/2/2/103) on 19 March 2010. The mining right covers an area of approximately 8,662 ha and expires on 18 March 2040. The mining right overlaps with farm land. The 2016 VBKOM Independent Competent Person Report (VBKOM, 2016)[10] summary of the mineral and land access obtained by CoAL for the Vele Colliery

[10] VBKOM, 2016. Independent Competent Person's Report for the Vele Colliery operated by Coal of Africa Limited in the Limpopo Province, South Africa, VBKom Consulting Pty Ltd, 15 January 2016

is presented in Table 4.6 and represented in Figure 4.8. SRK understands from the 2016 VBKOM review that:

- Alyth prospecting right expired in 2013. An application for the renewal of the Alyth prospecting right was submitted to the DMR in September 2013. No decision has been made on this application.
- Over the mineral right, partial land access right was secured by CoAL, through its wholly owned subsidiary, Investments Holdings Pty Ltd. These farms constituted the areas for mining operations.
- Compensation agreements were in place with the remainder of the farms. However, land claims were reported on the farms Bergen Op Zoom 124 MS and Semple 155 MS. Land claims might affect land access rights but there has been no progress on the land claims over the past 10 years.

The supplied LOM schedule provides for operations to cease in June 2035[11]. Upon completion of the operations, SRK expects a minimum of 2 years for closure works and 10 years post-closure monitoring activities (i.e. 2047). SRK notes that the mining right expires in 2040. There should be sufficient time for the lodgement of a revised validity period of the mining right to be aligned with the Vele LOM plan.

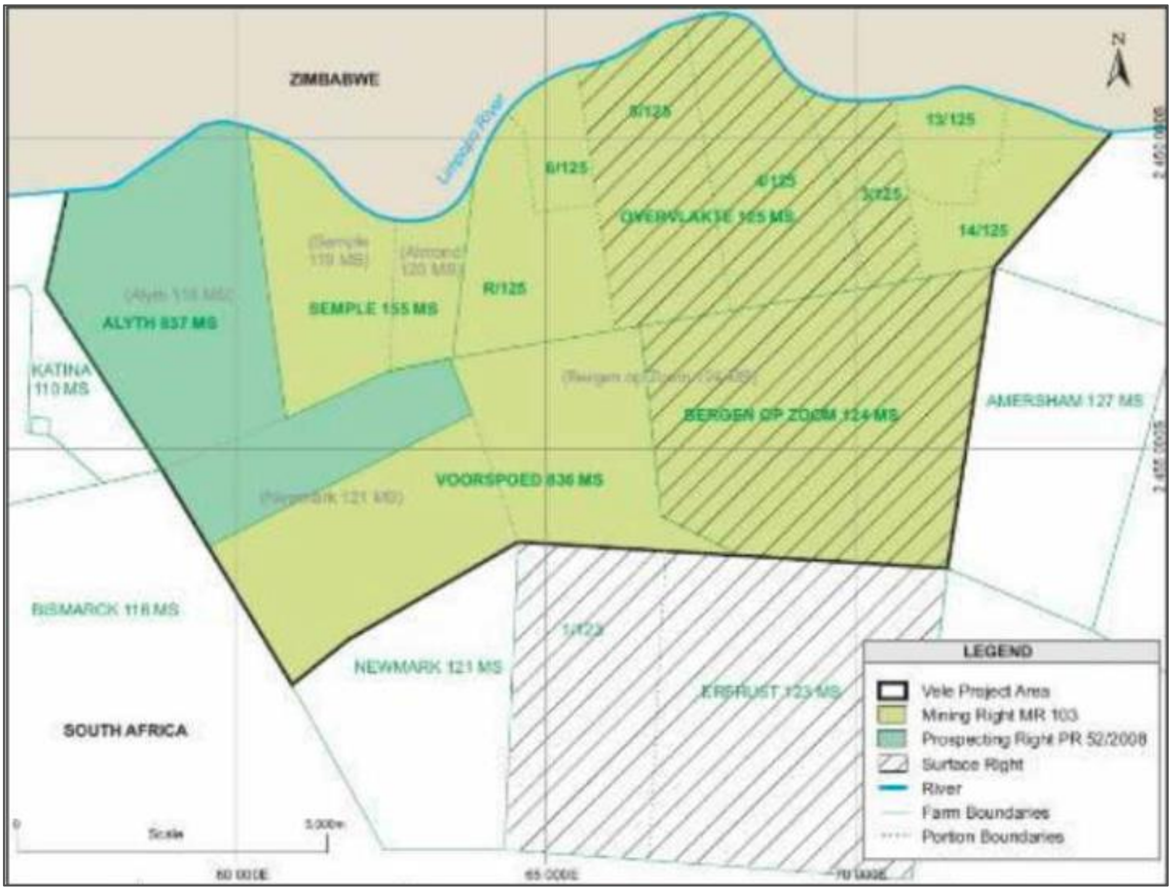
Table 4.6: Summary of Vele Colliery mining rights and surface rights

Farm Name	Portion	Area (Ha)	Company	Type	Permit Number	Date Issued	Expiry Date	Renewed
Alyth 837MS	N/A	2 092.95	Silkwood Trading 14 (Pty) Ltd	Prospecting Right	LP 1136 PR	25.03.2008	24.03.2013	Yes
Bergen op Zoom 124MS	N/A	2 078.13	Limpopo Coal Company (Pty) Ltd	Mining Right	LP 103 MR	19.03.2010	18.03.2040	N/A
Overvlakte 125MS	Portion 3, 4, 5, 6, 13, 14 & RE	3 554.48						
Semple 155MS	N/A	9 421.91						
Voorspoed 836MS	N/A	2 087.22						

Source: VBKOM (2016)

[11] 46.06.02.01 Vele Model 20230801_StR, August 2023

Figure 4.8: Summary of Vale Colliery mining rights and surface rights



Source: VBKOM (2016)

4.10.2 Environmental approvals

According to the 2023 annual closure update (Elemental, 2023b)[12], Vele Colliery holds the following environmental approvals:

- Approved EMPR on January 2017 under Section 39 of the MPRDA.
- Two EAs have been granted for listed activities in terms of the NEMA for the LOM duration. An amendment to the EA was approved in January 2015, and subsequently appealed. On 19 November 2015, the Minister dismissed the appeal lodged against the Vele Colliery's amended EA. In January 2017, DMR approved an EA for a river diversion.
- An IWUL (No. 01/A71/ABCEGUK/420) was issued on 29 March 2011 and subsequently renewed on 18 December 2015 (No. 27/2//2/A1171/1/4) for a period of 20 years (i.e. December 2035). The 2015 IWUL and two other individual IWULs were consolidated into a single IWUL in December 2018.

[12] Elemental, 2023b. Annual update of the quantum for closure-related financial provision, Vele Colliery, 2022-2023 for MCMining Limited, Elemental Sustainability Pty Ltd, May 2023

- Various permits were issued by the Department of Agriculture, Forestry and Fisheries (DAFF) to relocate protected trees under Section 15(1) of the *National Forests Act* (Act 84 of 1998). The DAFF permits were executed within the period of validity and have subsequently expired.

While SRK understands that HOS is considering optimisation of Vele, the current mine life extends beyond the validity period of some environmental approvals (such as the water licence) and changes to the LOM plan might potentially change the environmental and social management conditions and objectives.

4.10.3 Social and Labour Plan

Vele had two SLPs previously approved by the DMRE. The new SLP for the period from 2022 to 2026 has been submitted to the DMRE and the Company awaits approval for this. For the purpose of valuation, this is considered in the choice of an appropriate valuation range.

4.10.4 Environmental and social management

An EMS has been adopted at Vele Colliery and was developed as the formal tool for environmental management. This system is independently audited every quarter, and reports are submitted to the regulatory authorities (MCM, 2021a). Core system procedures have been developed for each of the EMS elements, supported by legislated Codes of Practice (COPs) and operational Standard Operating Procedures (SOPs).

Vele Colliery has also implemented an Environmental Management Committee (EMC) in accordance with the EA, which comprises various stakeholders from regulatory authorities, relevant state and municipal representatives, and other stakeholders identified during the initial public process. The EMC has various sub-committees including the heritage and water sub-committees that were established to monitor compliance with the heritage management plan and IWUL, respectively.

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 are reviewed by the EMC on a quarterly basis, and the monitoring program and/or protocols revised where necessary (MCM, 2021a). According to the annual report (MCM, 2021a), the following monitoring is undertaken at the Vele Colliery:

- groundwater – quarterly
- surface water – monthly
- biomonitoring – biannual
- heritage – monthly
- air quality (dust and PM_{10}) – monthly (dust) and continuous (PM_{10}).

Based on SRK's review of the 2020 Integrated Water and Waste Management Plan (IWWMP) (VELE/EMS/E10-IWWMP/2009 – MCM, 2020), surface water quality monitoring results are generally within IWUL limits, however, the groundwater quality results exceed the limits stipulated by the IWUL. It was recommended that the water quality limits within the IWUL are reviewed and revised to reflect the local context (high natural background levels of certain parameters) of the catchment.

At Vele Colliery, environmental performance is measured against prescribed criteria in line with Environmental Management Procedures. The DWS, DMRE and the South African Heritage Resources Agency undertake annual audits of the colliery. Audit reports for the colliery indicate compliance with the conditions of the environmental approvals.

4.10.5 Mine closure provisions

SRK understands that the Vele Colliery mine closure plan and associated financial provisions are updated annually to comply with regulations. The 2024 annual closure update (Elemental, 2024a) states that Vele Colliery's closure liability was calculated at ZAR79,325,278.30 for the period 2023–24. This closure cost estimation has been developed in accordance with the 2005 Department of Mineral Resources guideline. Known as the asset retirement obligation cost, it considers current environmental liabilities and activities at the site and excludes any planned activities.

The supplied financial model provides for operations to cease in June 2035 and includes a provision of ZAR75 M for closure for the year 2031[13]. Upon completion of the operations, SRK expects a minimum of 2 years for closure works and 10 years post-closure monitoring (i.e. 2047). SRK understands that this cost is equivalent to the current rehabilitation financial guarantees of ZAR75,124,134 held by MC Mining for Vele Colliery as at December 2023[14].

SRK notes that the costs outlined in Elemental (2024a) include the following assumptions and comments:

- Costs estimations are conceptual and based on current day liability costs (i.e. costs that could be required in case of sudden closure), not LOM closure costs.
- The clean water dam (1.28 ha) will not be rehabilitated and will be handed over to the farmers after closure.
- The unit rate update is based on average CPI over the 2023 period and was calculated at 5.9%. However, no scheduled cost is included in the quantum calculations. The cost does consider CPI increase over the LOM of the operation until the closure phase.
- Preliminary and General at 12% and VAT at 15%.
- A weighting factor of 1.05 was applied as per the 2005 Department of Mineral Resources guideline based on the proximity of the mine to an urban centre.
- The estimate incorporates a 10% continency allowance. As the accuracy of conceptual closure design typically ranges from ±30% to ±35%, it is good international industry practice for contingency allowances to range between 25% and 35% (AusIMM, 2011).
- For post-closure monitoring costs, surface water monitoring, groundwater monitoring and biomonitoring have been assumed to take place for a period of 2–3 years. However, it is good international industry practice to consider a minimum of 10 years post-closure monitoring activities (i.e. 2043).

[13] 46.06.02.01 Vele Model 20230801_StR, August 2023
[14] MCM SA Guarantees-202312 (1 1), December 2023

- Several cost elements do not appear to be included in the provision:
  - concurrent rehabilitation cost
  - specialist studies, professional fees and project management
  - detailed assessment of long-term decant from workings and its treatment costs
  - labour redundancy or other human resources
  - social transitioning to closure related costs.

The current closure provision totalling ZAR79 M (including 10% contingency) provided for Vele Colliery is conceptual and developed to consider current disturbance/liabilities of the mine site for financial reporting processes. There is a risk that additional costs may be required once the underlying assumptions have been addressed such as alignment with closure designs and completion criteria, alignment with project development, contamination assessments, ground-truth measurements and inventory, site-based rehabilitation trials, and cashflow scheduling alignment. As such, there is a risk the Vele Colliery LOM closure cost estimations are underestimated. This conclusion is based on the information outlined in the 2024 annual update of the quantum for closure-related financial provision, as well as liability cost estimate assumptions, and considering current practice in similar mining and processing operations in South Africa. At this conceptual stage of the closure cost estimations, SRK recommends a minimum 35% contingency be applied to the closure provisions for a LOM closure cost estimate of ZAR95.6 M. Current and recommended costs are presented in Table 4.7.

Table 4.7: Vele Colliery's total closure cost estimations– as at June 2024

	Elemental's Asset Retirement Obligation estimates (ZAR)	SRK's LOM closure cost minimum recommendations (ZAR)
Liability cost estimate	53,847,387	53,847,387
Weighting factor 2 (1.05)	56,539,756	56,539,756
Preliminary and General (12%)	6,784,771	6,784,771
Contingency ▪ Elemental 5% ▪ SRK 35%	5,653,976	19,788,915
Total excluding VAT	68,978,503	83,113,442
VAT (15%)	10,346,775	12,467,016
Base case total (including VAT)	**79,325,278**	**95,580,458**

Source: Elemental (2024a)

SRK understands that no whole-of-mine-life closure cost estimates are available for Vele Colliery. Good international industry practice normally requires estimation of whole-of project closure costs for the mine, processing plant and associated auxiliaries. SRK recommends that an LOM closure cost estimate be developed according to the updated LOM plan and aligned with the closure objectives and requirements for Vele Colliery. There is a risk that the Vele Colliery LOM closure cost estimate is underestimated.

4.11 Risks and opportunities

Geological risks include as yet unidentified dolerite dykes and faults that may reduce the blocks available for mining.

Risks are evident from the suspended mining operations, with financial viability driven by the market-determined thermal coal pricing, and in turn the ability to mine and wash the coal at a cost sufficient to create a profit margin despite subdued prices. In addition, curtailing the costs to transport the coal to port and other offset points is of utmost importance.

SRK notes that, although Vele Colliery shows a potential mine life of approximately 40 years based on the identified Coal Resources, very low Coal Reserves have been declared. This requires mine planning and related study work to be completed in advance to support a robust Coal Reserves estimate, and importantly to focus on areas with higher yields to optimise profits for the same amount of coal mined.

The required infrastructure for a mining operation is already established, including power supply with a back-up generator, and adequate water supply for the operation from boreholes in the Limpopo River. This provides the opportunity for the Vele operation to be re-established at low cost, and the potential to be economically viable with the correct planning and management. SRK however notes that a period of 8 months has expired since its previous site visit, and the condition of the mining areas and equipment and services could have deteriorated since then.

The Vele plant produced lower than expected product yield due mainly to generation of excessive fine coal material (<1.0 mm) and loss of fines due to an under-designed fines beneficiation circuit in the plant where ultra-fines are not recovered.

These risks and opportunities are considered in Section 8 of this report.

5 Makhado Project

5.1 Overview

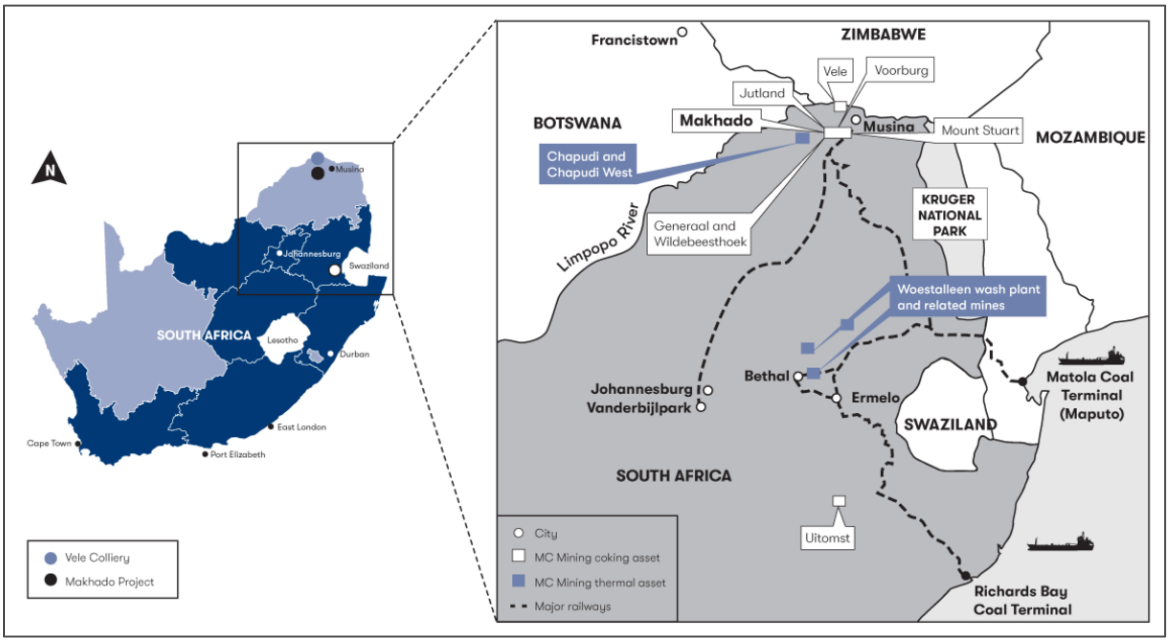
The Makhado Project is situated in the Soutpansberg Coalfield, approximately 36 km north of the town of Makhado on the National Route N1 highway or 65 km southwest of Musina (Figure 5.1). Polokwane lies some 130 km southwest of the project area, while RBCT is 680 km southeast.

MCM holds a 67% interest in the Makhado Project through a wholly owned subsidiary, Baobab Mining & Exploration (Pty) Ltd. A new order mining right No. 30/05/1/2/2/204 MR (204 MR) was granted and is valid until 25 January 2046.

The project lies 80 km southeast of the Company's Vele Colliery.

The Makhado Project remains in development and is a proposed open cast operation with a forecast mine life of over 28 years at 3.2–4 Mt/a, with the potential for further expansion into an underground operation.

Figure 5.1: Location of Makhado Project



Source: MCM website, accessed 13 May 2022

The project is directly accessed from the bitumen sealed N1 highway, which runs north–south along the western boundary of the mining right area. The N1 links the project to the towns of Musina, Louis Trichardt and Polokwane. Several gravel roads and tracks provide further access across the various sites of the project.

A railway line lies west of the project, runs in a northeast–southwest direction, and offers connections to RBCT and other potential export hubs and domestic markets. The planned Huntleigh Rail Siding is located 15 km northwest of the project area.

As at Vele, the climate at the project is semi-arid and characterised by hot to extremely hot summers and warm to cool winters, with minimal precipitation. Mining activity can be conducted all year-round, as no appreciable mining downtime is expected due to unfavourable climate or weather conditions.

The east–west orientated Soutpansberg Mountains run along the southern boundary of the project. The topography of the project area is characterised in the north by a relatively flat plain at an average elevation of 750 m above sea level, rising steeply in the south to an elevation of 1,750 m, forming the Soutpansberg Ridge. Immediately beyond the southern boundary of the project tenure, the land falls rapidly to around 800 m.

5.2 History

Iscor explored the Soutpansberg Coalfield during the 1970s and 1980s, drilling approximately 1,250 holes and opening a bulk sample pit on the farm, Fripp 645 MS, in 1979. No historical mining occurred.

MCM acquired the full Iscor dataset for the Makhado Project area. The dataset included 316 diamond core drill holes within the current Makhado tenure. MCM, then known as CoAL, began its own exploration in 2007, with exploration drilling on Fripp 645 MS.

By 2011, 214 drill holes had been drilled within Makhado, as well as aerial magnetic and radiometric geophysical surveys being conducted. A box-cut was excavated on the farm Tanga 648 MS in 2010–11, from which a bulk sample of 45,849 t of material was extracted. The coal produced from this material (21,800 t) was used to confirm the coal and coking properties and to test a number of coal processing options.

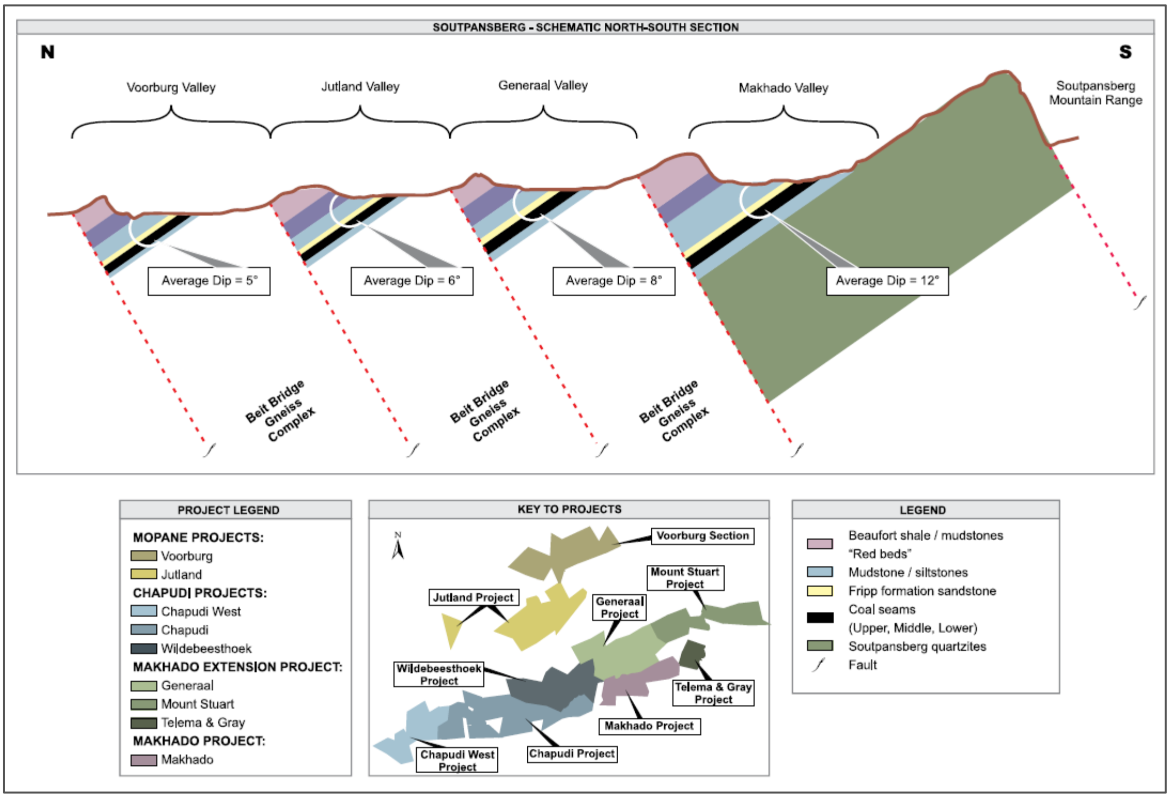
In May 2015, a 30-year mining right was granted by the DMR, now termed the DMRE. A WUL, valid for 20 years, was granted by the DWS. The EA for the duration of the LOM was granted by the Limpopo Department Economic Development Environment and Tourism and has since been amended.

In FY2023, MCM commenced planning and development for the Makhado Project. MCM subsequently appointed Erudite (Pty) Ltd to complete the detailed designs for the Makhado CHPP and also employed independent consultants to review the Makhado mine plan that was developed internally. Early works at Makhado commenced in H2 CY2023 including bulk water infrastructure, construction of a bridge across the Mutamba River, and site security.

5.3 Local geology

Makhado is situated in the Tshipise Basin of the Soutpansberg Coalfield (Figure 3.2). The strata of this coalfield are preserved in a northward-dipping half-graben located on the northeastern edge of the Kaapvaal Craton, and terminating against east–west striking faults associated with the Limpopo Mobile Belt in the north and sub-cropping in the south (Figure 5.3). The entire Soutpansberg Coalfield is faulted, with extensive east-northeast normal faults, parallel to the regional strike, controlling the preservation of the coal-bearing Karoo strata. This fault system resulted in the horsts and grabens characteristic of the coalfield, with throws to either to the north or south with displacement of around 500 m. A secondary fault system trends west-northwest to northwest, with throws generally to the southwest.

Figure 5.2: Makhado – diagrammatic cross section



Source: Venmyn Deloitte (2012)

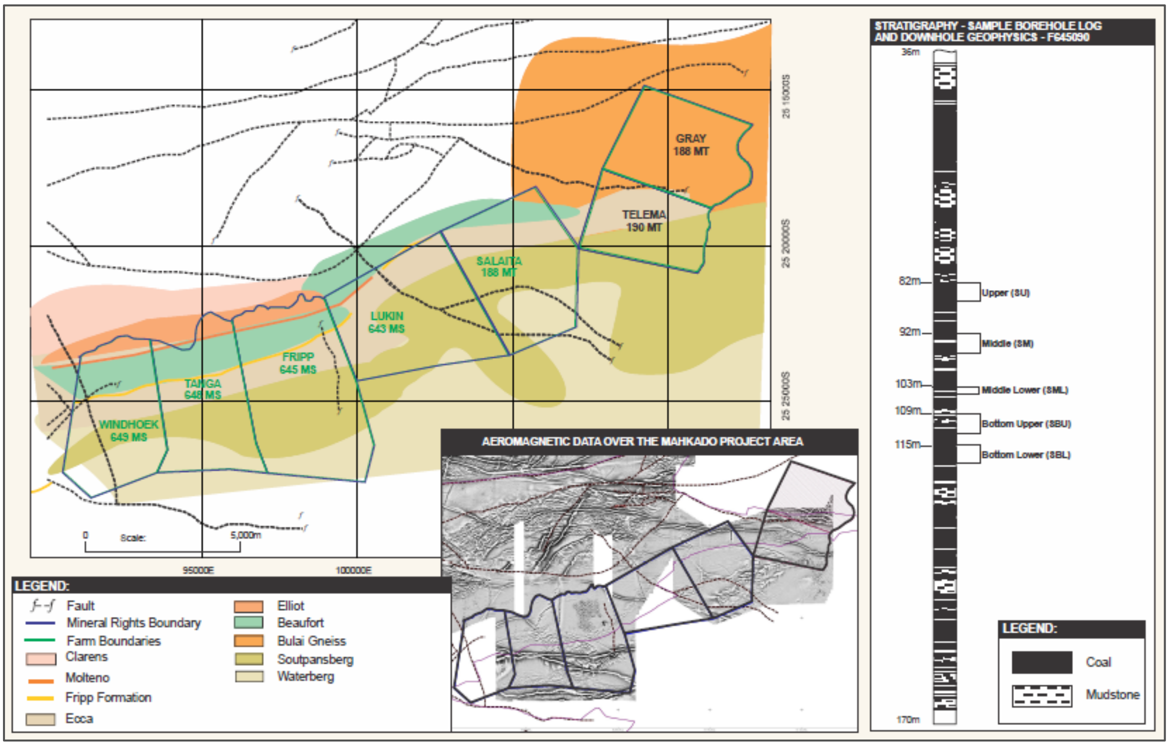
Sedimentation within the coalfield was fault-controlled. The Karoo strata overlie the Soutpansberg Formation and, within the Tshipise Basin, the coal-bearing sediments are found in the 30–40 m thick carbonaceous portion of the Madzaringwe Formation. This formation comprises coal, shale, mudstone and siltstone, and the coal seams consist of alternating bands of coal and mudstone. The coal is generally bright and high in vitrinite, and the vitrinite content decreasing with depth.

The Madzaringwe Formation is overlain by mudstones, shales and sandstones of the Mikambeni Formation, followed by the coarse sandstone of the Fripp Formation.

This is followed by the siltstones and mudstones of the Solitude Formation of the Beaufort Group; the sandstone of the Klopperfontein Formation; the red mudstones and sandstone of the Bosbokpoort Formation; the sandstone of the Clarene Formation (all of the Stormberg Group) and finally, the basaltic lavas of the Lebombo Group (Figure 5.3).

The surface geology, aeromagnetic geophysical data and stratigraphy of the Makhado area are shown in Figure 5.3.

Figure 5.3: Makhado – surface geology, aeromagnetic data and stratigraphy



Source: Venmyn Deloitte (2012)

Within the project area, the strata display an average dip of 12° to the north, varying from 4–18° to the north.

The northwest–southeast-striking Siloam Fault, identified on the farm Lukin 643 MS, offsets the sub-crop (Figure 5.3). This has been taken into consideration when designing the infrastructure and the mine layout. Faulting also restricts the distribution of the coal along strike, on the western and eastern edges of the project, while the position of some smaller faults needs to be confirmed by targeted drilling.

Drilling has identified a 50 m-thick dolerite intrusive sill that transgresses the coal seams in two places in the centre of the project area, situated above the coal horizons on the farms Lukin 643 MS and Tanga 648 MS, but below the coal on the farm Fripp 645 MS (situated between the other two farms). The coal has been devolatilised close to this sill and burnt where the sill transgresses the seams, which has destroyed the coking properties of the coal in this area. Interpretation of the aeromagnetic geophysical data by GAP Geophysics suggests that few magnetic intrusive dykes traverse the area and that those that have been identified are vertical, in the order of 2–5 m thick and are steeply dipping. A bulk sample pit on Fripp 645 MS, excavated by Iscor, revealed a thin, discontinuous dyke in the high wall.

MCM has identified six major seams within the Madzaringwe Formation, namely, the Upper, Middle Upper, Middle Lower, Bottom Upper, Bottom Middle and Bottom Lower seams (Figure 5.3). The Bottom Middle Seam is usually excluded from the Coal Resource estimate, as it is mostly mudstone. MCM has modelled the other five seams to estimate the Coal Resources. Average modelled seam thicknesses range from 1.80 m to 4.32 m (Table 5.1).

Table 5.1: Makhado – modelled seam thicknesses

Seam	Seam thickness (m)		
	Minimum	Maximum	Mean
Upper	0.1	6.48	2.48
Middle	0.1	18.54	4.32
Middle Lower	0.1	6.03	1.80
Bottom Upper	0.1	7.58	3.78
Bottom Lower	0.1	11.07	3.85

Source: Makhado BFS, Minxcon (2022)

Notes: Minimum thickness is a cut-off limit imposed during modelling; note that this cut-off is greater (1.5 m) for resource estimation.

The coal is suitable for producing a primary hard coking coal (HCC) with 10% ash, total sulfur between 1.0 and 1.1%, and an average theoretical yield for all size fraction of 21.2%, as well as a secondary thermal coal, with an ash content of less than 25.9%, a CV of 5,500 kcal/kg, total sulfur between 0.7 and 0.9% and a theoretical yield of approximately 17.6%.

5.4 Exploration potential

No areas remain to be drilled for additional resources. However, some consideration has been given to extending the extractable resources below a depth of 200 m on the Middle Lower and Bottom Upper seams. This would require transitioning to underground extraction and has not yet progressed beyond concept stage.

The northern limits of the pit edge infrastructure will be determined using limit of oxidation drilling – this may result in the definition of some additional resources.

5.5 Coal Resources and Coal Reserves

5.5.1 Coal Resources

The critical variable considered for both the primary coking coal product and the secondary thermal product is ash (<10% and <25.9%, respectively). In addition, the following cut-off values were imposed:

- Mineral Rights boundaries
- 50 m limit around known geological structures
- the limit of oxidation
- minimum seam thickness of 0.5 m for GTIS
- minimum seam depth of 17 m for MTIS
- maximum seam depth of 200 m for MTIS.

The Coal Resource estimates (MTIS) were also discounted for unknown geological structures, based on the confidence of the Coal Resource classification; namely:

- Measured 5%
- Indicated 8%
- Inferred 10%.

The Coal Resources have been estimated by Mr John Sparrow (MCM) in accordance with the JORC Code (2012). The Coal Resources have been reviewed by Mr Uwe Engelmann (Minxcon); both Mr Sparrow and Mr Engelmann are Competent Persons as defined by the JORC Code (2012).

The Coal Resources were estimated from the geological model, constructed by Mr Sparrow using Minex™ software.

SRK has reviewed the geological model and is satisfied that the data are represented sufficiently accurately in the grids, that the modelling principles employed and the estimation methods used are fit-for-purpose and that the geological model and the Coal Resource estimates can be relied upon.

The MTIS Coal Resources have been declared per planned mining pit (open pit only, no underground mining considered) between depths of 17 m and 200 m. Note that no Coal Resources are declared for the farm Fripp 645 MS, as this is occupied by the Mudimeli village.

All Coal Resources and coal qualities have been estimated on an air-dry basis and are inclusive of the Coal Reserves.

Total Coal Resources at Makhado, as at 30 June 2024 and unchanged from 2023, are shown in Table 5.2.

Table 5.2: Makhado Coal Resources (as declared at 30 June 2024)

Resource Category	GTIS (Mt)	MTIS (Mt)	MCM Attributable Interest (%)	MCM Attributable Resource (Mt)
Measured	387.340	241.945	69%	166.942
Indicated	254.000	54.055		37.298
Subtotal Measured and Indicated	641.340	296.000		204.240
Inferred	116.200	38.857		26.811
Total	**757.540**	**334.857**	**69%**	**231.051**

Source: MC Mining Limited Annual Report 2023

Metallurgical testwork and studies on fine coal beneficiation, together with optimisation of the mine plan, have resulted in updated simulated average practical product yields of 21.2% for HCC and 17.6% for thermal coal respectively across the proposed Makhado pits (ASX:MCM announcement dated 30 June 2023).

The coal products comprise a primary 64 mid-volatile HCC at 10% ash, total sulfur between 1.0% and 1.1% and volatiles of 29.6%, as well as a secondary thermal coal product with an ash content of less than 25.9%, a CV of 5,500 kcal/kg, total sulfur between 0.7% and 0.9% and volatiles of 25.1%.

5.5.2 Coal Reserves

The Makhado Project was evaluated under a feasibility study (FS) conducted in 2017. The 2017 FS considered the project was phased in such a manner as to initially use the beneficiation plant at Vele and then build a plant at Makhado for the longer term. This plan was subsequently modified into a new FS in 2021, to mine the Makhado coal using the beneficiation plant at Vele, that will be modified to allow fine coal beneficiation.

During 2022 and 2023 MCM continued assessing the Makhado Project and potential options to optimise beneficiation and the distribution of product coal. This assessment was aimed at providing opportunities to increase mining and beneficiation throughput, as well as allowing more flexibility in the design of the wash plant and reducing costs during the overall project life. These changes in the project philosophy were not addressed through an amendment to the FS, but were addressed separately through focus on the various technical and commercial aspects of this new approach and captured at high level in an overarching Project Definition Statement for the 'Colliery Establishment', which was released in April 2023.

The Coal Reserves declared for Makhado, as of 30 June 2024, as based on the information provided in Excel spreadsheet format by MCM, are listed in Table 5.3. The saleable product also include a thermal coal as a secondary product.

Table 5.3: Makhado Coal Reserves as at June 2024 in 100% terms

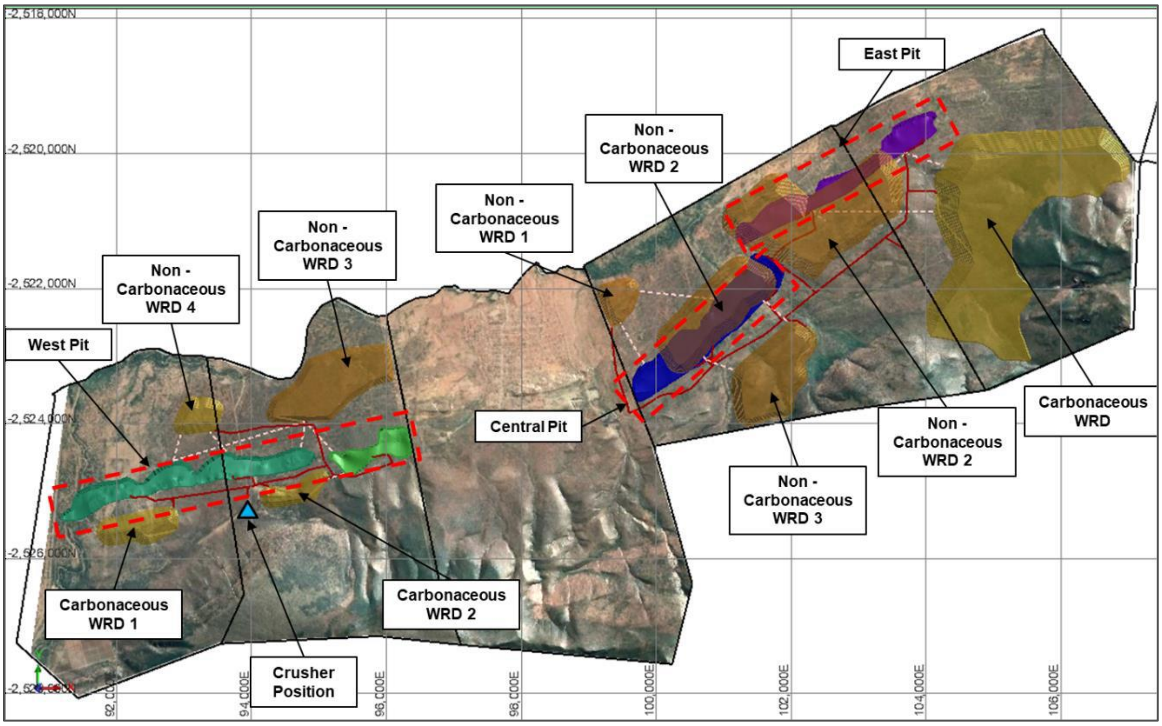
Coal Reserves classification	ROM tonnes (Mt)	Saleable primary product (Mt)	Saleable secondary product (Mt)
Proved	97.756	20.672	17.281
Probable	8.498	1.846	1.415
Total Reserves	**106.254**	**22.518**	**18.696**

Source: MC Mining Limited Annual Report 2023

5.6 Mining

Future development of the Makhado Project envisages three open pits namely the East, Central and West pits as shown in Figure 5.4, with a life of mine for the project estimated at 28 years.

Figure 5.4: Makhado proposed open pits



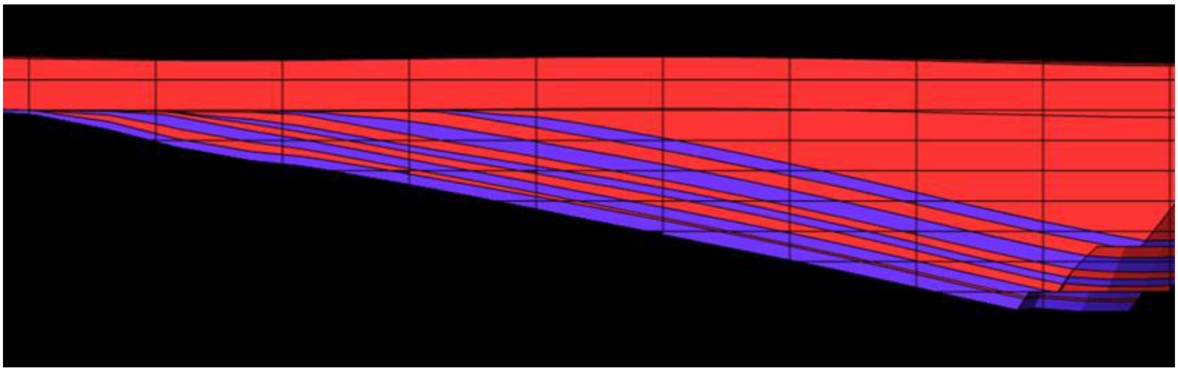
Source: Minxcon Projects (2022), Makhado Colliery BFS

The sequence of the development is to exploit the East Pit first, due to its coal quality and proximity to the location of the planned CHPP, followed by the other two pits. The farm between the pits, the Fripp Farm, is not included in the current development.

Five coal seams are recognised at Makhado separated by mudstone interburden. The seams are identified as the (i) Upper Seam, (ii) Middle Seam, (iii) Middle Lower Seam, (iv) Bottom Upper Seam, and (v) Bottom Lower Seam. The Bottom Middle Seam generally comprises predominantly mudstone within the horizon, hence this is excluded and not specifically targeted for mining and beneficiation purposes.

These seams display dips between 4° and 18°, with an average of 12° from the outcrop position, and, as the seams dip towards the hilly overburden, this becomes the limiting factor for future pit development (Figure 5.5). For the most efficient mining, the pits will be mined at an apparent dip, i.e. 30° to the general strike direction to the final high wall position – this creates an apparent dip of no more than 10°. The seams are then mined individually from the partings to maximise coal recovery.

Figure 5.5: Cross section of the coal seams



Source: Minxcon Projects (2022), Makhado Colliery BFS

The Makhado Project area is intersected by identified faults, specifically on the farms, Windhoek and Lukin, with the latter in the East Pit area. The Lukin fault is a major, northwest–southeast trending fault, where it has displaced the coal seam and offset the sub-outcrop. Information on the occurrence of small-scale faulting has reportedly not yet been clearly defined, and it has also been reported that a 13 m thick dolerite sill is present above the coal seams on the Tanga and Lukin farms, with the latter again in the East Pit region. Aeromagnetic data however indicate that there are generally few dykes within the planned mining areas.

Pit optimisation software has been run to establish the most technical and financially viable areas and limits for mining, which resulted in the East Pit measuring at a length of 4.2 km and up to 460 m in width. The pit will have a maximum depth at the end of life of between 80 m and 90 m, resulting in a projected strip ratio of approximately three or less.

In-pit filling has been included as part of the mine design and schedule, which is advantageous and significantly reduces cost of haulage and eventual rehabilitation costs. This has been reported to be scheduled as soon as sufficient in-pit space becomes available. It has been noted that a minimum of 40 m working space from the high wall, and 120 m from the direction of mining have been incorporated into the pushback designs, with complete in-pit filling designs including up to the high wall.

Despite a review of geotechnical design criteria indicating no significant shortcomings, it was noted in 2023 that additional exploration drilling is required to upgrade the confidence level of the designs, as the initial or most recent designs were only conceptual.

Mining is planned to be contracted out, with the contractor responsible for providing the entire primary mining fleet, and the ancillary and support equipment required for an efficient operation. Current planning is to have an appointed contractor at top of terrace in the mining process at Q1, CY2025. The mining process is planned to be conducted with a primary fleet of 70–90 t excavators, and with 90 t and 55 t trucks for haulage. The bench heights have been designed at 15 m, with ramp widths at 30 m and ramp angles at a maximum of 10%. Coal benches have been designed, depending on the dip of the seam in the specific location, between 50 m and 250 m, with the waste benches maintained at horizontal.

The overburden material within East Pit generally consists of sand and quartz for the first 6 m of depth, followed generally by weathered siltstone and mudstone for the next 20 m. Thereafter, another at least 2 m of unweathered but degraded mudstone covers the coal seam horizon. Drilling and blasting will be required for the overburden removal, including the partings between the seams, however it is anticipated that coaling will be free-dig with excavators in a backhoe configuration, due to the relatively low unconfined compressive strength (UCS) value of between 5 MPa and 15 MPa for the coal.

Mining of the East Pit will commence with the establishment of a box-cut, including substantial removal and haulage of overburden and waste material, before coal mining will commence. The East Pit design and schedule reportedly results in a total of 17.9 Mt of ROM coal excavated, at an average of 324 kt/month over the first 5 years of the Makhado Project life. An average strip ratio of approximately 3:1 is achieved over this period, based on a total of 52.6 Mbcm of waste material removed.

5.7 Geotechnical

5.7.1 Design studies

The geotechnical slope design study for Makhado was carried out by Middindi Consulting (Pty) Ltd in September 2011. The design recommendations were incorporated into the January 2013 Makhado FS (Mining Geotechnical Design Chapter 5 – Section 2), by CoAL, and carried forward into the definitive feasibility study pit designs presented in the report *Makhado Colliery Bankable Feasibility Stud*y (4. Geotechnical and Geohydrology (M2021_038a BFS) by Minxcon (Pty) Ltd, March 2022.

Outstanding geotechnical work is required for the coal outcrop in East Pit, as well as the Central and West pits. The plant geotechnical work has been completed.

Details of the design of stockpiles have been provided for the 2022 Minxcon BFS report (7b. Engineering and Infrastructure Design).

5.7.2 Geotechnical conditions

Soft weathered materials, including a thin topsoil layer at surface are present up to a maximum of ~20 m below surface (i.e. these will constitute the upper one or two 10 m benches). Below this, stronger unweathered rocks include bedded units of the Karoo Supergroup – shales, mudstones, carbonaceous materials and sandstones.

Five coals seams are present, between 2.2 m and 4.2 m in thickness, with interburden of mudstone. A large dolerite dyke and two significant large faults are present at Makhado, however, these will not have an influence on pit slope stability.

5.7.3 Geotechnical data and analyses

Five geotechnical drill holes were drilled, but these were limited to the East Pit area and hence data coverage is spatially limited. It is possible that the available geotechnical data may not be representative for all the mining areas. The data that has been collected in each drill hole is however comprehensive.

In the absence of test results for the soft (soil and weathered rock) materials, appropriate properties were derived following a literature survey of databases of similar materials. Itasca FLAC software was employed for design stability analyses for these materials, assumed to be up to 20 m in thickness.

For the unweathered shale, mudstone, coal and sandstone, input values were defined for Hoek-Brown (H-B) criterion shear strength parameters. These include UCS, material constant (mi), and geological strength index (GSI, which is a measure of rock mass quality).

GSI and RMR (Bieniawski, 1989) rock mass classification values were obtained from geotechnical logging; mi values were taken from suggested values in Rocscience Rock Data software.

No UCS testing was conducted; UCS values for analyses were assumed using data from the Witbank Coalfields. UCS values assumed for the shale and sandstone represent strong rock (70–85 MPa), while weak rock (~20 MPa) values have been assumed for the mudstone and coal.

Although the quality of the rock mass, as defined by the GSI values, is generally moderate ($40 \leq GSI \leq 60$), minimum values in the late twenties and early thirties represent locally poor-quality rock mass.

Bedding dips from south to north at a shallow angle (10° to 14°) and daylights only into southeast slopes. No actual shear testing of discontinuities (bedding or joints) was undertaken, however, 70% of discontinuities have dip angles less than their expected minimum friction angles. Therefore, sliding failure is not expected to be a commonly occurring failure mechanism, nor are toppling or wedge failures expected to be significant failure mechanisms. Rather, rotational failure in moderate to weak quality materials, perhaps with a contributing sliding mechanism at its base, is expected to be the main instability mechanism in most slopes.

The mine is in an area of relatively low seismic risk and therefore no seismic loading was included in the stability analyses for design.

The design analyses were carried out with the assumption that the groundwater level (phreatic surface) is at 25 m below surface. No slope depressurisation considerations were made in the 2022 study.

For bench-scale, design stability analyses were carried out using limit equilibrium analyses with a design acceptance criteria (DAC) of factor of safety (FoS) 1.3 – which is relatively high for individual benches. This was also on the basis that mined strips will be backfilled within 12 months.

For overall and inter-ramp slopes, design stability analyses were also conducted using limit equilibrium methods, with a DAC FoS of 1.5. The required FoS was increased to 2.0 where the consequences of failure are regarded as serious – i.e. failure in medium sized or high slopes including major haul roads or above permanent mine installations.

5.7.4 Recommended design – pit slopes

The slope designs are based on limited field and testing geotechnical data, therefore precedent practices have been used.

For soft weathered materials (i.e. the upper one or two benches), the following parameters have been recommended:

- bench height = 10 m

- bench face angle (BFA) = 55°
- berm width = 6.5 m.

This generates a crest-to-crest inter-ramp angle (IRA) of 36.5°.

For relatively strong, fresh materials the following parameters were investigated for the 2013 FS:

- bench height = 15 m (two benches in height)
- BFA = 90°
- berm width = 10 m to 20 m.
- A berm width of 20 m generates an IRA of 37°; however, depending on equipment and mobility constraints, it was indicated that a steeper angle of up to 47° could possibly be accommodated, with substantially lower berm widths. It was stated that this would only be appropriate if further studies based on the forward works program of more comprehensive geotechnical data acquisition is completed.
- The recommendations in the 2022 BFS include a different configuration: 55° BFAs with 7.5 m berm widths, generating an IRA of 39.8°.

Slope design angles for the box-cuts are shallower: ≤30° in soft weathered material, with a 15 m catch berm at the boundary of the weathered and unweathered materials, a bench height of 15 m and a berm width of 7.5 m.

SRK considers that the slope design angles are appropriate for the geotechnical conditions identified, as the selected DAC are onerous, and the designs therefore may be relatively conservative.

5.7.5 Stockpiles

With regards to the design of non-carbonaceous stockpiles, these have been designed with an overall slope angle of ~30°, and consist of individual 10 m high benches of ~40° slope angles, with 5 m-wide berms. The intended heights of the stockpiles vary from 54 m (in the west) to approximately 100 m (in the east). The basis for these designs is not evident; depending on the actual material properties it is possible that angles of 31° over 100 m may present a FoS that is lower than ideal, though it is acknowledged that drainage of the stockpiles has been allowed for.

For the stockpile foundations, it has been recommended that the upper ~900 mm of topsoil and subsoil are removed and replaced with compacted fill of suitable type, which seems appropriate.

5.7.6 Recommendations for further work

The recommended forward works program, as detailed in the 2013 FS, should be conducted during the next development phase. This includes:

- the drilling, logging and sampling of ~15 additional drill holes across the mining tenure
- downhole televiewer surveys
- laboratory strength testing: UCS, direct shear of discontinuities, triaxial testing of weak materials, swell and slake durability testing

- appropriate synthesis of geotechnical data and further assessments to confirm geotechnical design parameters.

If it has not been done already, it is also recommended that the slope angles in the stockpiles be confirmed and suitable material properties be identified including stability analyses.

5.8 Processing

A new CHPP processing facility will be built at the Makhado mine site to process 4 Mt/a ROM coal.

ROM material will be hauled by truck from the open cut mines to the ROM tip facility and tipped into a 250 t ROM tip bin at a nominal maximum size of 800 mm. Material greater than 800 mm will be reduced in size to pass 800 mm by a rock breaker located on top of the bin.

ROM material will then be fed from the ROM tip bin by an apron feeder to a primary mineral sizer, that will reduce the top size of the material to a nominal -225 mm before conveying the crushed raw coal to the ROM screen.

The screen will separate the raw coal into plus and minus 50 mm fractions with the +50 mm material discharged to the secondary mineral sizer. The secondary sizer will crush the oversize material to -50 mm before it is combined with the ROM screen underflow.

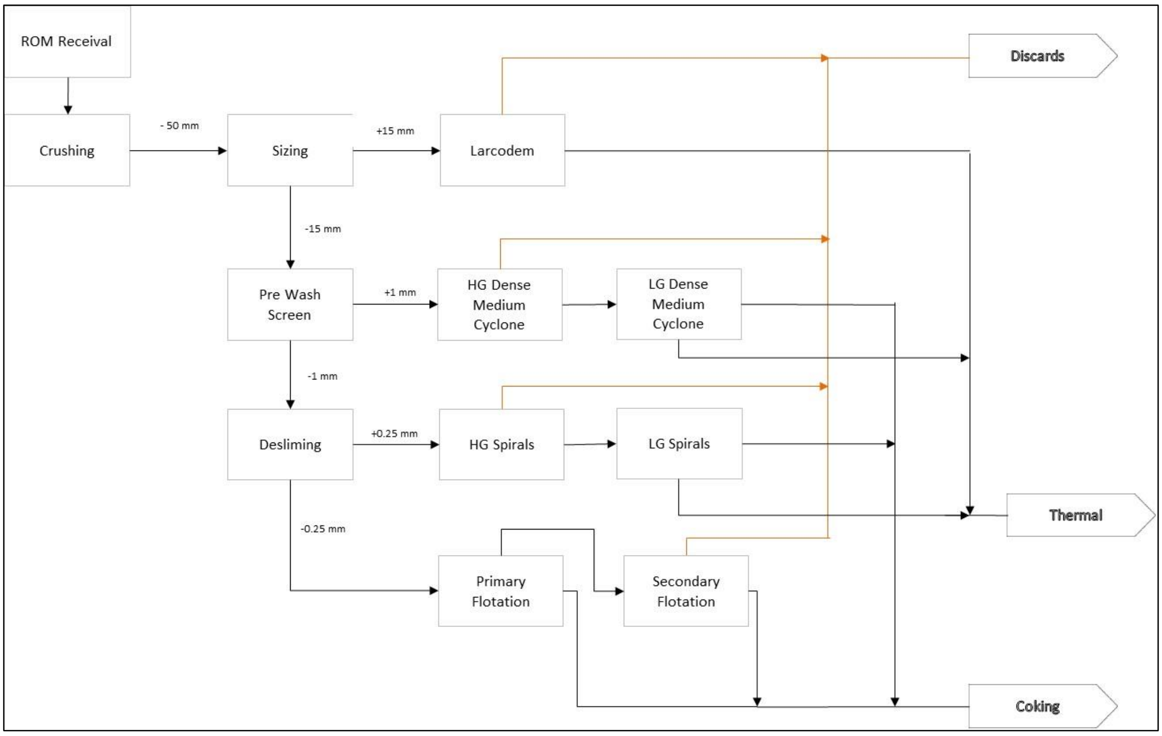
The combined material will then be discharged via conveyor onto the plant feed stockpile.

Vibrating feeders installed below the plant feed stockpile will draw the crushed feed material from the stockpile before conveying it to the primary sizing screen. The primary sizing screen will separate the feed material to plus and minus 15 mm feed fractions with the +15 mm fraction directed to the Larcodem DMS circuit.

The Larcodem circuit will separate the product material from the discards and employ a conventional dense medium process incorporating drain and rinse screens and magnetic separators to recover and reprocess the magnetite. The product material from the Larcodem will be discharged to the thermal coal conveyor with the discards reporting to the discard conveyor.

The primary sizing screen underflow fraction will report to a pre-wash screen where the 15 mm × 1 mm fraction will report to the high gravity dense medium cyclone circuit and the -1 mm fraction will report to the fines processing plant. A schematic flowsheet of the proposed plant is shown in Figure 5.6.

Figure 5.6: Makhado CHPP block flowsheet



Sources: Enprotec/Erudite (Pty) Ltd flowsheets

The +1 mm fraction will be pumped from a high gravity mixing box together with a magnetite medium pulp to the high-gravity dense medium cyclone for separation. The dense medium cyclone will separate the feed coal into floats and discard fractions with the discard fraction reporting to the discard conveyor and the floats directed to the low-gravity dense medium cyclone mixing box for further processing.

The floats from the high gravity circuit will be pumped from the low-gravity mixing box together with a magnetite medium pulp to the low gravity dense medium cyclone for separation. The low gravity dense medium cyclone will separate the high gravity floats material into coking and thermal fractions, with each reporting to their respective product conveyors.

Both high gravity and low gravity dense medium circuits have a conventional dense medium design using drain and rinse screens and magnetic separators to recover and reprocess the magnetite.

The -1 mm fraction reporting from the pre-wash screen will be directed to the fines tank before being pumped to desliming cyclones for separation into -0.25 mm and +0.25 mm fractions. The +0.25 mm fraction will be directed to the two stage spirals processing circuit and the -0.25 mm fraction will report to the slimes thickener before being processed in the two-stage flotation circuit.

The spirals circuit will undertake a high gravity separation in the first stage with the high gravity discard material dewatered prior to reporting to the discard conveyor. The low gravity material will report to the low gravity spirals where the material will be separated into coking and thermal product fractions. Both product streams will be dewatered by fine coal centrifuges before reporting to the coking and thermal coal conveyors respectively. The coking and thermal product conveyors discharge to stockpiles via stacking conveyors.

The -0.25 mm fraction will be pumped from the slimes thickener into the flotation feed tank for processing by the two-stage flotation circuit. The first flotation stage will remove the coking product concentrate for dewatering in the product filter press circuit. The second stage will receive the flotation cell tailings stream and recover any further coking product before combining with the primary product concentrate. The dewatered coking coal product will be discharged to the coking coal product conveyor system.

The secondary float cell tailings stream will be directed to the tailings thickener before being pumped to the tailings filter presses. Dewatered tailings will then be discharged to the discard product conveyor system for discharge into a discard bin before being trucked back to the mine for disposal.

SRK is satisfied that the proposed plant design and associated flowsheet is appropriate for the type of coal being processed, and that adequate and appropriate fine coal processing circuits have been accounted for in the design.

Metallurgical testwork and studies on fine coal beneficiation, together with optimisation of the mine plan, have resulted in updated estimates and increases in the average practical product yields to 21.2% for HCC and 17.6% for thermal coal respectively across the proposed Makhado pits (ASX:MCM announcement dated 30 June 2023).

SRK has reviewed the available sizing and washability. The summary table for three East Pit large diameter holes (S188T604, S188T605 and S188T606) indicates that coking and thermal yield determinations were based on extracting the float and sink yields at a perfect separation at the nominated product ash. These values were then pro-rated on a mass of sample basis versus a total mass of all relevant plies by size with a contamination value entered before an organic efficiency (OE) value was applied. The OE value has been applied to reflect the downstream processing inefficiencies in lieu of undertaking actual process simulations. The basis of the OE value is not derived from actual simulations.

Analysis of the summary tables identified that an increase in coking flotation yield had been applied after the contamination adjustment from 60% to 62% for the -0.25 mm fractions in contrast to the reduction applied to the remaining yields based on the addition of a dilution component.

Based on the reviewed data, SRK concludes that the HCC yield will be highly sensitive to dilution and liberation in the coarser size fractions. SRK agrees that the predicted HCC yield of 21.2% is achievable but cautions that it may not be consistently achievable.

5.9 Infrastructure and services

It has been reported by an external engineering consultant that the anticipated electricity demand for the Makhado Project exceeds available capacity from the nearest Eskom power distribution station, i.e. the Paradise substation located to the south of the project, with a maximum available capacity of 7.5 MVA. This has however been secured from Eskom and will be supplied via a new 22 kV (of 33 kV insulation design) overhead powerline of approximately 14 km in length. At the time of SRK's site visit in February 2024, vegetation clearing had been completed for construction of the powerline, however construction had not yet commenced.

The external consultant indicated that the capacity of the line will be 'borderline' for mining and other infrastructure requirements, and the operation will be 'subject to load curtailment', with a cogeneration requirement envisaged. Additional power will also be sourced from the Makhado Municipality as well as Eskom's 22 kV rural networks for potable water storage and distribution, as well as mine industrial area power requirements.

A further 1.15 MVA on Eskom's Makhado/Vhembe 22 kV network has also been negotiated, however it has been reported that the performance of this network is 'not ideal', and load shedding rules apply. MCM has indicated that future upgrades of power supply will be considered for Makhado, during the life of the operation. This has not yet been reflected in the Makhado financial model received from MCM, titled *46.04.05.01 MKD_ Financial_Model_PostPDS.v23*. It was also reported that the two overhead powerlines that are fed from the 400 kV municipality network have been commissioned with only mechanical works outstanding. The latest feedback from MCM is that power supply to Makhado is planned to be completed by August 2025.

MCM has reported that the Makhado mine and associated infrastructure will require a maximum water supply of 2.6 ML/day. It was stated during SRK's February site visit that the main source of process water will be from the bulk sample pit established in 2011, at approximately 430 kL/day, while the main source of potable water will be a natural spring at Tanga Lodge (an estimated capacity of 172 kL/day), both situated in the West Pit area.

SRK was notified by MCM that various other boreholes are available and will be powered, as part of the implementation plan, to provide sufficient water supply for the operations. It is also noted in the PFS that water balance modelling indicates that the water supply required for the operations will be replaced by water inflows to the mining pits after 18 months of operation, but also further states that access to supplementary water from the Nzhelele Dam may be required as part of future expansion plans.

Foundations have been prepared on site for storage and transfer water tanks for water supply at the East Pit entrance, i.e. process water and potable water supply, each in a 100 m^3 tank. From these two tanks the water will be pumped to three process and one potable water tank, each with a capacity of 2,500 m^3, located at the main entrance of the project area. The tanks are however yet to be implemented, and no pipeline construction has commenced.

Access to site will require construction of a two-lane bridge over the Mutamba River, which is also planned for completion as part of the next phase of construction activities. The bridge will provide all-weather access to site, and will be designed and constructed to a 65 t payload. Various regional roads and intersections will require upgrades to cater for heavy loads, as product coal is transported by road to the allocated siding, or port if required.

Lump sum amounts have been included in general and mining infrastructure establishment over a 3-year period in the Makhado financial model received from MCM (titled *46.04.05.01 MKD_Financial_Model_PostPDS .v23)* to cover project capital for the required infrastructure to establish the infrastructure for commencing the mining operations. However, given that a DCF valuation approach has not been used, SRK has assessed whether the capex requirements are in excess of what is typically observed in the comparable coal transactions selected and has reflected this in its assessed resource multiple.

5.10 Environmental and social aspects

5.10.1 Mining rights and land access rights

Based on information reviewed, the mining right granted for Makhado Colliery is presented in Table 5.4.

Table 5.4: Makhado Colliery mining right

File Ref No.	Surface area (ha)	Date granted	Effective date*	Expired date	Farms Portion
30/05/1/2/2/204 MR	7,651	26/01/2016	Not stated	25/01/2046	Windhoek 847MS; Mutamba 668MS; Tanga 849MS; Daru 848MS; Fripp 645MS; Lukin 643MS; Salaita 188MT

Note: * Date on which the EMPR is approved in terms of Section 39(4) of the MPRDA.

According to the 2023 Project Definition Statement (MCM, 2023)[15], all surface land rights associated with the mining right area have been secured.

At this stage, the status of stakeholder relationships with the landowners and traditional owners is good based on site visit feedback. Although there is no evidence of weak relationships, the raising of unresolved concerns or grievances between parties could result in potential social disruptions and reputational risk to the current operations.

The supplied LOM schedule and associated cashflow model for the Makhado Colliery provides that operations started in June 2024 and will cease April 2051[16]. Upon completion of the operations, SRK expects a minimum of 2 years for closure works and 10 years post-closure monitoring activities (i.e. 2063). SRK notes that the mining right expires in 2046. Although there might be sufficient time for the lodgement and approval of a revised validity period for the mining right to be aligned with the Makhado life of mine plan, there is a risk that the tenement may not be renewed, and would therefore affect the exclusive mineral right over the Makhado site beyond the current validity period. SRK recommends that MCM undertakes a detailed review to identify Makhado's operational risks associated with the potential loss of the mining right.

5.10.2 Environmental approvals

The following environmental approvals are held by Makhado Colliery:

- An EA (Reference No. 12/1/9/2-V3) was granted on 30 August 2013. Subsequent amendments were granted in July 2016 and September 2018 to account for changes in the project description and extension of the validity period for the approval, requiring the project to commence before 5 July 2021. Otherwise, the EA would lapse and a new application for an EA

[15] MCM, 2023. Makhado Project, Project Definition Statement: Colliery Establishment, MKD 20230426PDS, Baobab Mining & Exploration, MC Mining, 26 April 2023

[16] 46.04.05.01 MKD_Financial_Model_PostPDS.v23

must be made. In June 2021, MCM notified the DMRE of the commencement of certain activities approved in the EA (MCM, 2022)[17].

- An IWUL (No. 01/A80D/ABCEGJ/4138) was issued to Baobab on 24 December 2015. According to the 2023 Project Definition Statement (MCM, 2023), the IWUL was appealed and suspended in February 2016. A licence amendment was granted on 16 January 2019 and was valid for 17 years to 15 January 2035. This licence includes the water allocations from the irrigation farmers in addition to the water uses authorised in 2015. The appeal was set to be heard by the tribunal in January 2022 (MCM, 2021a). The hearing has been postponed indefinitely and there is no outcome yet. According to the report, some water uses related to the plant area were omitted from the licence by the regulator and this issue remains to be addressed.
- Waste disposal in terms of the residue stockpile and residue deposits was initially approved under the MPRDA. These associated activities now fall under the *National Water Act* (NWA) as well as the NEMA and are deemed to be approved under NEMA and NWA Section 21 water uses approval.
- Other environmental approvals pertaining to protected tree and plant removal as well as grave relocation were granted. These approvals have a short validity (between 1 month and 12 months) and it is advised that the project revisit the need to apply for these permits if they are required in the future (i.e. if further grave relocations or removal of protected flora species are required).

Based on the information reviewed, the environmental approvals in place for the Makhado Project are based on an outdated project description and mine plan, and need to be aligned with the current project status. It is unclear if the changes of the Makhado Colliery LOM plan have been fully assessed against current environmental approvals conditions and requirements. The mine life extends beyond the validity period of some environmental approvals (such as the water licence) and changes to the LOM plan might potentially change the environmental and social management conditions and objectives. SRK notes that this review does not constitute a legal audit and is based on information provided by MCM at the time of SRK's review. No detailed compliance assessment was undertaken by SRK to confirm whether the conditions of approvals were being met. In the case of nonconformance with the current approvals' conditions, there could be a risk for approvals to be withdrawn and could present a risk to Makhado operations. SRK recommends that MCM undertakes a detailed compliance review to identify Makhado's operational risks associated with the current approvals. Additional budget and time might be required to amend approvals, and to implement updated environmental and social management plans.

5.10.3 Social and Labour Plan

MCM has an approved SLP for 2015 to 2019, which was submitted to the DMRE in 2015 and only approved in May 2019 following approval to amend the 2015–19 SLP in April 2019. A new SLP is in the process of being developed for the 2020 to 2024 period and the associated annual implementation plans and reports must be submitted for 2020 and 2021.

[17] MCM, 2022. Audit report 2022, Financial Liability Report - Makhado Colliery LP 30/5/1/3/2/1 (204) EM, Baobab Mining & Exploration, MC Mining, February 2022

5.10.4 Environmental and social management

MCM has an environmental policy which is used to guide its environmental management activities (MCM, 2021a).

An EMS is not yet in place for the Makhado Project. However, according to the Makhado Project Information Memorandum (MCM, 2019), the intention is to consolidate the existing Vele safety, health and EMS systems and procedures into an integrated Safety, Health and Environment Management System that will be adopted for implementation at the Makhado site. Contractors are required to manage their impacts on the environment in accordance with the Contractor Management Pack (MCM, 2018). The EMS needs to be implemented as construction phase activities have commenced (MCM, 2021b) to ensure that the company records and manages all aspects related to its impacts on the environment.

There are several management plans currently in place for the project, however, these plans will require revision to align with the most up-to-date project description and mine plan.

The only monitoring undertaken at present is dust fallout monitoring (which is not ongoing at this stage).

According to the August 2021 monthly monitoring report (Skyside, 2021), there are currently three sampling locations that are all operational. It is anticipated that the monitoring program will ramp-up with the commencement of construction extending into the operational phase. The following monitoring will be undertaken monthly (Minxcon, 2022; MCM, 2021a):

- surface water
- groundwater
- heritage
- air quality (dust)
- biodiversity
- waste management.

Commitment to monitoring needs to be aligned with the recommendations from both the specialist studies undertaken in support of the EA as well as what has been included in the EMPR. It is recommended that the EMPR is reviewed to ensure that all the management and mitigation measures are still relevant and aligned with the most up-to-date project description.

SRK understands that audits of EAs took place upon commencement of construction and an environmental monitoring and audit report was submitted to the DMRE in March 2023 and received a positive compliance statement.

The latest EMPR performance review was conducted in November 2021 (Elemental Sustainability, 2021c) for activities that have commenced. The colliery received full compliance on the relevant associated EMPR activities assessed. The latest external WUL audit was undertaken in October 2021 (Elemental Sustainability, 2021d). The colliery received full compliance on the relevant associated conditions assessed.

SRK understands that environmental monitoring requirements as specified in the EA and EMPR have commenced with listed activities, and the Company has informed the DMRE of this.

The supplied financial model shows annual sustainability cost provisions throughout the Makhado East Pit project of ZAR386,183,000. This cost is provided to cover stakeholder engagement, marketing and communication, centre of learnings, SLP, and environmental management (assessments, audits and monitoring). SRK recommends this provision be extended to cover the full LOM plan for Makhado Colliery, including operations at Central Pit and West Pit, for a total of ZAR765,157,200 in the case of a DCF valuation method. However, in the case of using comparable market transactions this is considered when choosing an appropriate multiple.

5.10.5 Mine closure provisions

SRK understands that the Makhado Colliery mine closure plan and associated financial provisions are updated annually in accordance with regulatory requirements. The 2024 Makhado Colliery financial liability report (MCM, 2024)[18] states that:

- Closure liability of current activities was calculated at ZAR11,970,733.59 for the period 2023. This closure cost estimation is known as the asset retirement obligation cost. It considers current environmental liabilities and activities at the site and excludes any planned activities.
- The calculated current financial liability related to activities before the mining right was granted was calculated at ZAR11,878,078.16.
- The closure cost for Year 1 of mining conducted as part of the environmental impact assessment was calculated at ZAR72.4 M and was used for the initial financial guarantee for the project. However, the cost estimate does not provide details of the underlying assumptions inherent in the cost estimate.
- The current financial guarantee held for the Makhado Project amounts to ZAR82.1 M.

SRK understands that MCM holds current rehabilitation financial guarantees of ZAR82,340,350 for Makhado as of December 2023[19]. SRK understands that this total rehabilitation financial guarantee is equivalent to the estimated cost for Makhado Colliery's closure liabilities.

The supplied LOM schedule and associated cashflow model for the Makhado Colliery provides that operations are planned to cease in April 2051[20]. Upon completion of the operations, SRK expects a minimum of 2 years for closure works and 10 years post-closure monitoring activities (i.e. 2063).

Current closure provisions totalling ZAR72.4 M stated for Makhado Colliery are conceptual and developed to consider current disturbance/liabilities of the site for financial reporting processes. There is a risk that additional costs may be required once the underlying assumptions have been addressed such as alignment with closure designs and completion criteria, alignment with project development, contamination assessments, ground-truth measurements and inventory, site-based rehabilitation trials, and cashflow scheduling alignment. As such, there is a risk that the Makhado Colliery LOM closure cost estimations are underestimated. This conclusion is based on the information outlined in the 2024 financial liability report and considering current practice in similar mining and processing operations in South Africa.

[18] MCM, 2024, Financial Liability report – Makhado Colliery, Audit report 2023, March 2024
[19] MCM SA Guarantees-202312 (1 1), December 2023
[20] 46.04.05.01 MKD_Financial_Model_PostPDS.v23

SRK understands that no whole-of-mine-life closure cost estimates are available for Makhado Colliery. Good international industry practices would normally require estimation of whole-of project closure costs for the mine, processing plant and associated auxiliaries. SRK recommends that a LOM closure cost estimate be developed according to the updated LOM plan and aligned with the closure objectives and requirements for Makhado Colliery. There is a risk the Makhado Colliery LOM closure cost provision is underestimated.

The supplied financial model has a provision of ZAR336,705,000 for East Pit lifetime rehabilitation works. However, the costing does not provide details of the underlying assumptions inherent in the cost estimate. SRK recommends this provision be extended towards the full LOM plan for Makhado Colliery, including the Central Pit and West Pit operations, for a total of ZAR687,556,406 in the case of a DCF valuation method. However, in the case of using comparable market transactions this is considered when choosing an appropriate multiple.

5.11 Risks and opportunities

No geological risks were identified during the risk assessment conducted as part of the Makhado BFS.

From a mining perspective, major faults of the magnitude displacing the coal seam and offsetting the sub-outcrop are always a risk, and although known, need to be planned for meticulously as various unforeseen impacts can be experienced when mining near these faults. These features constitute a potential risk to the mine design and productivity and should be appropriately mitigated prior to mining and as such should have negligible effect on the valuation.

The reported lower or conceptual confidence level of the geotechnical designs due to lack of information from exploration drilling creates a risk for the project, as these designs would have been and would in future be based on assumptions that are not necessarily aligned with actual conditions experienced when mining occurs.

In SRK's opinion, the key concerns with regards to pit slope stability are related to lack of data in terms of spatial coverage of drilling in the West and Central pit areas and the lack of laboratory strength testing (UCS and direct shear of discontinuities, particularly bedding). The recommended slope designs seem likely to be conservative however, and so SRK does not regard the current lack of data confidence as a major risk. However, it is reiterated that the forward works program recommended in the 2013 FS, should be conducted during the next development phase to confirm the geotechnical design parameters going forward. The geotechnical risk assessments performed for the box-cut indicate that the risks are generally in the moderate to low category.

As stated earlier, there may be an opportunity for a steeper IRA in the unweathered materials within the pits to be accommodated, with substantially lower berm widths. However, this would need to be supported by the results of further studies based on the forward works program of more comprehensive geotechnical data acquisition.

SRK is also of the opinion that full reliance on a contractor to provide the entire primary mining fleet, and ancillary and support equipment could pose a risk if the contractor is not fully funded and prepared with the required equipment when mining commences. This will require careful management well in advance of mining commencement, together with daily management of the contractor's operations to ensure that planned production and productivities are achieved.

The optionality and design for backfilling is a significant opportunity and allows for various efficiencies and cost savings over the life of the mine. Furthermore, the occurrence of multiple mineable seams within the project area provides for favourable open cut mining efficiencies, based on low strip ratios and results in lower cost bases.

Infrastructure and services requirements appear to be understood and relevant provisions have been made in budget forecasts. The timing of implementation of these requirements are however crucial, and especially reliance on external parties for delivery of either infrastructure or services needs to be carefully managed to ensure no extended delays occur when mining operations are to commence or are already underway.

The risk of sufficient and constantly reliable power supply is reported to be of current concern, although cogeneration is proposed to address this as best as practically possible. To the contrary, information indicates that the abundance of groundwater, albeit requiring pumping initially, is a benefit to the project and can be used as an opportunity to reduce cost and delays if managed proactively.

6 Greater Soutpansberg Project

6.1 Overview

The GSP, is contiguous to the Makhado Project, and situated to the north of the Soutpansberg Mountains in the Limpopo Province. It comprises three sub-projects: Mopane, (Jutland and Voorburg), Generaal (Generaal and Mount Stuart) and Chapudi (Chapudi, Wildebeesthoek and Chapudi West) (Figure 6.1).

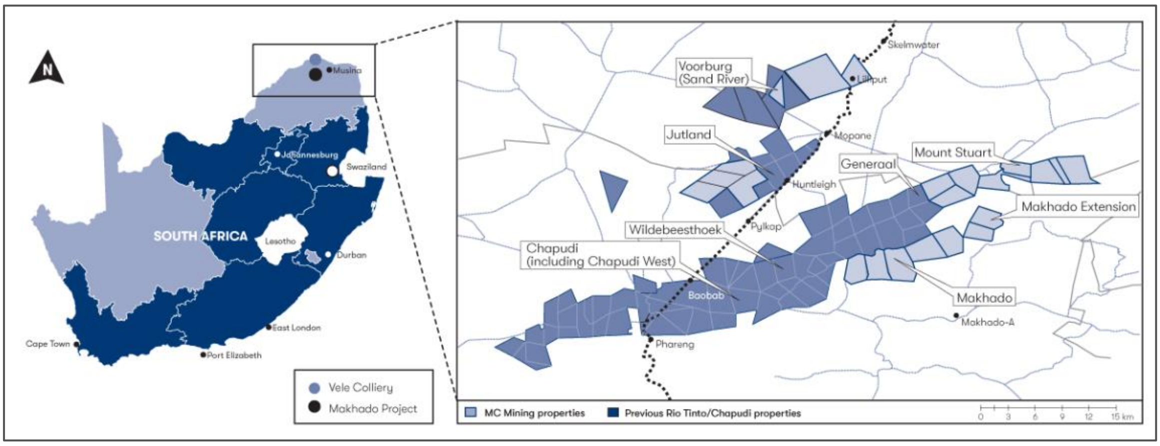
The Mopane Project comprises the Jutland and Voorburg sections. The nearest town is Musina, situated approximately 30 km to the north of the project area. Pretoria lies approximately 380 km to the south.

The project is accessed via a network of unsealed dirt roads that branch from the R525 unsealed dirt road and are connected to the sealed national N1 highway.

A railway line runs along the southeastern boundary of the Jutland section and connects the GSP with the main rail network. Eskom grid powerlines are located parallel to the N1.

The towns of Louis Trichardt and Musina are regional centres and provide modern facilities including accommodation and services to the project. These are owned by MbeuYashu (Pty) Ltd, a company jointly owned by MCM (74%) and its Black Economic Empowerment partner, Rothe Investments (Pty) Ltd (26%) (Figure 6.2).

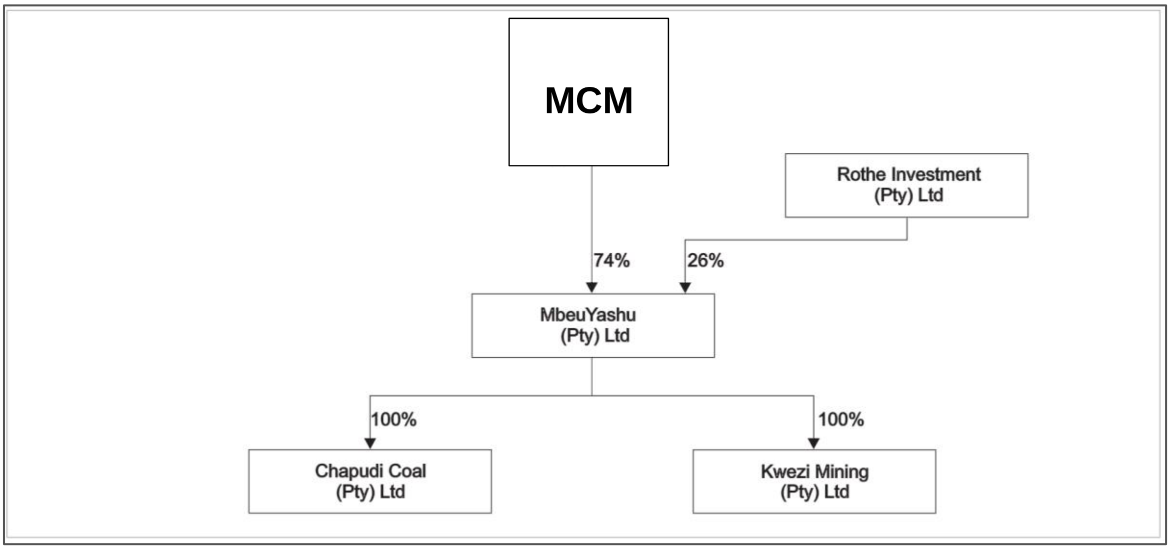
Figure 6.1: Location of Greater Soutpansberg Project



Source: MCM website, accessed 13 May 2022

The Mopane and Generaal mining rights were legally executed in December 2023 and the Chapudi mining right was expected to be executed in Q1 CY2024.

Figure 6.2: Shareholding of Greater Soutpansberg Project



Source: Venmyn Deloitte, CoAL CPR, 2016

6.2 History

No mining has taken place on any areas of the GSP. This section discusses the known exploration in the various sections.

6.2.1 Mopane Project

Voorburg Section

Exploration on Cavan 508 MS was first conducted by Rapburn Exploration (Pty) Ltd in the early 1970s. This consisted of reconnaissance drilling with seven holes drilled, of which six were sampled. None of the analysis results have been used in MCM's geological models or resource estimates. In 1976, Iscor drilled 43 diamond holes on Banff 502 MS and Voorburg 503 MS. These drilling programs were widely spaced for reconnaissance purposes. Iscor recognised the high coking properties of the coals and produced two reports on the mining potential of the properties. CoAL acquired Iscor's Soutpansberg database, covering all the GSP, in 2007.

Rio Tinto drilled one drill hole on each of Banff 502 MS (diamond), Delft 499 MS (reverse circulation – RC), Vera 815 MS (diamond) and Krige 495 MS (RC) as part of its regional exploration program. No data from any of these drill holes have been incorporated into the MCM modelling or resource estimation, as either MCM has its own drill hole data or the holes are outside MCM's immediate area of interest.

In 2006, CoAL drilled 15 diamond drill holes on the farm, Voorberg 503 MS. Five large diameter drill holes were sunk at each of three sites.

Downhole geophysical surveys have been conducted on all the drill holes, using a tool suite suitable for dual density, natural gamma and calliper measurements. These measurements were used to identify, correlate and sample the coal.

A photographic/LiDAR survey was conducted in 2008 to produce orthophotographs and ground elevation data.

Historical mining took place on the farm Cavan 508 MS between 1911 and 1918 to supply the smelter at Messina Copper Mine. The mine was located a few hundred metres west of the Liliput rail siding, into the side of a small hill. Reportedly, 14,488 t was mined, but the quality is unknown.

New order prospecting rights to the Voorburg Section were acquired by CoAL in 2006.

Jutland Section

Trans Natal Coal Mining Corporation undertook the earliest exploration between 1968 and 1975 for reconnaissance purposes – 53 holes were drilled, although no information about them exists.

Between 1975 and 1982, Iscor performed extensive exploration, totalling 106 drill holes and including bulk sampling on the farms Jutland 536 MS, Stubbs 558 MS, Mons 557 MS and Cohen 591 MS. However, the location of the drill holes and the bulk samples could not be ascertained by MCM. A pre-feasibility study (PFS) was conducted by Iscor in 1982 for these farms, concluding that about 50 Mt of coal could be mined from underground. No further work appears to have been done.

During 2006 and 2007, Rio Tinto drilled three reconnaissance vertical holes on the farms Hermanus 553 MS, Verdun 535 MS and Ursa Minor 551 MS. Downhole geophysics were conducted on the drill holes; no remote sensing was undertaken.

CoAL drilled five PQ3 drill holes in 2012 for confirmatory purposes, as well as 10 RC holes to assist with the structural interpretation – these holes have not been incorporated into the geological model. No remote sensing or geophysical exploration has taken place.

6.2.2 Generaal Project

Mount Stuart Section

Iscor drilled 417 holes between 1975 and 1978, plus a number of deflections and possibly some large diameter holes. Uncertainty regarding the drilling and sampling protocols used exists, as they are unknown, nor whether the drill hole collars were professionally surveyed. Analysis was conducted by Iscor's in-house laboratory and was usually undertaken on a float fraction of RD1.40; analyses comprised proximate analysis, CV, Roga and Swell Index.

Rio Tinto conducted some limited exploration and CoAL acquired data for nine holes, seven of which were diamond drill holes (on the farms Nakab 184 MT, Schuitdrift 179 MT, Mount Stuart 153 MT and Ter Blanche 155 MT) and a further two on Nakab 184 MT were percussion holes.

CoAL started drilling in 2009 on the farm Riet 182 MT; nine holes have been drilled to date. Ground magnetic geophysical data for the farm Nakab 184 MT and aeromagnetic data for the farm Schuitdrift 179 MT were acquired from Rio Tinto.

Downhole geophysics was conducted on all Rio Tinto and CoAL drill holes to identify, correlate and sample the coal horizons. Sondes deployed included those for dual density, natural gamma and calliper measurements.

Generaal Section

Most of the exploration has been conducted by Iscor; between 1975 and 1978, 64 holes were drilled. Downhole logging data and partial coal quality data for 13 of these holes were acquired by CoAL in 2007.

Rio Tinto drilled a total of 11 holes on the farms Generaal 587 MS, Fanie 578 MS and Van Deventer 641 MS.

CoAL drilled 26 holes – consisting of diamond and RC holes, as well as 4 water boreholes – in 2013 that were used to update the geological model. However, there are no quality data for these drill holes and the historical quality data are not considered reliable – therefore no Coal Resources have been declared for this section. No downhole geophysical logging or remote sensing has been conducted.

6.2.3 Chapudi Project

Little information seems to exist regarding historical exploration at Chapudi. CoAL obtained a historical database from the then Council for Geological Sciences in 2013 – this included 162 holes drilled by Iscor.

Chapudi Section

Rio Tinto conducted extensive exploration, including drilling and various forms of remote sensing. Rio Tinto was targeting thermal power station coal, with or without an export coking coal fraction. As MCM is targeting coking coal, the information from all this previous work will be reassessed and future exploration planned accordingly.

Rio Tinto started drilling in 2003 on the farm Chapudi 752 MS, drilling 125 holes along strike and focusing on areas near the sub-crop and for short distances down-dip. The holes consisted of both diamond core holes and open holes. Three deep holes were drilled to verify the down-dip continuity.

Aeromagnetic and radiometric geophysical surveys were flown in 2005 and used to identify intrusions and lineaments over the central area of the section. Three resistivity and four vertical electrical traverses were performed in 2006 and two north–south seismic traverses were conducted in 2007. These results were used to determine the depth of weathering. Aerial photograph interpretation resulted in data for a digital terrain model.

Downhole geophysical logging was conducted on most of the Rio Tinto drill holes. This included three-arm calliper, density, natural gamma, full-wave sonic, resistivity, neutron-neutron, magnetic susceptibility and an acoustic televiewer.

CoAL acquired Rio Tinto’s full drill hole database in 2011, as well as detailed data reports and the complete geological model. MCM has not yet drilled any confirmatory holes, although three RC holes were drilled in 2012 for structural purposes and to update the physical geological model.

Chapudi West Section

Trans Natal Coal Mining Corporation drilled holes and Iscor a further 11 drill holes during 1973 and 1974. Although the data from these holes have been used in the geological model, no resources have been declared.

Rio Tinto conducted some reconnaissance drilling between 2003 and 2005. This involved three drill holes on the farms Grootvlei 684 MS and Grootboomen 476 MS. Only petrographic analysis was conducted on these holes.

Wildebeesthoek Section

Iscor drilled 94 holes between 1975 and 1978. Although CoAL acquired these data, quality data only exist for two of the drill holes.

Rio Tinto drilled four holes on the farms Wildebeesthoek 661 MS and Mapani Ridge 660 MS, sampling Seam 6 on a ply-by-ply basis.

CoAL drilled 20 holes (10 diamond core and 10 RC) in 2013 to assist with the structural interpretation; none of the holes were sampled and the results were only used to update the geological model to estimate resources.

6.3 Local geology

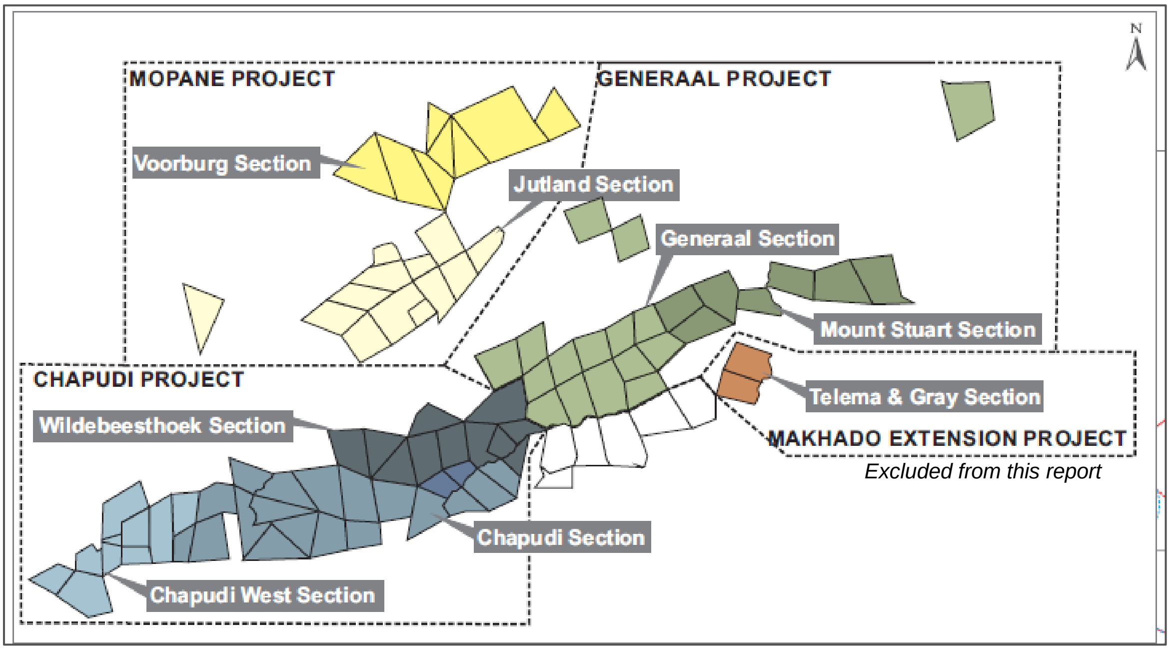
The GSP consists of three separate sub-projects:

- the Mopane Project, comprising the Voorburg and Jutland sections
- the Generaal Project, comprising the Mount Stuart and Generaal sections
- the Chapudi Project, comprising the Chapudi, Chapudi West and Wildebeesthoek sections.

Figure 6.3 depicts the location of these projects with respect to one another.

The Soutpansberg Coalfield has been subdivided by faulting into a number of separate basins, also referred to in the literature as coalfields. The GSP falls within these separate basins and is divided into three projects (Figure 6.3). Figure 5.2 illustrates the general dip of the strata across these basins of the western part of the Soutpansberg Coalfield.

Figure 6.3: Projects comprising the Greater Soutpansberg Project



Source: modified after Venmyn Deloitte (2016) – *not to scale*

6.3.1 Mopane Project

The Mopane Project has been subdivided into the Voorburg and Jutland sections; Coal Resources have only been declared by MCM for the Voorburg Section. The coal has the potential to produce a semi-hard coking coal.

Voorburg Section

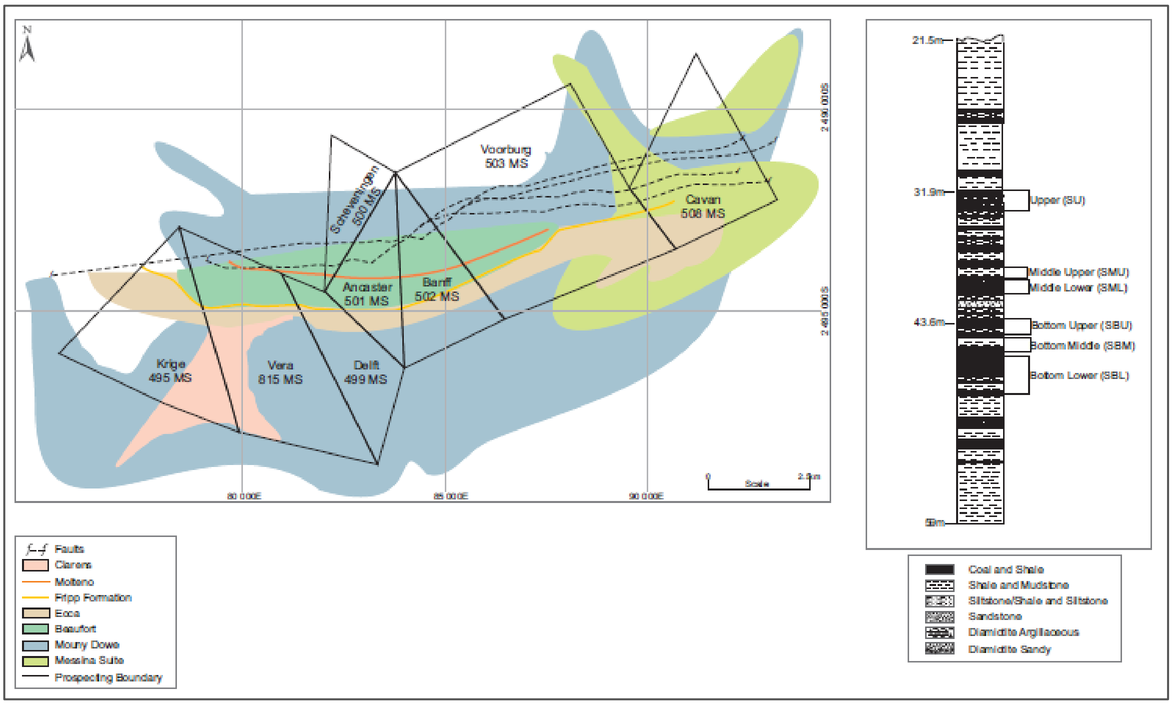
The Voorburg Section is the most advanced exploration part of the Mopane Project and located in the Sand River Basin, an isolated, upfaulted block of Karoo sediments, about 10 km north of the main part of the Soutpansberg Coalfield (Figure 6.1 and Figure 6.3). It is a half graben with an unconformable southern contact due to the upsloping edge of the depositional palaeobasin. It is fault-bounded to the north by a southwest to east-northeast striking normal fault. This fault is 25 km long with an upthrow of approximately 1,000 m to the south. Semi-parallel smaller faults form offshoots to the main fault, with throws between 5 m and 10 m. Figure 6.4 depicts the surface geology of the area and the typical stratigraphy encountered in this basin. Minor faulting and dolerite intrusions have been identified in historical drill holes and by mapping; only one 0.4 m thick dolerite sill has been intersected in recent drilling.

The coal seams are thickest in the north, thinning southwards; dips are in the order of 5° north (Figure 5.2). The sediments of the Lower Ecca Group are absent and the coal is found in the sediments of the Mikambeni Formation as alternating coal bands and mudstone laminae. Six potentially economic seams have been identified – the Upper, Middle Upper, Middle Lower, Bottom Upper, Bottom Middle and Bottom Lower seams. The coal measures are overlain by the red shales and mudstones of the Beaufort Group, followed by the coarse sandstones of the Fripp Formation (Figure 6.4).

Coal was previously mined at Liliput, in the east on the farm Cavan 508 MS, on the main rail line from South Africa to Zimbabwe.

A LiDAR survey conducted in 2008 produced ground elevation data and orthophotos. CoAL (now MCM) conducted a drilling program of mainly 83 mm core size vertical drill holes. Triple tube diamond drilling was used to confirm the drill hole results from historical Iscor drilling and to increase the drill hole density such that resources could be declared. Large diameter drill holes with a 122.8 mm core size were sunk for bulk sampling purposes. All drill holes were geophysically logged to identify, correlate and sample the coal horizons. Standard coal analyses were undertaken (proximate analysis, CV and washability from RD1.35–1.70 in 0.05 g/cm^3 intervals and from RD1.70–2.00 in 0.10 g/cm^3 intervals). The Free Swell Index was also determined to indicate the coking potential.

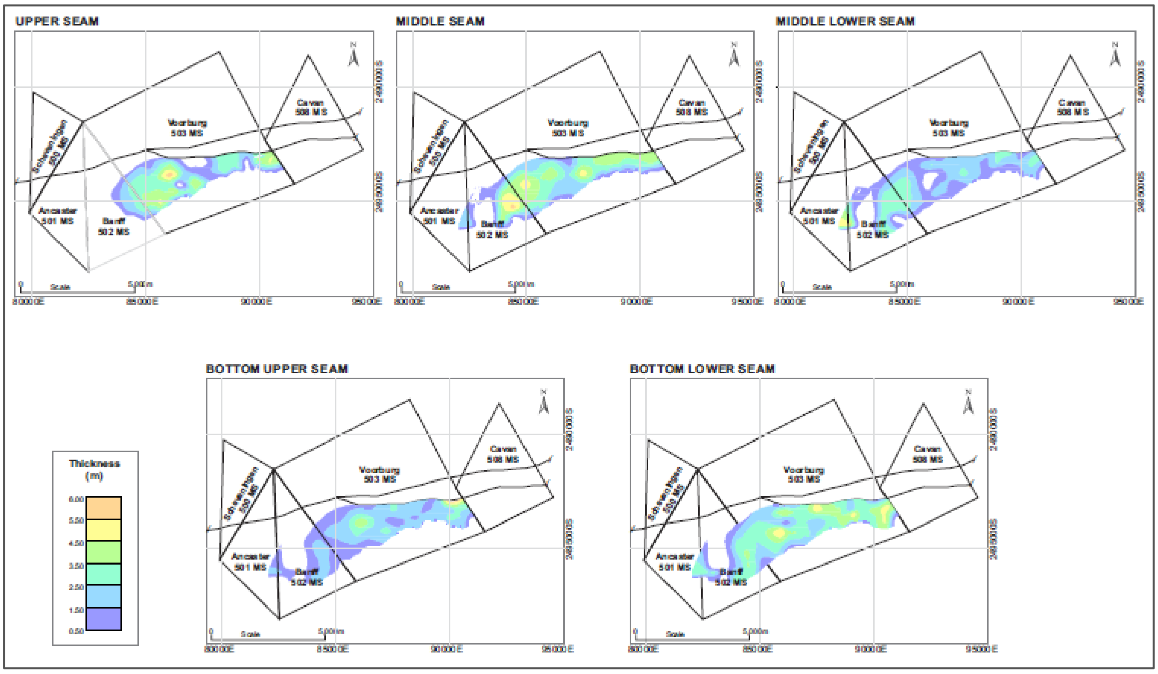
Figure 6.4: Voorburg Section – surface geology and typical stratigraphy



Source: Venmyn Deloitte (2017)

The seams vary in thickness from 0.5 m to a maximum of 6.0 m (Upper and Middle Upper seams); the Middle Lower and Bottom Upper seams are thinner than the other seams (Figure 6.5).

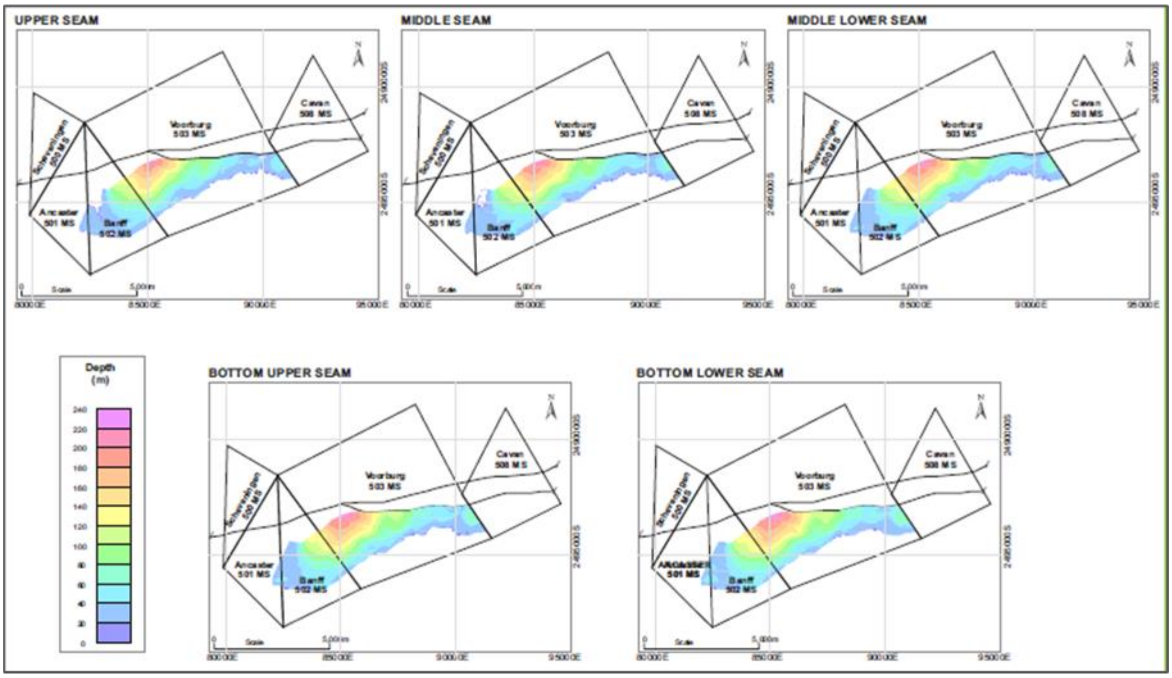
Figure 6.5: Voorburg Section – seam thicknesses in metres



Source: Venmyn Deloitte (2017)

The seam depths vary from <20 m in the west to a maximum of 240 m (Bottom Seam) in the north (Figure 6.6). The coal is mainly shallow (i.e. at depths able to be extracted using open cast methods) from the sub-crop in the south, but specific seams will need to be mined via underground methods to the north. The majority of the project area has stripping ratios less than 4 bcm/t of coal.

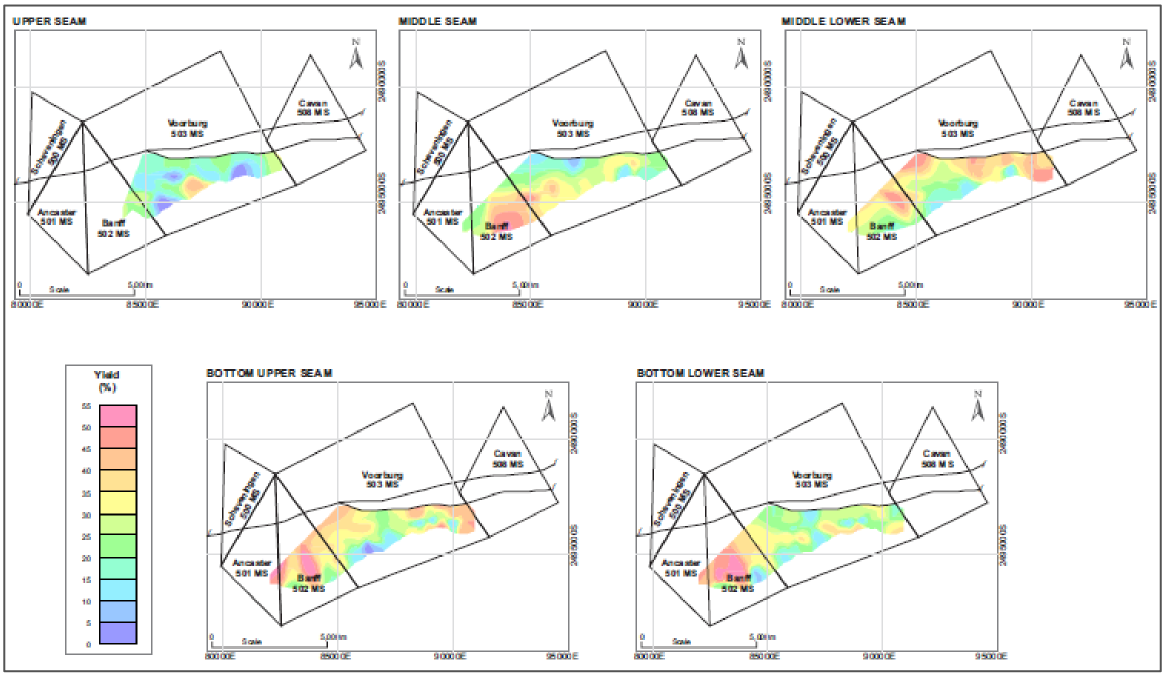
Figure 6.6: Voorburg Section – seam depths in metres



Source: Venmyn Deloitte (2017)

Washed coal is forecast to produce a theoretical product at RD1.40 with an ash content between 8% and 12%, depending on the seam; VM varies between 10% and 38%, and increases to the south for the Upper, Upper Middle and Middle Lower seams, while increasing to the southeast for the Bottom Upper and Bottom Lower seams. The Free Swelling Index ranges from 5.0 to 7.0 and theoretical yields up to 55%, depending on the seam; lower yields are found in seams with a greater amount of intercalated mudstone – the lowest yields occur in the Upper Seam and the highest average yield on the farm Banff 502 MS (Figure 6.7).

Figure 6.7: Voorburg Section – theoretical product yield at RD 1.40



Source: Venmyn Deloitte (2017)

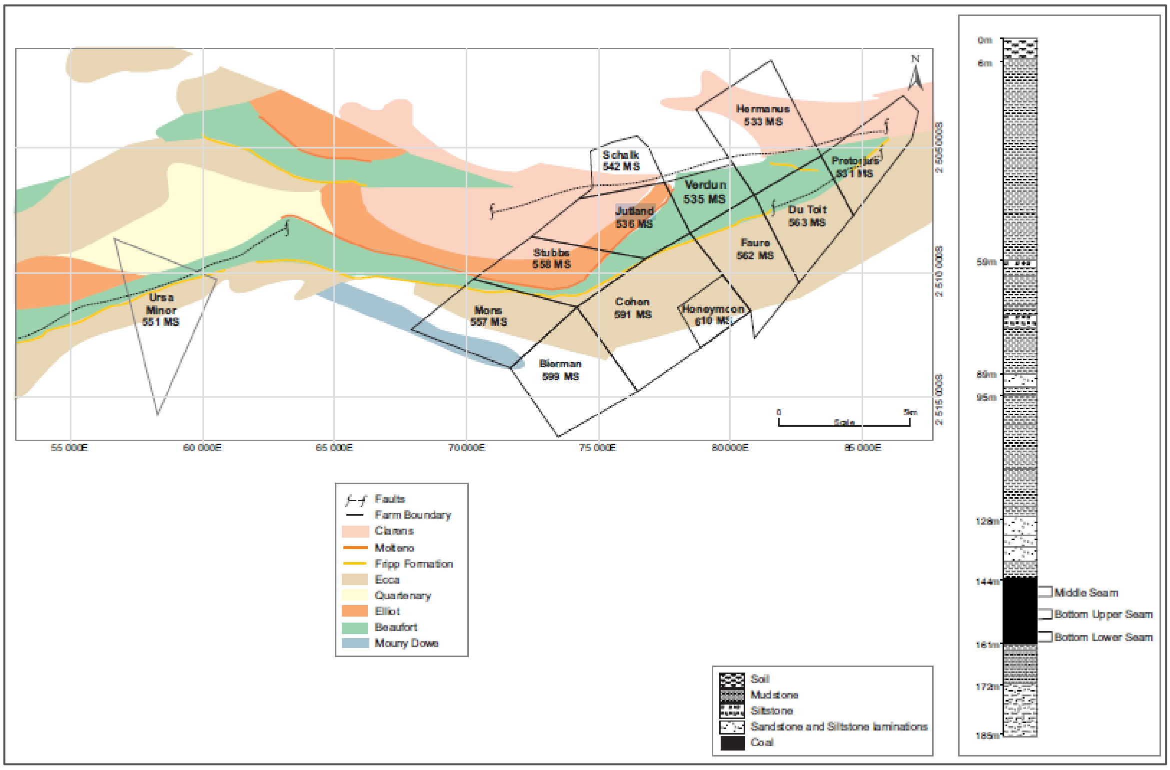
Jutland Section

No Coal Resources have been declared for the Jutland Section, although the presence of coal is known.

The Jutland Section is located in the Mopane Basin of the Soutpansberg Coalfield and is classed as an early-stage exploration project – it is the least developed section of the Mopane Project.

The coal is preserved in a half-graben, with an unconformable southern contact; the lower Karoo sediments are not developed but the coal-bearing Mikambeni Formation is present (Figure 6.8). The seams dip northwards at approximately 10–12° (Figure 5.2). The coal-bearing sediments are found as alternating coal bands and mudstone laminae with the coal horizons divided into five economic horizons, named the Upper, Middle Upper, Middle Lower, Bottom Upper and Bottom Lower seams. The Mikambeni Formation is overlain by the red shales and mudstones of the Beaufort Group, followed by the coarse sandstone of the Fripp Formation.

Figure 6.8: Jutland Section – surface geology and typical stratigraphy



Source: Venmyn Deloitte (2017)

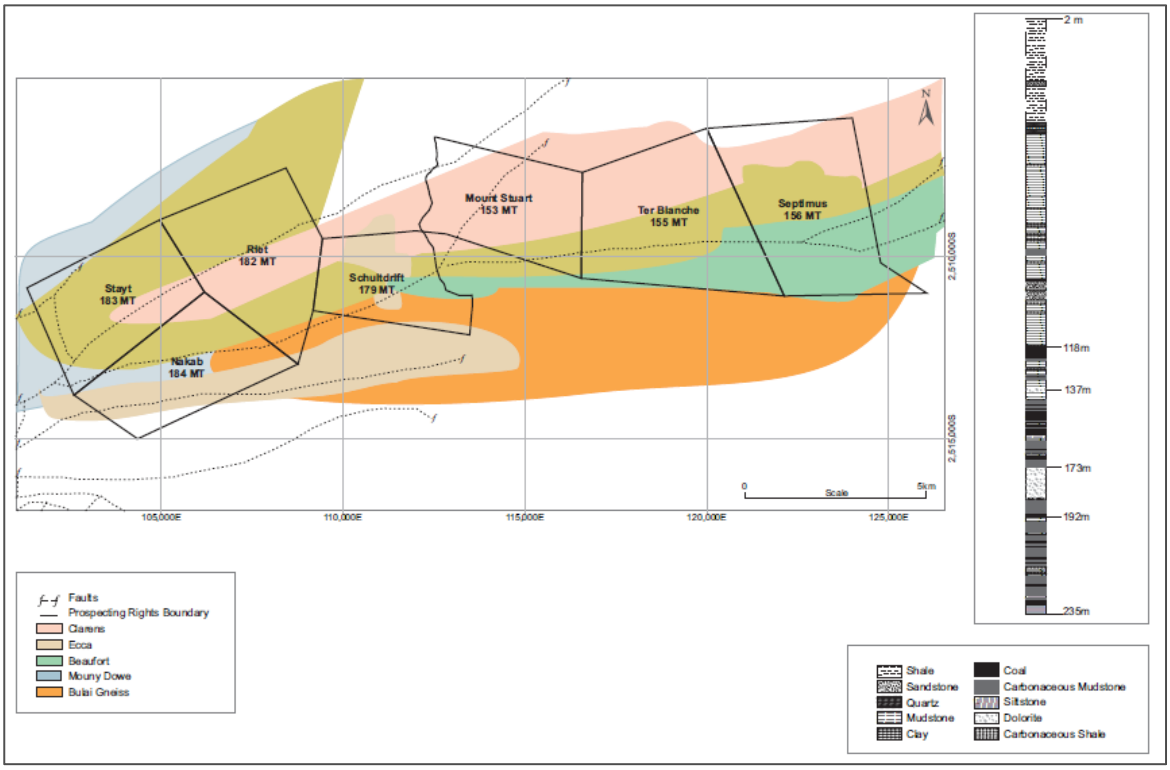
6.3.2 Generaal Project

The Generaal Project is subdivided into the Mount Stuart and Generaal sections; Coal Resources have only been declared for the Mount Stuart Section (Inferred Coal Resources). Both sections are located in the Tshipise North Basin, northeast of the Makhado Project (Figure 6.3).

Mount Stuart Section

The Mount Stuart Section is the more advanced of these two exploration sections. The Tshipise North Basin is an isolated, upfaulted block of Karoo strata (Figure 6.9). The lowermost strata comprise 10 m of conglomerate-diamictite belonging to the Tshidzi Formation and these are followed by 190 m of alternating black shales, sandstones, siltstones and interbedded coal seams of the Madzaringwe Formation. Overlying this formation is the 140 m thick Mikambeni Formation (consisting of mudstone and shale and lesser amounts of sandstone) with the 60 m-thick Fripp Formation of coarse-grained sandstones forming east–west trending ranges of low hills. The Fripp Formation is overlain by Solitude Formation (110 m of shale with minor sandstone and grit), the Klopperfontein Formation (similar to the Fripp Formation) and finally, the Bosbokpoort Formation (300 m of fine sandstone and mudstone, Figure 6.9).

Figure 6.9: Mount Stuart Section – surface geology and typical stratigraphy

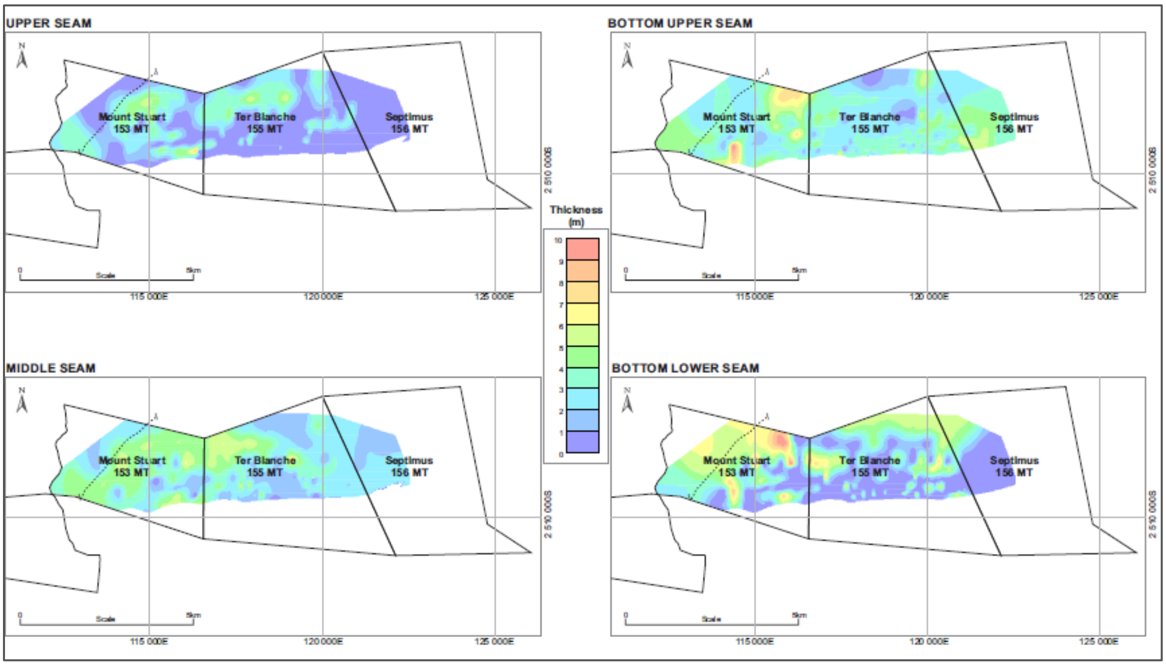


Source: Venmyn Deloitte (2017)

Four seams of commercial interest have been identified, namely, the Upper, Middle Upper, Bottom Upper and Lower seams. The seam thicknesses range from <0.5 m to over 9.0 m and the Upper Seam is usually the thinnest (Figure 6.10).

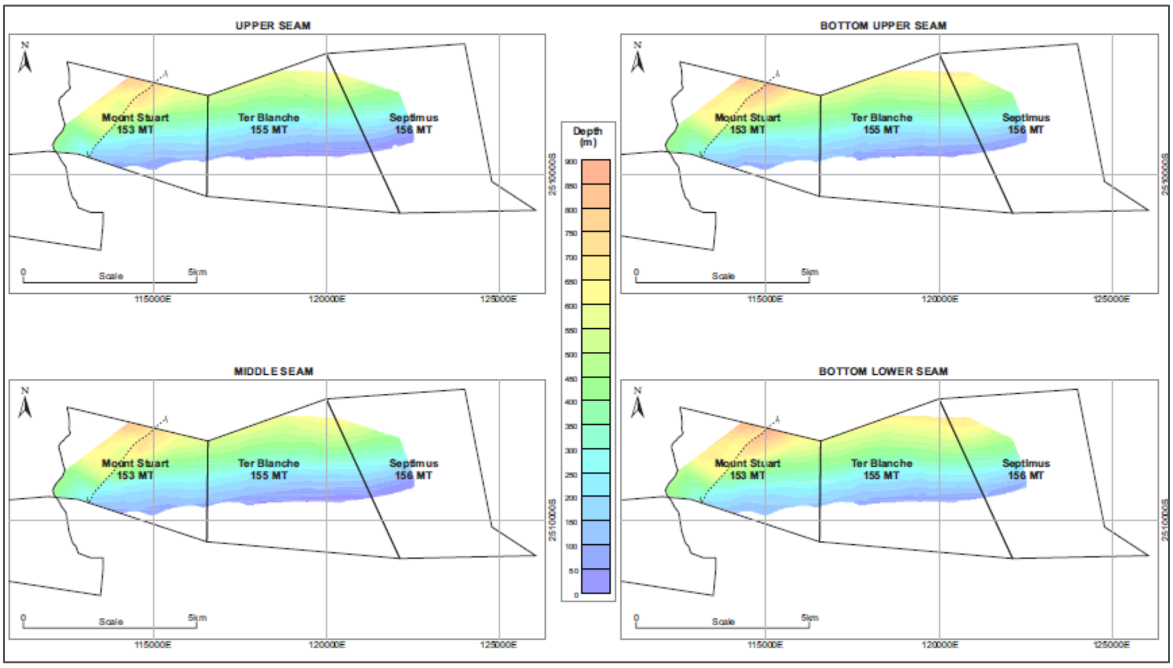
The coal seams dip to the north and the shallowest part of the basin is in the south (Figure 6.11). Depths vary from less than 50 m in the south to a maximum of almost 900 m for the Bottom Lower Seam in the north. A large northeast–southwest striking fault has been identified in the west of the farm Mount Stuart 153 MT, which continues west across the farms Schuitdrift 179 MT and Nakab 184 MT and beyond. The coal would need to be extracted from surface in the south and then specific seams could be extracted from underground as mining progresses northwards.

Figure 6.10: Mount Stuart Section – seam thickness in metres



Source: Venmyn Deloitte (2017)

Figure 6.11: Mount Stuart Section – seam depths in metres



Source: Venmyn Deloitte (2017)

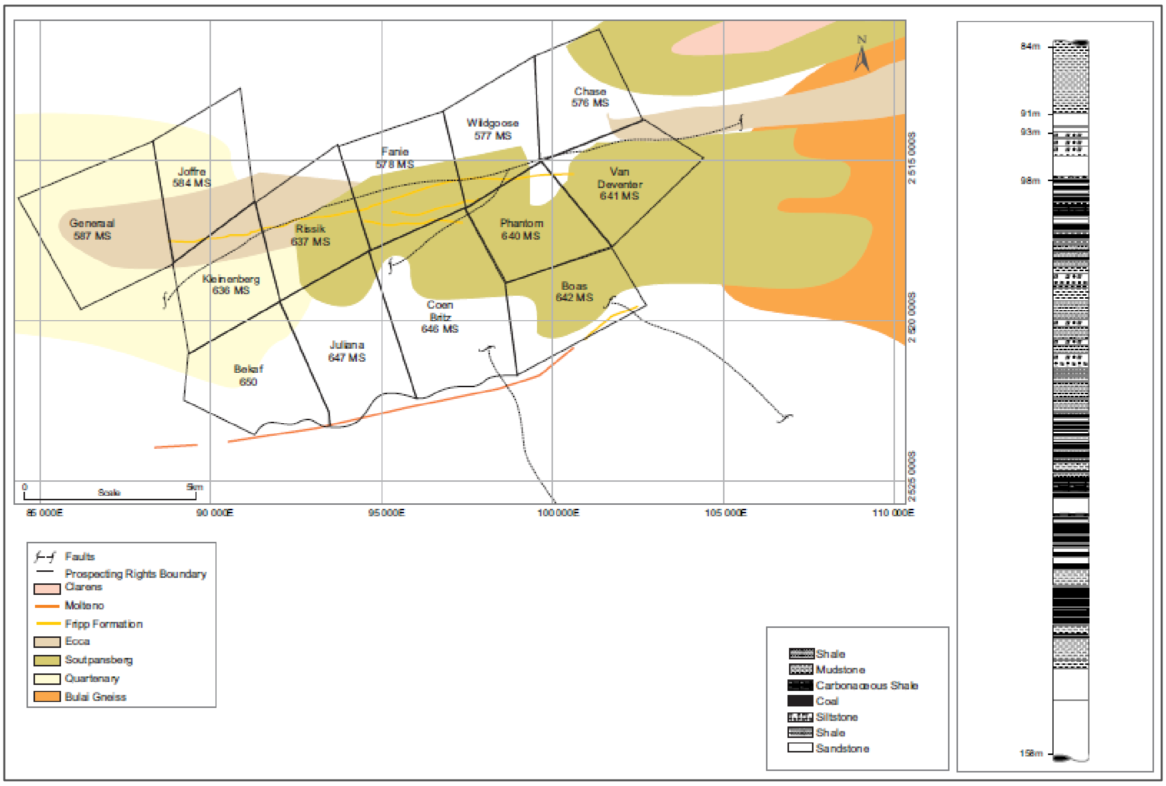
The section is interpreted to have the potential to produce a hard coking coal. The theoretical product at RD 1.40 equates to approximately a 12% ash product, although the ash varies between 5% and 20% depending on the seam; the VM is in the order of 10–30% and theoretical yields as high as 50%, depending on the seam. The lowest average yields are obtained from the Upper and Bottom Lower seams.

Generaal Section

The Generaal Section is located immediately north of the Makhado Project. It is classed as an early-stage exploration project; although the presence of coal is known, no Coal Resources have been declared.

The section is located within the northern part of the Waterpoort Basin of the Soutpansberg Coalfield. It is a 20 km long east–west striking upfaulted block with the coal found in the northern part of the project area in the Mikambeni Formation. Here the formation consists of a 20–30 m-thick package of banded coal-bearing sediments with large proportions of non-coal material. Three horizons with relatively lesser proportions of non-coal material have been identified, with average thicknesses between 2.9 m and 3.0 m (Figure 6.12). Dips are in the order of 4–5° (Figure 5.2) but are steeper in the central part of the project area.

Figure 6.12: Generaal Section – surface geology and typical stratigraphy



Source: Venmyn Deloitte (2017)

6.3.3 Chapudi Project

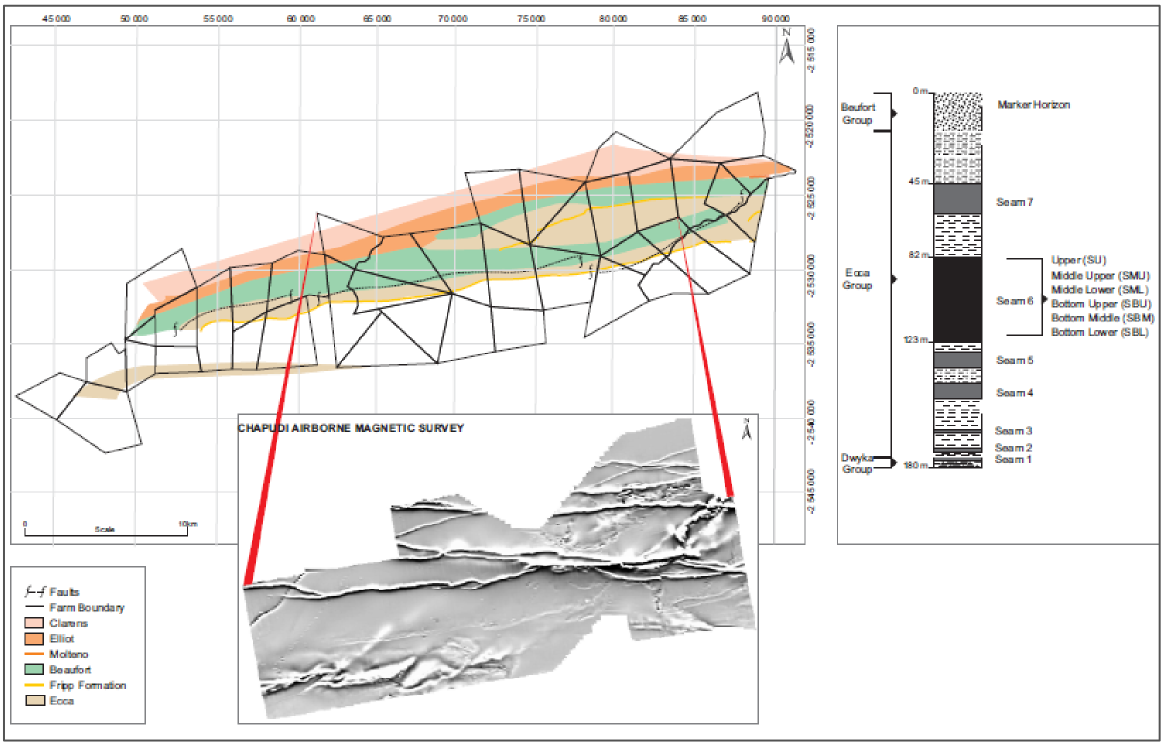
The Chapudi Project lies west of the Makhado Project (Figure 6.3) in an extension of the Tshipise Basin of the Soutpansberg Coalfield, named the Waterpoort Basin. In terms of area, the Chapudi Project is the largest of the GSP, covering 21 farms. It has been subdivided into three sections, all of which offer the potential to produce a primary coking coal product and a middlings thermal coal product.

Chapudi Section (the central section)

The Chapudi Section is the central section in the project and is the most advanced of the three, hosting Inferred Coal Resources (Table 6.1).

Early exploration by Rio Tinto led to the identification of seven coal zones – three in Lower Ecca and four in Upper Ecca, named, from the base upwards, Seam 1 through to Seam 7 (Figure 6.13). The zones consisted of finely interbanded carbonaceous mudstones and coal and are overlain by the Fripp Formation, which attains a maximum thickness of 40 m. The strata dip northwards at approximately 12° (Figure 5.2).

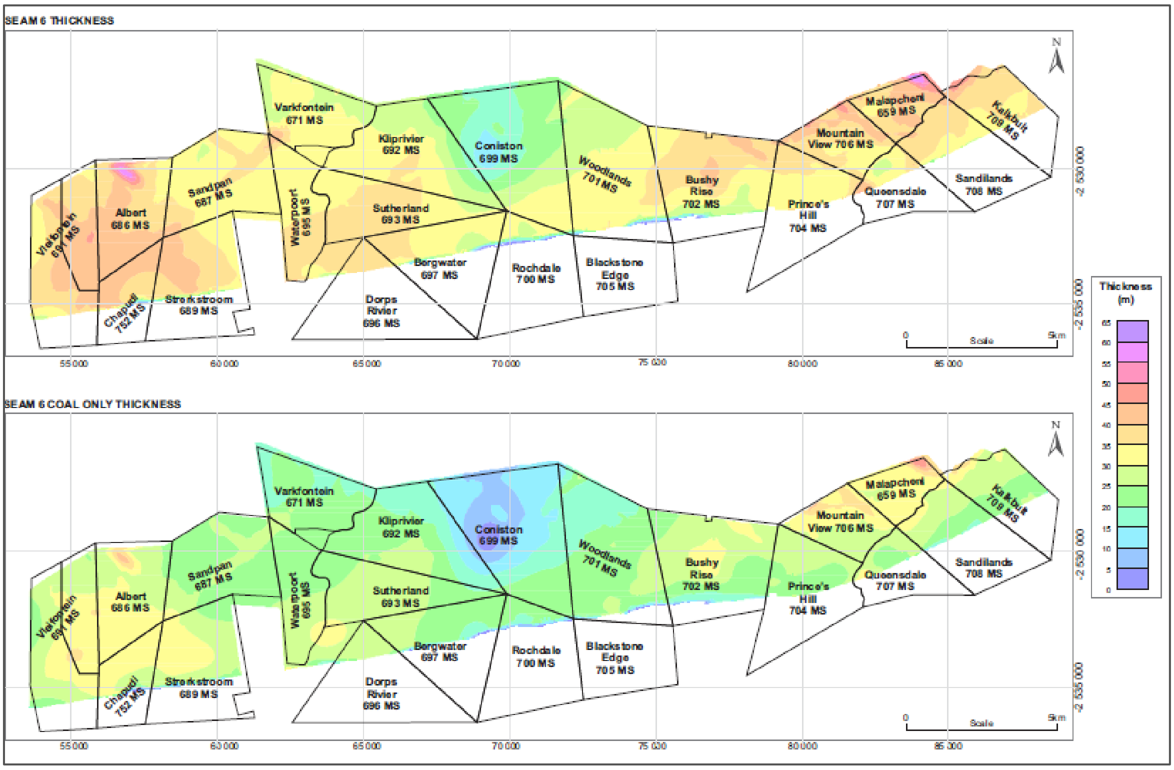
Figure 6.13: Chapudi Section – surface geology and typical stratigraphy



Source: Venmyn Deloitte (2017)

The best developed zone is Seam 6, with total seam thickness ranging between 5 m and 40 m; the coal-only thickness generally averages 25 m (Figure 6.14). Seam floor depths range from surface to at least 800 m below surface (Figure 6.15). The coal is frequently bright with a high vitrinite content. MCM has divided Seam 6 into six mining horizons: Upper Seam, Middle Upper Seam, Middle Lower Seam, Bottom Upper Seam, Bottom Middle Seam and Bottom Lower Seam. The Bottom Lower Seam consists mainly of mudstone and has been excluded from the resource estimates. The seam is amenable to open cast extraction with average strip ratios estimated around 2 bcm/t coal, which increase to the north.

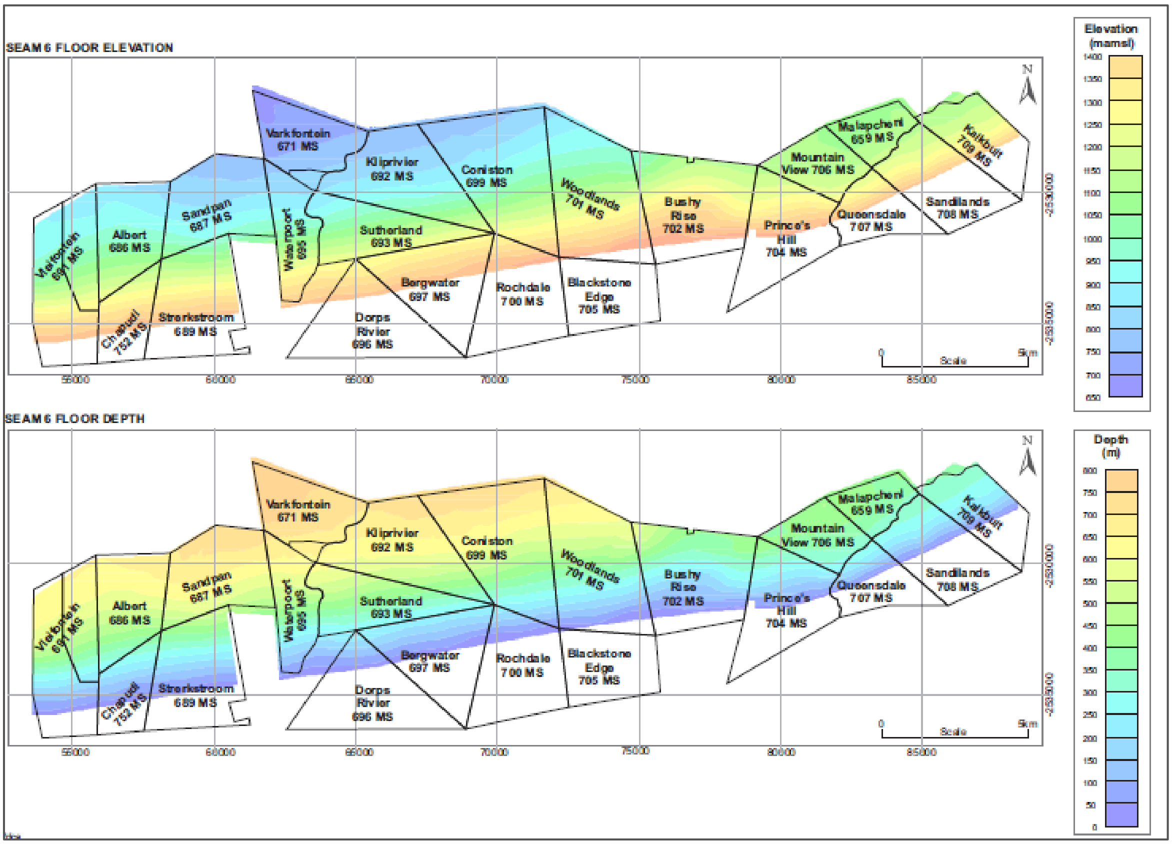
Figure 6.14: Chapudi Section – Seam 6



Source: Venmyn Deloitte (2017)

Notes: Top – total thickness in metres; Bottom – coal only thickness in metres.

Figure 6.15: Chapudi Section – Seam 6



Source: Venmyn Deloitte (2017)

Notes: Top – floor elevation (m AMSL); Bottom – floor depth in metres.

Seam 7 is also well-developed (12–15 m thick) but has high ash content and low yields. Only Seam 6 is deemed by MCM to have economic potential and exclusively makes up the declared resources.

The resource area is constrained by major faulting; the frequency of smaller-scale faulting in the area is not well understood. Dolerite intrusions mainly strike east–west and were identified through an aeromagnetic geophysical survey (Figure 6.13). In the west and central parts of the Chapudi Section, the intrusions are limited to a single 0.5–1 m thick dyke, but are more common in the eastern part, where they can reach thicknesses of up to 80 m. However, these intrusions do not impact Seam 6 above depths of 150 m and are unlikely to have a significant impact on open cast mining.

The potential to produce a 10% ash coking product is believed by MCM to be good, with this potential increasing with increasing coal seam depth, although this is based on limited testwork. The coal is 90% vitrinite with qualities on a dry, mineral matter free basis being 35.5 MJ/kg average CV, volatile matter between 37% and 44%, and highly variable ash.

Chapudi West Section

The Chapudi West Section is an early-stage exploration project, similar to the Chapudi Section in terms of the stratigraphy and seams intersected. The area is believed to have the potential to produce coking coal and a middlings thermal product.

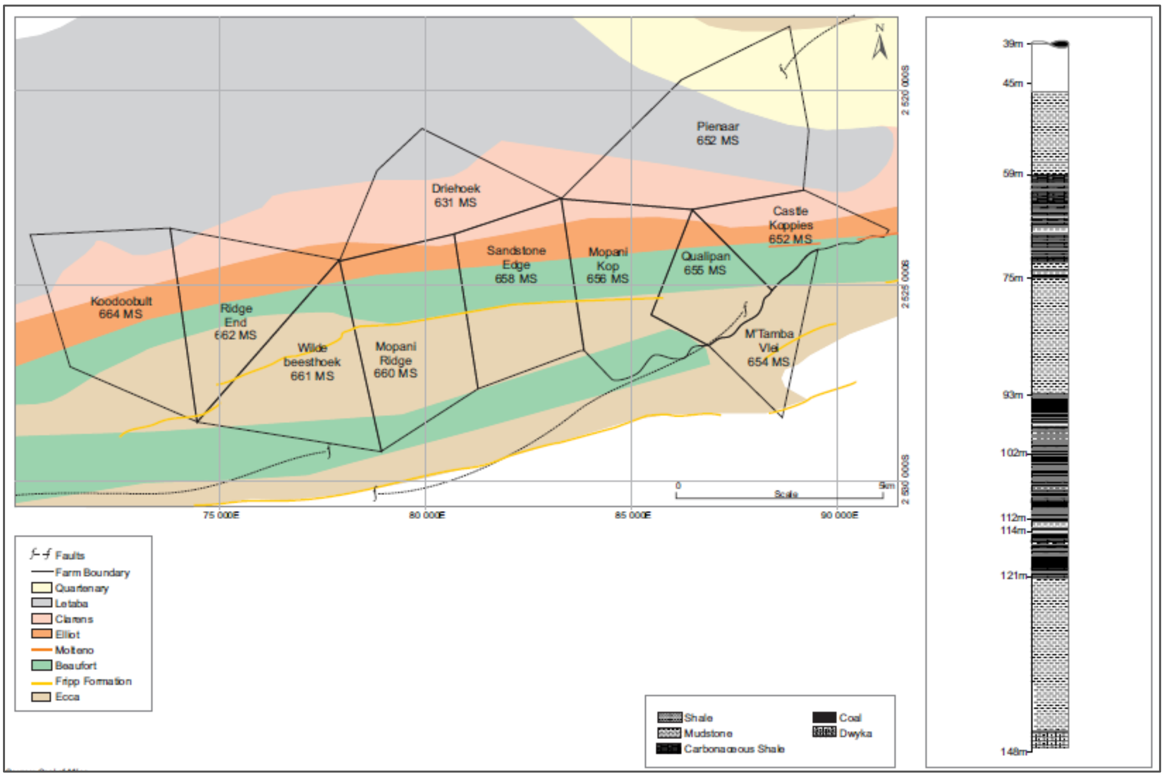
No Coal Resources have been declared to date.

Wildebeesthoek Section

The Wildebeesthoek Section, immediately north of the eastern extremity of the Chapudi Section (Figure 6.3) and northwest of the Makhado Project, is the least developed of the Chapudi Project sections. It is an isolated, upfaulted block of Karoo strata, and has been interpreted to represent an upfaulted extension of the coal seams from down-dip of the main Chapudi Section (Figure 6.16).

Although the presence of coal over the area is known, no Coal Resources have been declared.

Figure 6.16: Wildebeesthoek Section – surface geology and typical stratigraphy



Source: Venmyn Deloitte (2017)

6.4 Exploration potential

Much of the GSP remains to be explored in greater detail, particularly those areas where Coal Resources remain to be declared – that is, the Jutland Section (Mopane project), the Generaal Section of the Generaal Project, and the Chapudi West and Wildebeestfontein sections of the Chapudi Project. The Coal Resources of the Mount Stuart Section (Generaal Project) and the Chapudi Section of the Chapudi Project will require additional exploration, particularly drilling, to increase the confidence and upgrade the Coal Resource classification from the Inferred category.

6.5 Coal Resources

6.5.1 Coal Resources

The critical variable considered for both the primary coking coal product and the secondary thermal product is ash (<10% and <25.9%, respectively). In addition, the following cut-off values were imposed:

- prospecting rights' boundaries
- sub-crop in the south
- minimum VM content of 18% for MTIS
- minimum seam thickness of 0.5 m for GTIS
- a mining layout loss of 2% for MTIS.

The Coal Resource estimates were also discounted by the Company for unknown geological structures, based on the confidence in the Coal Resource classification; all Coal Resources have been classified as Inferred.

The Coal Resources were estimated from a geological model, constructed by Mr John Sparrow using Minex™ software.

SRK has reviewed the geological model and is satisfied that the data are represented sufficiently accurately in the grids, that the modelling principles employed and the estimation methods used are fit-for-purpose and that the geological model and the Coal Resource estimates can be relied upon.

All Coal Resources and coal qualities have been estimated on an air-dry basis and are inclusive of the Coal Reserves. Note that the in situ Coal Resource estimates include significant amounts of intercalated non-coal material that will be removed during beneficiation.

The Coal Resources as reported in the MCM annual report (MCM, 2023) are shown in Table 6.1. Note that Coal Resources have only been declared for the Voorburg Section of the Mopane Project, for the Mount Stuart Section of the Generaal Project and for the Chapudi Section of the Chapudi Project.

Table 6.1: Greater Soutpansberg Coal Resource estimate (30 June 2024)

Project	Resource Category	GTIS (Mt)	MTIS (Mt)	MCM attributable interest (%)	MCM attributable Resource (Mt)
Mopane (Voorburg Section only)	Measured	109.435	94.916	97	92.012
	Indicated	125.034	100.507	96	96.444
	Measured and Indicated	*234.469*	195.423		188.456
	Inferred	36.239	24.001	88	21.130
	Total	**270.708**	219.424		209.586
Generaal (Mount Stuart Section only)	Inferred	407.163	55.511	100	55.511
Chapudi (Chapudi Section only)	Inferred	6,399.023	1,318.481	74	975.676
All	**Total**	**7,016.894**	**1,593.416**	**±65**	**1,031.187**

Source: MC Mining Limited Annual Report 2023

6.6 Environmental and social aspects

6.6.1 Mining rights and land access rights

According to the MCM website[21], the Chapudi, Mopane and Generaal project areas comprise MCM's longer term Greater Soutpansberg Project. SRK understands from documents reviewed that the mining rights granted for the GSP projects are as presented in Table 6.2.

According to the 2016 Deloitte Independent Competent Person Report (Deloitte, 2016), '*CoAL has agreements with the various surface rights owners to access properties for exploration purposes and access is sufficient for its prospecting requirements*.' However, Deloitte reported a number of land claims for the following sections of GSP Mineral rights: Voorburg, Jutland, Mount Stuart, Generaal, Chapudi West and Wildebeesthoek. The status of conformance with the mining rights, land ownership, rental and land access agreements requirements was last reviewed in 2016. Based on information reviewed by SRK, there is no evidence of anything that would suggest MCM does not remain compliant. SRK recommends that MCM undertakes a detailed compliance review to identify GSP's operational risks associated with the current land access agreements and surface rights. Additional budget and time might be required to amend agreements.

At this stage, the status of stakeholder relationships with the landowners and traditional owners is good, based on feedback from the site visit.

[21] GSP/MbeuYashu - MCMining Limited, https://www.mcmining.co.za/our-business/projects/gsp-mbeu-yashu, last accessed 21/02/2023

Table 6.2: SRK reviewed list of Greater Soutpansberg Project mining rights

Project	Holder	File Ref No.	Surface area (ha)	Date granted	Effective date*	Expired date	Farms portion
Chapudi	Chapudi Coal	LP 10044 MR	2,531.57	28/10/2019	30/11/2023	27/10/2049	Fanie 578 MS, Kleinberg 636 MS, Bekaf 650 MS, Joffre 584 MS, Chase 576 MS, Rissik 637 MS, Wildgoose 577 MS, Maseri Pan 520 MS, Solitude 111 MT
		10032 MR	4,353.63	19/09/2017	14/12/2023	18/09/2047	Banff 502 MS, Delft 499 MS, Krige 495 MS, Schalk 542 MS
		10036 MR	1,283.61	23/05/2018	14/12/2023	22/05/2048	Ursa Minor 551 MS
Mopane	Regulus Investment Holdings	10029 MR	2,233.63	28/10/2019	14/12/2023	27/10/2050	Mons 557 MS, Stubbs 558 MS
		LP 10045 MR	871.293	28/10/2019	30/11/2023	27/10/2049	Schuitdrift 179 MT
Generaal	Kwezi Mining Exploration	LP 10050 MR	4,740.23	13/09/2017	30/11/2023	12/09/2047	Juliana 647 MS, Phantom 640 MS, Van Devender 641 MS, Daru 889 MS, Tanga 894 MS, Coen Britz 881 MS, Coen Britz 646 MS
		LP 10053 MR	1,452.43	13/09/2017	30/11/2023	12/09/2047	Portion 1, 2 and Remaining Extent of General 587 MS
		LP 10054 MR	866.87	13/09/2017	30/11/2023	12/09/2047	Portion 1 and Remaining Extent of Boas 642 MS
		LP 10058 MR	1,056.66	13/09/2017	30/11/2023	12/09/2047	Beck 568 MS
		10030 MR	1,002.93	23/05/2018	14/12/2023	22/05/2048	Vera 815 MS
		10031 MR	577.80	23/05/2018	14/12/2023	22/05/2048	Scheveningen 500 MS
		10035 MR	6,409.29	23/05/2018	14/12/2023	22/05/2048	Pretorius 531 MS, Remaining extent and Portion 1 on Pretorius 531 MS, Remaining extent of Otto (Honeymoon) 560 MS, Hermanus 533 MS, Faure 562 MS, Remaining extent of Du Toit 563 MS, Bierman 559 MS, Remaining extent of Verdun 535 MS
	CoAL/ MC Mining	LP 10047 MR	5,716.56	13/11/2017	30/11/2023	12/11/2047	Remaining Extent and Portion 2 of Mount Stuart 153 MT, Nakab 184 MT, Remaining Extent and Portion 1 of Terblanche 155 MT, Septimus 156 MT
		10033 MR	3,994	13/09/2017	14/12/2023	12/09/2047	Voorburg 503 MS
		10034 MR	4,902.84	13/09/2017	14/12/2023	12/09/2047	Ancaster 501 MS, Cavan 508 MS, Cohen 591 MS, Jutland 536 MS

Sources: MC Mining data room
Notes: * Date on which the EMPR is approved under Section 39(4) of the MPRDA.

6.6.2 Environmental approvals

SRK understands that:

- Individual EMPRs were approved at the end of 2023 for the Mopane and Generaal projects as part of the granted mining rights, as described in Table 6.2.
- WULs are not currently in place for the GSP as the projects are in an exploration phase. Should the project proceed beyond the exploration phase, MCM should investigate alternative options for the water supply and submit a WUL application to DWS.
- Waste permits are not currently relevant as the projects are in an exploration phase. The probability of requiring a waste management licence will be based on the anticipated mining activities. This will need to be verified once more technical information is available for the projects.

6.6.3 Social and Labour Plan

SRK understands that the SLPs associated with the mining rights for the Chapudi Project have not yet been approved. SLPs have been approved for Mopane and Generaal.

6.6.4 Environmental and social management

MCM has an environmental policy that is used to guide its environmental management activities (MCM, 2021a). It is assumed that drilling contractors are required to adhere to the Contractor Management Pack (MCM, 2018) and that exploration is being undertaken in line with the exploration Environmental Management Plan. No environmental monitoring is currently taking place as there is no current exploration active.

Water is a critical issue in the area due to the low rainfall and high evaporation rates and competing water demands from farmers. It is essential that the potential water sources are carefully studied to determine the sustainability of water supply and identify potential alternatives for future mining activities (Venmyn Deloitte, 2016). Competition for water between mining and local communities/operations can result in negative publicity if this risk is not managed at the onset. Due to the locality of the project in a water scarce area, this risk is material and the likelihood of this risk being realised in the future is high if the eventual operation impacts on water availability for surrounding water users.

The area is rich in cultural heritage and therefore mining is likely to impact on some aspects of cultural heritage. This could result in reputational damage if an updated and extensive heritage impact assessment is not undertaken adequately. This risk is material if the eventual operation impacts cultural heritage resources. The likelihood of this risk could be mitigated to low if adequate and extensive heritage study is undertaken and the resultant mitigation measures are adhered to ahead of the construction phase.

6.6.5 Environmental liabilities and closure provisions

MCM holds current rehabilitation financial guarantees of ZAR10,882,257 for GSP as of December 2023[22]. SRK understands that the amount covers the current environmental liabilities of the GSP exploration sites. However, the costing does not provide details of the underlying assumptions inherent in the cost estimate.

Current closure provisions totalling ZAR10,882,257 might be sufficient to cover the current liabilities of the exploration sites. However, with regards to GSP projects in pre-feasibility study stages (such as the Chapudi Project), SRK recommends that a life-of-mine closure cost estimate be developed according to the LOM plan and aligned with the closure objectives and requirements for the projects. Should mining commence, SRK would expect the mine closure costs to be in the same order of magnitude as the coal assets per the identified comparable transactions. Therefore, SRK considers the expected closure costs to be reflected in the multiples that acquirers have paid for the coal assets.

6.7 Risks and opportunities

Geological risks pertain to the continuity of the coal seams and their quality in the lesser explored parts of the GSP. Although the presence of coal is known in all the sub-projects, this has not been proved sufficiently by exploration to declare Coal Resources for all areas, nor is the ability of the coal to be beneficiated to coking coal product confirmed in all areas. Further exploration through drilling and analysing the coal will reduce this risk. As such, in the valuation exercise using comparable market transactions, this is considered when choosing an appropriate multiple.

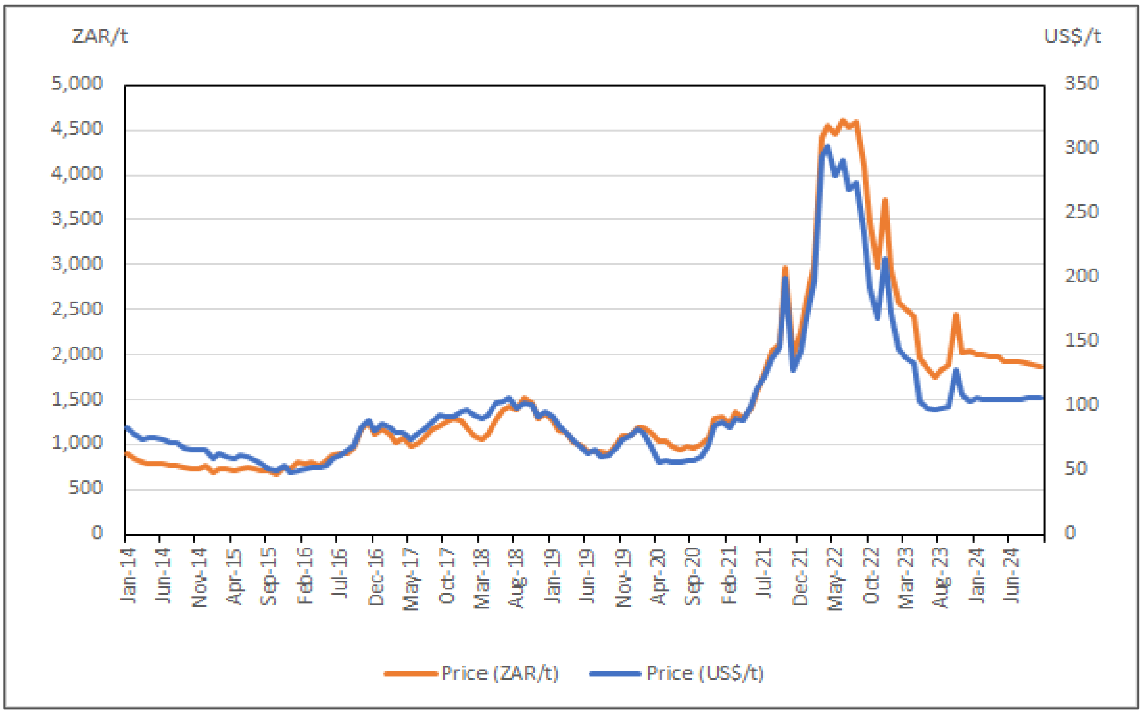
[22] MCM SA Guarantees-202312 (1 1), December 2023

7 Other considerations

7.1 Coal market

SRK has reviewed the coal market prices and notes the South African Richards Bay benchmark thermal coal price is currently 60% lower than its all-time high of ZAR4,599/t in June 2022 (Figure 7.1). The Richards Bay thermal coal price has stabilised around ZAR2,000/t since November 2023.

Figure 7.1: Richards Bay thermal coal price



Source: Index Mindi, World Bank

Notes: Coal (South Africa), thermal NAR netback assessment f.o.b. Richards Bay 6,000 kcal/kg from 13 February 2017; during 2006 to 10 February 2017 thermal NAR; during 2002–05 6,200 kcal/kg (11,200 BTU/lb), less than 1.0% sulfur, 16% ash; years 1990–2001 6,390 kcal/kg (11,500 BTU/lb).

In determining a Market Value for MCM's coal assets, SRK has considered the following:

- In reviewing the 2023 financial results for the Uitkomst Colliery, the achieved price (US$142/t) was 30% lower than the API4 average price of US$204/t for the same period. This is because the achieved price includes low-grade middlings coal.
- Vele Colliery is a potential SSCC and thermal coal producer that could be sold into the export market and shipped through the coal terminal in Mozambique.
- The Makhado Project will potentially produce 20% coking coal and 20% thermal coal with a total yield of approximately 40% of ROM production. The intention is to sell the coking fraction to a local steel producer while the thermal product will be exported through the coal terminal in Mozambique.
- South Africa is traditionally an exporter of only thermal coal and therefore has no market quoted benchmark coking coal price.

8 Valuation

8.1 Valuation methodology

The objective of this section is to provide BDO with:

- a Market Value estimate for MCM's Coal Resources (i.e. those outside the current LOM schedule)
- SRK's opinion regarding the Market Value of MCM's Coal Resources with associated exploration tenure.

SRK has not valued MCM or its corporate subsidiaries as the beneficial owners of the Mineral Assets.

In determining the appropriate parameters for valuation purposes, SRK has considered the assessments that might be made by a willing, knowledgeable and prudent buyer in assessing the value of MCM's projects. SRK has relied on information provided by MCM, as well as information sourced from the public domain, SRK's internal databases and SRK's subscription databases.

The VALMIN Code (2015) outlines three generally accepted valuation approaches:

1. Market Approach
2. Income Approach
3. Cost Approach.

The Market Approach is based primarily on the principle of substitution and is also called the Sales Comparison Approach. The Mineral Assets being valued are compared with the transaction value of similar Mineral Assets under similar time and circumstances on an open market (VALMIN Code, 2015). Methods include comparable transactions and option or farm-in agreement terms analysis.

The Income Approach is based on the principle of anticipation of economic benefits and includes all methods that are based on the anticipated benefits of the potential income or cashflow generation of the Mineral Asset (VALMIN Code, 2015). Valuation methods that follow this approach include DCF modelling, capitalised margin, option pricing and probabilistic methods.

The Cost Approach is based on the principle of cost contribution to value, with the costs incurred providing the basis of analysis (VALMIN Code 2015). Methods include the appraised value method and multiples of exploration expenditure (MEE), where expenditures are analysed for their contribution to the exploration potential of the Mineral Asset.

The applicability of the various valuation approaches and methods varies depending on the stage of exploration or development of the Mineral Asset and hence the amount and quality of the information available on the mineral potential of the assets.

Most Mineral Assets can be classified as either:

- **Exploration Project**: properties where mineralisation may or may not have been identified, but where a Coal Resource has not been identified.
- **Advanced Exploration Project**: properties where considerable exploration has been undertaken and specific targets have been identified that warrant further detailed evaluation, usually by drill testing, trenching or some other form of detailed geological sampling. A Coal Resource Estimate may or may not have been made, but sufficient work will have been undertaken on at least one prospect to provide both a good understanding of the type of mineralisation present and encouragement that further work will elevate one or more of the prospects to the resource category.
- **Pre-development Project**: properties where Coal Resources have been identified and their extent estimated (possibly incompletely) but where a decision to proceed with development has not been made. Properties at the early assessment stage, properties for which a decision has been made not to proceed with development, properties on care and maintenance and properties held on retention titles are included in this category if Coal Resources have been identified, even if no further Valuation, Technical Assessment, delineation or advanced exploration is being undertaken.
- **Development Project**: properties for which a decision has been made to proceed with construction and/or production, but which are not yet commissioned or are not yet operating at design levels.
- **Operating Mines**: mineral properties, particularly mines and processing plants that have been commissioned and are in production.

Table 8.1 presents the various valuation approaches for the valuation of Mineral Assets at the various stages of exploration and development.

Table 8.1: Suggested valuation approaches according to development status

Valuation Approach	Exploration Projects	Pre-development Projects	Development Projects	Production Projects
Market	Yes	Yes	Yes	Yes
Income	No	In some cases	Yes	Yes
Cost	Yes	In some cases	No	No

Source: VALMIN Code (2015)

In general, these methods are accepted analytical valuation approaches that are in common use for determining Market Value (defined below) of Mineral Assets, using market-derived data.

The Market Value is defined in the VALMIN Code (2015) as, '… *in respect of a mineral asset, the amount of money (or the cash equivalent of some other consideration) for which the Mineral Asset should change hands on the Valuation Date between a willing buyer and a willing seller in an arms-length transaction after appropriate marketing wherein the parties each acted knowledgeably, prudently and without compulsion*.' The term Market Value has the same intended meaning and context as the International Valuation Standards Council's (IVSC's) term of the same name. This has the same meaning as Fair Value in RG 111. In the 2005 edition of the VALMIN Code this was known as Fair Market Value.

The Technical Value is defined in the VALMIN Code (2015) as '… *an assessment of a Mineral Asset's future net economic benefit at the Valuation Date under a set of assumptions deemed most appropriate by a Practitioner, excluding any premium or discount to account for market considerations*.' The term Technical Value has an intended meaning that is similar to the IVSC term Investment Value.

In summary, the various recognised valuation methods are designed to provide an estimate of the Mineral Asset or project value in each of the various categories of development. In some instances, a particular Mineral Asset or project may comprise assets, which logically fall under more than one of the previously discussed development categories.

8.2 Basis of valuation

MCM has developed cashflow models for its Uitkomst Colliery and Makhado Project and has provided these to BDO and SRK.

In the case of Vele, plant modifications have not been completed and as a consequence, the Vele coal products cannot be optimised. The potential SSCC product cannot be adequately recovered and is currently lost to slimes and discards. At the current low coal prices, the thermal coal product that can be produced from the Vele plant is not economic. As such, mining has temporarily stopped. Therefore, SRK agreed not to use an income approach and has adopted a Market Approach using comparable market transactions.

In the case of Uitkomst and Makhado, SRK has reviewed the underlying technical inputs to the models and provide recommendations to BDO to make adjustments to various technical inputs and cost assumptions. These recommendations have been modelled by BDO and as a result, in consultation with BDO, it has been agreed that an Income Approach would not be appropriate to value Makhado and Uitkomst. This is because the values derived from a DCF approach are lower than those derived from a Market Approach and BDO and SRK consider it more appropriate to value it on a highest and best use basis.

In estimating the Market Value of MCM's Mineral Assets as at the Effective Date, SRK has considered various valuation methods within the context of the VALMIN Code (2015). SRK has used comparable market transactions as the primary valuation method. To support the comparable market transaction valuation of the Coal Resources, SRK has used a peer group analysis and the yardstick method as a crosscheck.

8.3 Previous valuations

The VALMIN Code (2015) requires that an Independent Valuation Report should refer to other recent valuations or IERs undertaken on the mineral properties being assessed. SRK completed a valuation on the MCM Mineral Assets in June 2022 and in March 2024. SRK's ISR formed part of BDO's IER, which was provided to MCM shareholders and commented on the 'fairness and reasonableness' of a proposed transaction.

8.4 Valuation of the Coal Resource

8.4.1 Summary of Coal Resource estimates

MCM's Coal Resources that are adjusted for valuation purposes and are classified as adjusted GTIS Coal Resources in this valuation exercise total 8,314.1 Mt (attributable 6,289.2 Mt), which accounts for around 96% of the total GTIS Coal Resource of 8,653.3 Mt (attributable 6,559.1 Mt). The adjusted GTIS Coal Resource estimates are presented in Table 8.2.

Table 8.2: Gross in situ Coal Resources (100% basis)

Coal Asset	Status		Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)	Interest	Total attributable (Mt)
Uitkomst	Operation	GTIS	15.2	4.0	7.1	26.4	84%	22.1
Makhado	Development	GTIS	387.3	254.0	116.2	757.5	67%	507.6
		Fripp Farm[1]	92.0	75.4	42.3	209.7		140.5
		Adjusted GTIS	295.4	178.6	73.9	547.8		367.0
Vele	Care and maintenance	GTIS	146.8	426.9	218.9	792.6	100%	792.6
		LP1136 PR[2]	7.6	69.9	51.0	128.5		128.5
		Contractor ROM	0.461	0.460	-	0.921		0.921
		Adjusted GTIS	138.7	356.4	167.9	663.1		663.1
Mopane	Advanced exploration	GTIS	109.4	125.0	36.2	270.7	74%	200.3
Generaal	Advanced exploration	GTIS			407.2	407.2	74%	301.3
Chapudi	Advanced exploration	GTIS			6,399.0	6,399.0	74%	4,735.3
GTIS Resources			658.8	809.9	7,184.6	8,653.3		6,559.1
Adjusted GTIS Resources			**558.8**	**664.0**	**7,091.3**	**8,314.1**		**6,289.2**

Source: MCM Annual Report (MCM, 2023); Makhado Colliery BFS (Minxcon Projects, 2022).

Notes:

[1] A village is situated on this farm over the defined Coal Resource and therefore has been excluded.

[2] Vele prospecting right LP1136 PR has expired.

8.4.2 Actual transaction

On 1 November 2023, an investor group known as Goldway Capital Investment Ltd (Goldway) offered to acquire the remaining shares in MCM not already owned by Goldway. On 22 April 2024, Goldway completed an acquisition of a 35.6% stake in MCM.

Table 8.3 shows the transaction details that imply a value for the attributable Coal Resource of ZAR1,115.2 M.

Table 8.3: Actual transaction details as at 22 April 2024

		Exchange rate ZAR:A$	
Transaction value of 35.6%	A$23.30 M	12.33	ZAR287.25 M
Implied equity value at 100%	A$65.26 M	12.33	ZAR804.69 M
Attributable Coal Resource	6,289.2 Mt		6,289.2 Mt
Unit equity value per tonne Coal Resource	A$0.0104/t		ZAR0.128/t
Implied enterprise value at 100%	A$90.4 M	12.33	ZAR1,115.2 M
Unit enterprise value per tonne	A$0.0144/t		ZAR0.1773/t

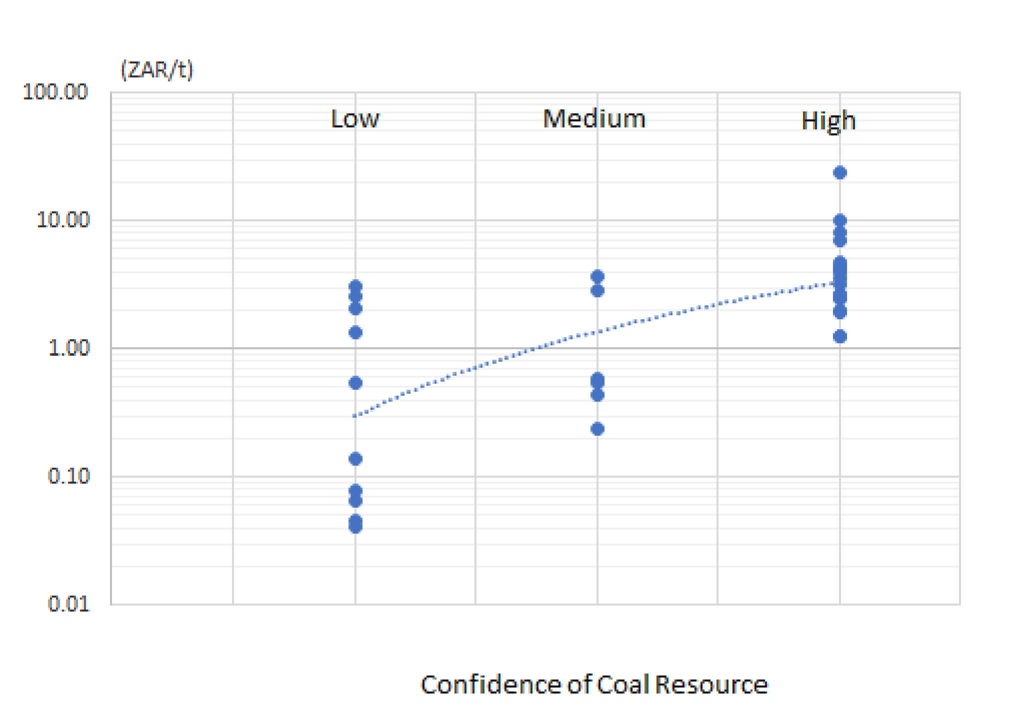
Sources: S&P Capital IQ Pro

8.4.3 Comparable transactions

In context, since the departure around 2021 of the major mining companies from coal mining in South Africa, the intention has been to no longer invest in coal. As such, while there has been a change in ownership, there has also been limited new investment. The trend among major coal miners of scaling down their operations in South Africa is a result of numerous factors, not least of which is the current global focus on environmental, social and governance (ESG) compliance, which is driving behavioural change in investor and institutional interest. Commercial imperatives within the global mining sector to ensure enhanced ESG compliance have also increased in recent years.

Despite this, SRK has selected comparable market transactions as the primary valuation method to establish a Market Value for MCM’s Coal Resources. SRK carried out a search for publicly available information on market transactions involving similar coal projects in southern Africa. SRK has not considered transactions from other geographic regions as coal type, coal quality, infrastructure and local market conditions can all differ vastly and as such are not comparable. Based on its analysis, SRK has considered 35 transactions involving assets within South Africa that occurred since 2007 leading up to the Effective Date of this valuation (Appendix A). SRK considers this a good representative sample of transactions that included some of the asset currently held by MC Mining such as Chapudi and Vele. Further to this, each transaction was then indexed according to increasing confidence of coal mineralisation and stage of development. This is graphically illustrated in Figure 8.1.

Figure 8.1: South African coal transactions classified



Source: SRK analysis, S&P Capital IQ Pro

Notes: A total of 34 transactions were sorted according to the level of Coal Resource confidence based on stage of development.

The transaction values (ZAR/t gross in situ resource) were then normalised using the Richards Bay export coal price as a proxy index to reflect the values in the current South African coal market at the Effective Date of this valuation. The coal price was indexed to the October 2024 average of ZAR1,858/t.

The statistics of the population of market transactions are summarised in Table 8.4.

Table 8.4: Comparable market transaction statistics

	Low	Medium	High
Count	10.00	6.00	19.00
Minimum (ZAR/t)	0.04	0.24	1.22
Maximum (ZAR/t)	3.05	3.59	23.41
Average (ZAR/t)	0.98	1.36	4.84
Median (ZAR/t)	0.34	0.56	3.33
25th percentile	0.07	0.46	2.42
75th percentile	1.85	2.22	4.39

Source: SRK analysis

Importantly, while transaction multiples are widely used in valuation, they rely on the assumption that the reported Coal Resources or Coal Reserves have been appropriately reported and can be taken at face value. The method assumes that differences in reporting regimes, between different Competent Persons, resource classification, coal recovery and adopted cut-off grades (which may change between assets and/or companies) do not materially influence the implied multiple. The method implicitly assumes total recoverability of all coal tonnes, as reliable and accurate data are generally not disclosed or available around the time of most transactions or for all companies. Importantly, SRK's implied value calculations are for the purposes of our valuation and do not attempt to estimate or reflect the coal likely to be recovered as required under the JORC Code (2012).

SRK's analysis of the implied resource value multiples is based on the reported Coal Resources involving mainly South African thermal products but also includes a few transactions of metallurgical coal assets. SRK also recognises that the reasonable prospects for eventual economic extraction (RPEEE, with the meaning as defined in the JORC Code) based on depth of coal seams, likely stripping ratios, and structural complexity impact the implied transaction multiples. Therefore, informing our opinion of the Coal Resource of MCM's assets, SRK has considered coal confidence, coal resource estimation differences, coal type and reasonable prospects for eventual economic extraction. SRK also notes that several of the transactions considered included Coal Reserves (supported by a LOM schedule).

In selecting appropriate multiples for Inferred, Indicated and Measured Resources, SRK has chosen from the Low, Medium and High subsets (Table 8.3), respectively. Further to this, in each of the subsets the technical aspect of the coal type is considered in selecting a multiple within the subsets' range. As an example, coal with poor qualities and low recoveries implies a multiple at the low end of the range within a subset. Therefore, for all the Inferred Resource at GSP, SRK has selected a preferred multiple of ZAR$0.04/t (Table 8.4 and Table 8.5), which is the minimum of the Low subset of the transaction data.

When selecting an appropriate transaction multiple for Uitkomst and Vele, SRK has considered them as operating and on care and maintenance, respectively. As such, the selected multiple captures the value of all the plant and equipment required to operate the site net of all expenses that may include remediation. In the case of Uitkomst, SRK has selected ZAR3.40/t as the appropriate multiple for the Measured Resources which is slightly above the median of the High subset of the transaction data.

However, in the case of Vele, SRK has selected a lower multiple for the Measured Resource of ZAR2.80/t to reflect that operations have temporarily stopped while it re-optimises, given the current low coal price. ZAR2.80/t is near the 25th percentile of the High subset of the transaction data.

Based on its comparable transaction analysis (Table 8.5), SRK considers the implied value of the Coal Resource resides between ZAR1,342.1 M and ZAR2,063.8 M, on an attributable basis.

Table 8.5: Comparable market transaction valuation

Coal asset	Inferred (Mt)	Indicated (Mt)	Measured (Mt)	Total adjusted Resource (Mt)	Range	Implied value Inferred ZAR/t)	Implied value Indicated ZAR/t)	Implied value Measured ZAR/t)	Total value (ZAR M)	% owned	Attributable value (ZAR M)
Uitkomst	7.10	4.02	15.25	26.37	Low	0.32	0.43	2.72	45.48	84	38.21
					High	0.48	0.65	4.08	68.22		57.31
					Mid	**0.40**	**0.54**	**3.40**	**56.85**		**47.76**
Makhado	73.90	178.56	295.36	547.8	Low	0.29	0.38	2.40	798.71	67	535.14
					High	0.43	0.58	3.60	1,198.07		802.71
					Mid	**0.36**	**0.48**	**3.00**	**998.39**		**668.92**
Vele	167.93	356.47	138.74	663.6	Low	0.26	0.32	2.24	467.83	100	467.83
					High	0.38	0.48	3.36	701.75		701.75
					Mid	**0.32**	**0.40**	**2.80**	**584.79**		**584.79**
GSP – Mopane	36.20	125.00	109.44	270.7	Low	0.03	0.32	1.60	216.11	74	159.92
					High	0.05	0.48	2.40	324.53		240.15
					Mid	**0.04**	**0.40**	**2.00**	**270.32**		**200.04**
GSP – Generaal	407.16	-	-	407.2	Low	0.03	0.32	1.60	11.40	74	8.44
					High	0.05	0.48	2.40	21.17		15.67
					Mid	**0.04**	**0.40**	**2.00**	**16.29**		**12.05**
GSP – Chapudi	6,399.02	-	-	6,399.0	Low	0.03	0.32	1.60	179.17	74	132.59
					High	0.05	0.48	2.40	332.75		246.23
					Mid	**0.04**	**0.40**	**2.00**	**255.96**		**189.41**
Total (ZAR M)				**8,313.4**	Low				1,718.71		1,342.12
					High				2,646.49		2,063.82
					Mid				**2,182.60**		**1,702.97**

Source: SRK analysis

8.4.4 Peer group analysis

As a crosscheck of the Market Value derived from the comparable market transaction method, SRK has considered the Enterprise Values (EVs) per defined Coal Resource of similar listed companies with defined Coal Resources in South Africa.

There are two companies broadly comparable to MCM listed on the ASX – Terracom Resources Ltd (TerraCom) and Thungela Resources Limited Ltd (Thungela) (Table 8.6). Both companies own substantial coal producing assets in South Africa but also have investments in coal producers in Australia. They are considered geographically diversified and better established producers of coal in South Africa. As such, TerraCom and Thungela can only provide a top end benchmark value for MCM.

In 2020, TerraCom purchased Universal Coal Plc comprising a portfolio of coal assets in South Africa. The company owns and operates the Blair Athol coal mine and has several coal exploration projects in Australia. TerraCom has a reported 3,170.8 Mt of attributable Coal Resources in both South Africa and Australia.

Thungela is listed on the JSE and owns interests in and produces its thermal coal from mining operations in the Mpumalanga Province of South Africa, including Goedehoop Colliery, Greenside Colliery, Isibonelo Colliery, Khwezela Colliery, Zibulo Colliery, Mafube Colliery and Rietvlei Colliery. Thungela has an attributable Coal Resource of 870.1 Mt. In August 2023, Thungela completed an acquisition of the Ensham coal mine in Australia which increased its attributable Coal Resource by 941.6 Mt.

As at 18 October 2024, TerraCom and Thungela traded at multiples of ZAR0.61/t and ZAR4.37/t, respectively. In selecting an appropriate multiple range, SRK has adopted ZAR0.60/t as the top end of the range represented by TerraCom's EV ZAR/t multiple and selected ZAR0.20/t as the lower end of the range.

Table 8.6: Peer group analysis

	Market cap (ZAR M)	Enterprise Value (ZAR M)	Attributable Coal Resources and Reserves (Mt)	EV ZAR/t
TerraCom	1,995.90	1,941.50	3,170.8	0.61
Thungela	16,326.20	7,918.20	1,811.7	4.37

Source: S&P Global Capital IQ Pro,
Note: Market capitalisation and Enterprise Value as at 18 October 2024.

Based on this analysis, SRK has adopted the only two peers as the lower and upper range for the value of MCM. Applying these multiples to MCM's Coal Resources implies a value of between ZAR1,257.8 M and ZAR3,773.5 M on an attributable basis, as outlined in Table 8.7.

Table 8.7: Peer group valuation

	Attributable Coal Resource (Mt)	Adopted metric	Implied value (ZAR M)
Low	6,289.17	0.20	1,257.8
High	6,289.17	0.60	3,773.5
Preferred	**6,289.17**	**0.20**	**1,257.8**

The low end of this range (ZAR0.20/t) has been selected as the preferred value of ZAR1,257.8 M. SRK considers the peer group valuation only as a guide because TerraCom and Thungela differ from MCM in that they have Coal Resources across geographical regions, and both have large producing coal mines relative to MCM which only produces less than 0.5 Mt/a. TerraCom and Thungela produce 7.5 Mt/a and 16.0 Mt/a, respectively. This implies that TerraCom and Thungela would trade at higher multiples than MCM with strong cash flows and are geographically diverse.

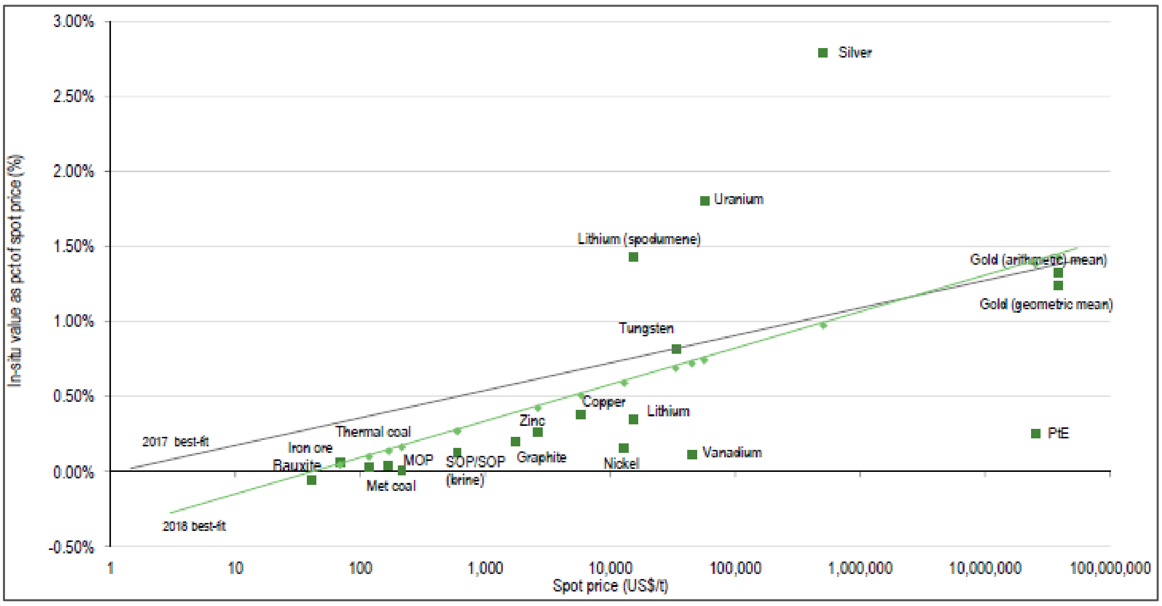
8.4.5 Yardstick

To support the comparable market transaction valuation of the Coal Resources, SRK has used the yardstick method as a guide. This method was first described by MacArthur (1989) specifically for gold projects and was based on a percentage of contained value ranging from 0.1% and 3.0%. This method was further described by Baxter and Chisholm (1990) in estimating the value of the contained metal.

SRK has modified this method for coal projects and has reduced these percentages to better reflect in situ coal value based on analysis by both SRK and Edison Investment Research (Edison).

Edison's mining sector report in January 2019 showed that for coal company values as a percentage of spot coal price is significantly less than 0.5% (Figure 8.2).

Figure 8.2: In situ values versus spot prices, selected metals and minerals



Sources: Edison Investment Research, January 2019

SRK analysed the comparable transaction dataset (Appendix A) and calculated the deal value of the in situ Coal Resource as a percentage of the coal price at the time of the transactions – 90% of the values lie within 0.002% and 0.386% with a median of 0.130%.

Table 8.8: Market transaction in situ values versus spot prices

Statistic	Value
Minimum	0.002%
Maximum	0.526%
Average	0.137%
Median	0.130%
5th percentile	0.002%
95th percentile	0.386%

Source: SRK analysis

Based on this analysis, using the yardstick method of valuation, the SRK adopted specified percentages of the coal price are applied to the defined Coal Resources (Table 8.9).

- Measured Resources – 0.267% to 0.400% of the spot price
- Indicated Resources – 0.135% to 0.267% of the spot price
- Inferred Resources – 0.002% to 0.135% of the spot price.

SRK has adopted the Richards Bay thermal benchmark coal price average for October 2024 at ZAR1,858/t.

Table 8.9: Yardstick multiples

Resource	% of the spot price	Value range	
		A$/t Low	A$/t High
Measured	0.267% to 0.400%	4.97	7.43
Indicated	0.135% to 0.267%	2.50	4.97
Inferred	0.002% to 0.135%	0.04	2.50

Source: SRK analysis
Notes: Used average coal price for October 2024 at ZAR1,858/t.

SRK considers this a generic method and problems lie with different types of coals, geographic markets, available infrastructure and processing yields. As in this case, Inferred Coal Resources at GSP are expected to have low processing yields and therefore are considered overvalued. As such, SRK has applied a yield adjustment which brings values broadly more in line with comparable market transactions. Despite this, SRK has used the yardstick method only as a guide.

Application of these multiples and adjusting for processing yield to MCM's attributable Coal Resources implies the value of these resources lies between ZAR1,394.0 M and ZAR7,476.5 M.

SRK notes that this value is approximately 2.6 times that of the values implied by its Comparative Transactions Analysis. SRK considers that the values implied by the yardstick approach are generic and do not adequately account for the technical attributes outlined previously. Therefore, SRK has not selected the values implied by the yardstick method and uses it only as a guide to the likely valuation range (Table 8.10).

Table 8.10: Yardstick valuation of Coal Resources

Coal asset	Inferred (Mt)	Indicated (Mt)	Measured (Mt)	Total adjusted Resource (Mt)	Range	Implied value Inferred (ZAR M)	Implied value Indicated (ZAR M)	Implied value Measured (ZAR M)	Total value (ZAR M)	% owned	Attributable value (ZAR M)	Yield adjusted attributable value (ZAR M)
Uitkomst	7.10	4.02	15.25	26.37	Low	0.26	10.05	75.75	86.07	84	72.30	43.38
					High	17.77	19.96	113.35	151.08		126.91	76.14
					Mid	**9.02**	**15.01**	**94.55**	**118.57**		**99.60**	**59.76**
Makhado	73.90	178.56	295.36	547.8	Low	2.75	446.88	1,467.40	1,917.03	67	1,284.41	513.76
					High	184.95	887.12	2,195.61	3,267.68		2,189.34	875.74
					Mid	**93.85**	**667.00**	**1,831.51**	**2,592.35**		**1,736.88**	**694.75**
Vele	167.93	356.47	138.74	663.6	Low	6.24	892.12	689.28	1,587.63	100	1,587.63	508.04
					High	420.28	1,770.98	1,031.33	3,222.60		3,222.60	1,031.23
					Mid	**213.26**	**1,331.55**	**860.30**	**2,405.11**		**2,405.11**	**769.64**
GSP – Mopane	36.20	125.00	109.44	270.7	Low	1.35	312.83	543.69	857.87	74	634.83	253.93
					High	90.60	621.02	813.51	1,525.12		1,128.59	451.44
					Mid	**45.97**	**466.93**	**678.60**	**1,191.50**		**881.71**	**352.68**
GSP – Generaal	407.16	-	-	407.2	Low	15.13	-	-	15.13	74	11.20	4.48
					High	1,019.00	-	-	1,019.00		754.06	301.62
					Mid	**517.06**	**-**	**-**	**517.06**		**382.63**	**153.05**
GSP – Chapudi	6,399.02	-	-	6,399.0	Low	237.84	-	-	237.84	74	176.00	70.40
					High	16,014.67	-	-	16,014.67		11,850.85	4,740.34
					Mid	**8,126.25**	**-**	**-**	**8,126.25**		**6,013.43**	**2,405.37**
Total (ZAR M)				**8,314.1**	Low				4,701.58		3,766.37	1,394.00
					High				25,200.14		19,272.35	7,476.51
					Mid				**14,950.86**		**11,519.36**	**4,435.25**

Source: SRK analysis

8.5 Exploration potential value

Given the valuation methods adopted and the multiples assumed for valuation purposes, SRK has elected in this instance not to assign any additional value to the exploration potential associated with MCM's mineral tenures in South Africa.

In all MCM's mining rights, the geology and the extent of the coal mineralisation is well understood. In SRK's opinion, there is limited potential for the discovery of new coal deposits at economically extractable depths within the current mining rights. However, additional exploration will be required, particularly drilling, to increase the confidence and upgrade the GSP Coal Resources from the Inferred category. This should add value to the current coal assets as the projects advance to increasing stages of development.

9 Valuation summary

In forming its overall opinion regarding the Market Value for each of the coal assets, SRK has considered the market-based methods, such as comparable transaction analysis as its primary valuation method while using peer group analysis and the yardstick approach as secondary guides. An actual transaction was also considered that involved a consortium of investors acquiring 35.6% of MCM at an implied value of ZAR1,115 M.

In selecting a range in which the market is likely to pay, SRK considers the actual implied transaction value of ZAR1,115 M as the low end of the of the range, with the comparable transaction analysis high of ZAR2,064 M to be the high end of the range. Table 9.1 summarises SRK's opinion regarding the current Market Value range of MCM's Mineral Assets.

In selecting a preferred value, SRK has considered the selected value range and adopted the midpoint of ZAR1,589 M as the preferred Market Value as we have no preference for either end of the range.

On the above basis, SRK considers the market is likely to pay between ZAR1,115 M and ZAR2,064 M, with a preferred value of ZAR1,589 M for the attributable Coal Resources held by MCM (Table 9.1).

In adopting its overall values, SRK considers that any value associated with any exploration potential of the surrounding tenures has been captured in the value attributed to the Coal Resources, that were valued using comparable market transactions involving coal projects with both defined resources and exploration upside.

Table 9.1: Valuation summary of Coal Resources

Coal asset	Attributable Coal Resource (Mt)	Range	Attributable Low (ZAR M)	Attributable High (ZAR M)	Attributable Preferred (ZAR M)
Uitkomst	22.1	Actual transaction*	-	-	31.27
		Market	38.21	57.31	47.76
		Yardstick	43.38	76.14	59.76
		Selected	**31.27**	**57.31**	**44.29**
Makhado	367.0	Actual transaction*	-	-	438.04
		Market	535.14	802.71	668.92
		Yardstick	513.76	875.74	694.75
		Selected	**438.04**	**802.71**	**620.37**
Vele	663.1	Actual transaction*	-	-	382.95
		Market	467.83	701.75	584.79
		Yardstick	508.04	1,031.23	769.64
		Selected	**382.95**	**701.75**	**542.35**
GSP – Mopane	200.3	Actual transaction*	-	-	130.99
		Market	159.92	240.15	200.04
		Yardstick	253.93	451.44	352.68
		Selected	**130.99**	**240.15**	**185.57**
GSP – Generaal	301.3	Actual transaction*	-	-	7.89
		Market	8.44	15.67	12.05
		Yardstick	4.48	301.62	153.05
		Selected	**7.89**	**15.67**	**11.78**

Coal asset	Attributable Coal Resource (Mt)	Range	Attributable Low (ZAR M)	Attributable High (ZAR M)	Attributable Preferred (ZAR M)
GSP – Chapudi	4,735.3	Actual transaction*	-	-	124.03
		Market	132.59	246.23	189.41
		Yardstick	70.40	4,740.34	2,405.37
		Selected	**124.03**	**246.23**	**185.13**
Total	**6,289.2**	Actual transaction	-	-	1,115.18
		Market	1,342.12	2,063.82	1,702.97
		Peer group	1,257.83	3,773.50	1,257.83
		Yardstick	1,394.00	7,476.51	4,435.25
		Selected	**1,115.18**	**2,063.82**	**1,589.50**
Adopted value		**Adopted**	**1,115.18**	**2,063.82**	**1,589.50**

Source: SRK analysis, S&P Capital IQ Pro

Notes: * The actual transaction value of ZAR1,115 M has been proportionally allocated to individual assets based on the market transaction values.

9.1 Discussion on valuation ranges

In assigning its valuation range and preferred value, SRK is mindful that the valuation range is also indicative of the uncertainty associated with exploration assets.

The wide range in value is driven by the confidence limits placed around the size and quality of the mineral occurrences assumed to occur within each project area. Typically, this means that as exploration progresses and a prospect moves from an early to advanced stage prospect, through Inferred, Indicated or Measured Resource categories to Coal Reserve status, there is greater confidence around the likely size and quality of the contained mineral and its potential to be extracted profitably.

Estimated confidence of plus or minus 60% to 100% or more are not uncommon for exploration areas and are within acceptable bounds given the level of uncertainty associated with early to advanced stage exploration assets. By applying narrower confidence ranges, one is actually implying a greater degree of certainty regarding these assets than may be the case in reality.

The GSP tenements are exploration assets in the early to advanced stages of assessment. Therefore, there are significant uncertainties around their attributes. This results in a wide valuation range. Where possible, SRK has endeavoured to narrow its valuation range. In recognising this wide range, SRK has also indicated a preferred value for each project.

The preferred value can be the midpoint of the range unless there is a specific reason to choose a bias to either side of the midpoint, within the range.

Closure

This report, Independent Specialist Report on the Mineral Assets of MC Mining Limited, was prepared by

Shaun Barry
Principal Consultant

and reviewed by

SRK Consulting - Certified Electronic Signature
8974-7741-2276-MCCA-28/11/2024
This signature has been printed digitally. The Author has given permission for its use for this document. The details are stored in the SRK Signature Database

Gerard McCaughan
Principal Consultant

All data used as source material plus the text, tables, figures, and attachments of this document have been reviewed and prepared in accordance with generally accepted professional engineering and environmental practices.

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Appendix A Comparable market transactions

South Africa comparable coal market transactions

Date	Target	Buyer	Seller	Confidence in Coal Resource	Implied multiple (ZAR/t)	Normalised implied multiple (ZAR/t)
07/11/2007	Isicebi Carbon Mining Pty Ltd	Comdek Limited	Lukale Mining Company (Pty) Ltd and Umnotho	Low	0.04	0.14
06/08/2008	Vlakplaats Coal Project	Universal Coal PLC	Universal Pulse Trading 132 Pty Ltd	Low	1.97	3.05
11/09/2009	Waterberg Coal Projects	Firestone Energy Ltd	Sekoko Resources Pty Ltd	Low	0.13	0.53
29/11/2010	Vlakplaats Coal Project	Korea Resources Corp	Continental Coal Ltd	Low	0.79	2.03
29/11/2010	Chapudi Coal Project	Coal of Africa Ltd	Rio Tinto PLC, Kwezi Mining Pty Ltd	Low	0.51	1.31
27/01/2011	Cgynus property	Universal Coal PLC	Private	Low	0.02	0.05
27/03/2012	Grootegeluk West Coal Project	Resource Generation Limited	Exxaro Resources Limited	Low	0.03	0.08
20/10/2015	South Arnot project	Universal Coal PLC	Exxaro Resources Limited	Low	0.92	2.53
07/05/2008	Holfontein coal project	Lachlan Star Ltd	Coal of Africa Ltd	Medium	1.78	0.06
14/07/2009	Vele Project	Coal of Africa Ltd	Limpopo Coal Co Proprietary Ltd	Medium	0.11	0.04
12/12/2012	Firestone Energy Ltd	Ariona Co SA	Sekoko Resources Pty Ltd	Medium	0.10	3.59
02/02/2017	Keaton Energy Holdings Limited	Wescoal Holdings Limited	Keaton Energy Holdings Limited	Medium	1.66	0.43
30/06/2017	Eloff Mining Company (Pty) Ltd	Universal Coal PLC	Canyon Springs Investments 80 (Pty) Ltd	Medium	0.32	0.24
27/11/2017	Eloff Mining Company (Pty) Ltd	Universal Coal PLC	Manyeka Coal Mines (Pty) Ltd	Medium	0.37	2.77
01/09/2018	Eloff Mining Company (Pty) Ltd	Universal Coal PLC	South32 Limited	Medium	0.03	0.57
01/04/2010	Rietkuil	Sable Mining Africa Ltd	Unknown Company or Entity – 30.0%	High	1.36	0.54
23/04/2010	Rietkuil	Sable Mining Africa Ltd	London Mining Plc – 27.5%	High	0.91	3.86
11/07/2012	Moabsvelden Coal Project	Thebe Investment Corporation	Xceed Resources Ltd	High	0.94	2.59
03/02/2014	New Clydesdale	Universal Coal PLC	Exxaro Resources Limited	High	3.12	2.42
27/06/2014	Leeuw Mining and Exploration Proprietary Limited	Keaton Energy Holdings Limited	JPI Leeuw and Associates Proprietary Limited	High	1.48	6.79
28/07/2014	Total Coal South Africa Ltd	Exxaro Resources Limited	Total S.A.	High	3.24	3.48
09/01/2015	Continental Coal Limited (South Africa)	Investors group	Continental Coal Limited	High	1.53	7.89
08/06/2015	Penumbra Coal Mine	ICHOR Coal NV	Continental Coal Limited	High	3.93	4.14
15/02/2016	Leeuw Mining & Exploration Pty Ltd/ Amalahle Exploration Pty Ltd	Bayete Energy Resources (Pty) Ltd	Keaton Energy Holdings Limited	High	2.02	9.78
12/09/2016	South African Coal Mining Holdings Limited	JSW Energy Limited	Shareholders of South African Coal Mining Holdings Ltd	High	1.25	4.74
01/08/2018	New Largo project	Seriti Resources Proprietary Limited	Anglo American	High	1.99	2.43
30/08/2018	Mooiplaats colliery	Undisclosed	MC Mining	High	2.98	2.66
12/11/2018	North Block Complex	Universal Coal PLC	Exxaro Resources Limited	High	0.87	3.99
12/12/2018	Tegeta Exploration and Resources Proprietary Limited	Project Halo	Oakbay Investments Proprietary Limited	High	3.11	1.25
22/08/2019	South32 SA Coal Holdings Proprietary Limited	Seriti Resources Proprietary Limited	South32 Limited	High	0.60	4.27
02/10/2019	Mbuyelo Coal operations	Investors group	ICHOR Coal NV	High	12.67	1.22
25/03/2020	Universal coal Plc	Terrecom Resources Limited	Universal coal Plc	High	1.17	23.41
16/02/2021	Wescoal Holdings Limited	RBFT Investments Proprietary Limited	Wescoal Holdings Limited	High	1.26	1.94
09/04/2021	Exxaro Coal Central Proprietary Limited	Overlooked Colliery Proprietary Limited	Exxaro Resources Limited	High	2.19	1.91

Source: S&P Global, SRK analysis

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ANNOUNCEMENT 28 August 2024

KINETIC DEVELOPMENT GROUP TO INVEST US$90 MILLION IN MC MINING LIMITED

MC Mining Limited (**MC Mining** or the **Company**) is pleased to announce that the Company has reached an agreement with Hong Kong Stock Exchange (**HKSE**) main board listed Kinetic Development Group Limited (**KDG**) (1277.HK) the terms of which provide that KDG (or its designee) will subscribe, in two tranches, for a total of 51% of the post transaction issued share capital of MC Mining.

The proposed investment by KDG will not only advance MC Mining's flagship Makhado steelmaking, hard coking coal project into production, but is also expected to accelerate the broader strategy of the group to develop its various tenements in the Vhembe region of Limpopo Province, including the Greater Soutpansberg Projects (**GSP**) and the Vele Aluwani Colliery (**Vele**). KDG is an integrated coal mining and trading group incorporated in the Cayman Islands with extensive operational experience and expertise, and a successful history of production from its assets that it operates in the autonomous regions of Inner Mongolia and Ningxia, China for over a decade.

Under the terms of the agreement, KDG will subscribe for an initial 13.04% of MC Mining for an aggregate consideration of US$12,970,588 and implied price per share of US$0.2089 [1] (at the prevailing exchange rates, AU$0.3083[2] or ZAR3.7206[1] per share) which subscription shall be effected no later than 5:00 pm Hong Kong Time on 4 September 2024, subject to the satisfaction of certain conditions outlined below. The second subscription for the remaining aggregate US$77,029,412 will be effected within seven (7) business days of the fulfilment or waiver of the conditions precedent applicable to that subscription including obtaining shareholder approval at an Extraordinary General Meeting (**EGM**) and receiving all relevant regulatory approvals.

[1] Based on the number of MC Mining shares expected to be to be issued on first closing
[2] Financial times cross rates as at 09:30 British Standard Time, 26 August 2024

Transaction Highlights

The transaction is expected to:

- create a diversified international coal mining group with operations in two of the fastest growing continents in the world;
- unlock the potential of the Makhado steelmaking, coking coal project to become the largest hard coking coal operation in South Africa providing opportunity for import substitution for local large scale industry;
- leverage cross pollination of international best practice and local knowledge from the skills available to KDG and MC Mining to minimise implementation risk and optimise operational efficiency across the MC Mining projects;
- facilitate, due to the scale of the projects planned, deployment of new capital to develop business support infrastructure such as logistics and utilities delivery;
- result in direct investment into a region with a deep, supportive and skilled labour pool; and
- enable MC Mining to take advantage of business development incentives offered by the adjacent Musina Makhado Special Economic Zone further creating vertical integration opportunities for industrial development of the region

Mathews Senosi, Chairman of MC Mining stated:

"We are privileged to be in a position to attract high quality investment from a strategic equity partner with the capacity and capability of Kinetic Development Group. The transaction re-affirms the quality of assets that MC Mining has been nurturing over a number of years. We are pleased to have finally achieved our objective to be in a position to finalise full financing for the Makhado Project as the start of a growth journey that we look forward to embarking on with excellent partners."

Wenzhong Ju, Chairman of the board and executive director of Kinetic Development Group stated:

"The investment in MC Mining is the next step of our intent to diversify and deepen both our product mix between thermal and steelmaking coal as well as extend our geographic footprint into prospective and high growth regions, taking advantage of our access to both high quality financial and human resources for the coal sector.

We are enthusiastic about the long-term prospects of MC Mining and its potential as a substantive contributor in the industrial coal space in the region and exporter of high-quality coal products. We look forward to working with the MC Mining team and the Company's broader stakeholders in realising what is a commendable vision that is aligned with our own."

Key Transaction Terms

The key terms of the agreement include:

- KDG (or its designee) will subscribe for 13.04% of the post subscription issued share capital of MC Mining for a consideration of US$12,970,588 as first close funding to allow MC Mining to commence development and construction of its early coal plan for the Makhado steelmaking coal project;
- Utilisation of the proceeds raised under the transaction will be in accordance with a use of proceeds plan (**Use of Proceeds Plan**) that will be provided by MC Mining to KDG prior to first closing, which specifies that the proceeds raised under the transaction will be used to advance the Company's Makhado and other core coal projects[3];
- The appointment of senior KDG executive Mr. Huang Muhui, who has been nominated by KDG given his extensive experience in managing and driving KDG's global mergers and acquisitions activities, to the board of MC Mining effective from the first close;
- The issue of 62,102,002[4] new MC Mining shares on the first close will be carried out by utilising the Company's placement capacity under ASX Listing Rule 7.1 and so will not be subject to shareholder approval;
- On the second close, KDG (or its designee) will subscribe for such number of additional shares as is required to give it a total holding of 51% of the post transaction issued share capital of MC Mining for a further US$77,029,412;

[3] Please see Schedule 1 for further information

[4] This number may increase to 63,302,002 if certain unquoted management options are exercised prior to first closing. In such circumstances, the implied issue price referred to in footnote 2 will decrease to US$0.2049

- The shares issued by MC Mining to KDG (or its designee) will be subject to up to a 12 month period of voluntary escrow, with the escrow period for each tranche commencing on the relevant issue date[5];
- The second closing is subject to a number of conditions including:
  - The Company's shareholders pass the second closing resolution at an EGM by the majorities required under item 7 of section 611 of the Corporations Act; and
  - To the extent applicable, the approval, if any, as required under the South African Competition Act, is obtained from the relevant authorities[6];
- The second closing is to be completed within 270 days of the agreement, failing which KDG has the right, if the second closing has not occurred other than as a result of KDG's breach, to request the Company to buy back the first close shares in compliance with all applicable laws including with the approval of the Company's shareholders at a general meeting[7];
- Following completion of the second closing, KDG will also be entitled (and is expected) to appoint additional directors to the board such that its nominee directors constitute a majority of MC Mining's directors; and
- A more detailed summary of the key terms of the subscription agreement (including the various conditions precedent to completion of the second closing) will be included in the meeting documents for the proposed EGM[8]

A copy of KDG's disclosure to HKSE, which includes additional disclosures required under the listing rules of HKSE, accompanies this announcement.

[5] The escrow agreement is subject to certain exceptions and its enforceability is subject to the ASX Listing Rules and applicable laws
[6] Please see Schedule 1 for further information
[7] In such circumstances, the escrow restrictions applicable to MC Mining shares held by KDG (or its designee) will also be lifted
[8] The proposed EGM is expected to be held before the end of 2024

About Kinetic Development Group

KDG is an integrated coal mining group listed on the HKSE and has a current market capitalization of over US$1.2 billion[9]. KDG's business covers the full coal value chain including mining, processing, logistics and marketing. The key coal resource under operation of the Group is the underground thermal coal Dafanpu Coal Mine.

About MC Mining Limited

MC Mining is an ASX and 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).

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

Transaction Advisors:

Kinetic Development Group Limited:

Morgan, Lewis and Bockius	Hong Kong Legal Advisors
Clayton Utz	Australian Legal Advisors
Webber Wentzel	South African Legal Advisors

MC Mining Limited:

R&A Strategic Communications	Financial PR (South Africa)
BSM Sponsors Proprietary Limited	JSE Sponsor
K&L Gates	Australian Legal Advisors to MC Mining Limited
Falcon & Hume Attorneys Inc	South African Legal Advisors to MC Mining Limited
Ares Capital Proprietary Limited	Financial advisor to MC Mining Limited

[9] Financial Times, 26 August 2024

Schedule 1

Use of Proceeds

MC Mining intends to use the proceeds raised from the issuance of new shares to KDG primarily for the following purposes:

- Maintenance, security and compliance costs related to all the projects including Makhado, Vele and the GSP.
- Commissioning of a coal handling and preparation plant at Makhado.
- Establishment of power and water infrastructure and civil works at the Makhado project.
- The partial repayment of certain outstanding loans.

Each of these matters will be set out in detail in the Use of Proceeds Plan.

Conditions precedent

There are a number of conditions precedent in the subscription agreement between MC Mining and KDG that need to be satisfied before the first closing (i.e. the completion of the issue of the first tranche of shares to KDG) and the second closing (i.e. the completion of the issue of the second tranche of MC Mining shares to KDG) may be effected the more material of which are as follows:

Conditions precedent for the first closing

- MC Mining shall have taken all necessary corporate action such that immediately on the first closing its board of directors shall have not more than seven members, including Mr Huang Muhui; and
- MC Mining shall have prepared and provided to KDG the Use of Proceeds Plan;

Conditions precedent for the second closing

- MC Mining's shareholders pass all resolution/s required under the Corporations Act (including a resolution for the purposes of Item 7 of section 611 of the Corporations Act) and the ASX Listing Rules (if applicable);
- MC Mining shall have taken all necessary corporate action such that immediately on the second closing KDG nominee directors constitute the majority of MC Mining's board (including as a result of the appointment/removal of directors as specified by KDG);
- the technical reports commissioned by KDG conclude that the geology and quality of coal at the Makhado Project is substantially consistent with the findings of MC Mining's competent person reports as previously disclosed by MC Mining to KDG; and

- if applicable, receipt of any approval required by the Competition Act of South Africa for the implementation of the Subscription Agreement shall have been granted, either unconditionally or subject to such conditions as have been approved in writing by that date, by the parties affected by such conditions, it being agreed that such approval shall not be unreasonably withheld or delayed.

Additional conditions precedent applicable to the first closing and the second closing are set out in KDG's disclosure to HKSE, a copy of which accompanies this announcement.

Kinetic Development Group Limited
力量發展集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1277)

DISCLOSEABLE TRANSACTION

SUBSCRIPTION OF SHARES IN MC MINING

THE SUBSCRIPTION

The Board is pleased to announce that on 26 August 2024 (after trading hours), the Company and MC Mining entered into the Share Subscription Agreement, pursuant to which the Company has conditionally agreed to subscribe for the Subscription Shares at the Subscription Price.

Upon completion of the Subscription, MC Mining will be held as to 51% by the Group and become a non-wholly owned subsidiary of the Group and its financial results will be consolidated into the Group.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Subscription are more than 5% and all of the applicable percentage ratios are less than 25%, the Subscription constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Shareholders and potential investors should be aware that the completion of the Subscription is conditional upon the satisfaction of multiple conditions precedent, which may or may not be satisfied. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

I. SHARE SUBSCRIPTION AGREEMENT

The principal terms of the Share Subscription Agreement are described below:

Date:	26 August 2024 (after trading hours)
Parties:	(i) The Company; and (ii) MC Mining
Subscription Shares:	The Company agrees to subscribe for and purchase, and MC Mining agrees to issue and sell to the Company certain new shares in MC Mining in the following manners: (i) at the First Closing (as defined below), the Company agrees to subscribe for and purchase, and MC Mining agrees to issue and sell to the Company such number of new shares in MC Mining (the "**First Closing Shares**"), representing approximately 13.04% of the issued share capital of MC Mining immediately after the First Closing; and (ii) at the Second Closing (as defined below), the Company agrees to subscribe for and purchase, and MC Mining agrees to issue and sell to the Company such number of new shares in MC Mining (the "**Second Closing Shares**"), which shall, together with the First Closing Shares, account for approximately 51% of the issued share capital of MC Mining immediately after the Second Closing.
Total consideration and payment:	The total consideration payable by the Company under the Share Subscription Agreement amounts to US$90,000,000, which comprises (i) US$12,970,588 to be paid at the First Closing (as defined below); and (ii) US$77,029,412 to be paid at the Second Closing (as defined below).

Use of proceeds:

MC Mining shall use the proceeds from the issuance and sale of the First Closing Shares and the Second Closing Shares to develop, exploit and operate its coal business solely and only in accordance with a plan to be delivered by MC Mining to the Company prior to the First Closing, which shall set out in reasonable detail projected time and purpose for each use of the proceeds (the "**Use of Proceeds Plan**").

Closings:

First Closing

Subject to the closing conditions for each Closing and for the First Closing specified in the Share Subscription Agreement having been waived or satisfied, the consummation of the issuance of the First Closing Shares (the "**First Closing**") shall take place as soon as practicable, but in no event later than seven (7) Business Days after the date of the Share Subscription Agreement, or at such other time and place as the Company and MC Mining shall mutually agree in writing.

On the First Closing, MC Mining shall issue the First Closing Shares to the designee of the Company and enter its name in the register of members of MC Mining as the registered holder of the First Closing Shares.

Second Closing

The consummation of the issuance of the Second Closing Shares (the "**Second Closing**") shall take place as soon as practicable, but in no event later than seven (7) Business Days after the closing conditions for each Closing and for the Second Closing specified in the Share Subscription Agreement have been waived or satisfied, or at such other time and place as the Company and MC Mining shall mutually agree in writing (together with the First Closing, the "**Closings**", each a "**Closing**").

On the Second Closing, MC Mining shall issue the Second Closing Shares to the Company or its designee (as applicable) and enter its name in the register of members of MC Mining as the registered holder of the Second Closing Shares.

Conditions precedent:

Completion of the Share Subscription Agreement is conditional upon the following conditions having been fulfilled, or waived by the Company, provided that below conditions precedent numbered (i)(a), (iii)(e), (iii)(f) and (iii)(g) shall not be waived:

(i) Conditions precedent for each Closing

(a) MC Mining shall have performed and complied in all material respects with all obligations and conditions contained in the Transaction Documents that are required to be performed or complied with by it on or before such Closing.

(b) No provision of any applicable Laws shall prohibit the consummation of any transactions contemplated by the Transaction Documents.

(c) All corporate and other proceedings in connection with the Subscription and the other Transaction Documents to be completed at such Closing and all documents incident thereto shall have been completed, and the Company shall have received all such counterpart original or other copies of such documents as it may reasonably request.

(d) Each of the parties to the Transaction Documents (other than the Company) shall have executed and delivered such Transaction Documents to the Company.

(e) The chief executive officer of MC Mining shall have executed and delivered to the Company at such Closing a certificate dated as of such Closing stating that the conditions specified in the Share Subscription Agreement have been fulfilled as of such Closing.

(ii) Additional conditions precedent for the First Closing

(a) MC Mining shall have taken all necessary corporate action such that immediately on the First Closing its board of directors shall have six (6) or seven (7) members, including appointment of Mr. Huang Muhui, who is designated by the Company as a member of the board of MC Mining with effect as of the First Closing, and evidence thereof shall have been delivered to the Company.

(b) MC Mining shall have prepared and provided to the Company the Use of Proceeds Plan.

(c) the Company shall have received opinions from the Australian counsel and the South African counsel for MC Mining, dated as of the date of the First Closing.

(iii) Additional conditions precedent for the Second Closing

(a) MC Mining shall have taken all necessary corporate action such that immediately on the Second Closing its board of directors shall have the additional directors designated by the Company as members of the board, and removal of directors as required by the Company from members of the board of MC Mining with effect as of the Second Closing, such that the Company will appoint a majority of the nominee directors of the board of directors, with the names of the directors to be nominated and/or removed by the Company to be provided to MC Mining at least five (5) business days prior to the Second Closing, and evidence thereof shall have been delivered to the Company, including the delivery of relevant approvals from the board and executed director appointment letters.

(b) Subject to certain exceptions, qualifications and disclosures specified in the Share Subscription Agreement, each of the representations and warranties of MC Mining contained in the Share Subscription Agreement shall have been true, correct, complete and not misleading when made and shall be true correct, complete and not misleading on and as of the Second Closing with the same effect as though such representations and warranties had been made on and as of the date of the Second Closing, except in either case for those representations and warranties that address matters only as of a particular date, which representations will have been true and complete as of such particular date.

(c) There shall have been no material adverse effect as of the Second Closing.

(d) The technical reports commissioned by the Company prior to the First Closing conclude that the geology and quality of coal at the Makhado Project is substantially consistent with the findings of MC Mining's Competent Persons' Reports previously disclosed to the Company.

(e) MC Mining's shareholders pass a resolution approving the Second Closing by the majorities required under the Corporations Act and the other applicable provisions of the Company's constitution, the Corporations Act and the ASX Listing Rules (as applicable).

(f) MC Mining's ordinary shares shall have continued to be quoted for trading on ASX.

(g) To the extent applicable, the approval, if any, required by the South African Competition Act for the implementation of the Share Subscription Agreement shall have been granted, either unconditionally or subject to such conditions as have been approved in writing by that date, by the parties affected by such conditions, it being agreed that such approval shall not be unreasonably withheld or delayed.

Company's right to share buy-back:

Subject to the Share Subscription Agreement, if the Second Closing does not occur for any reason, other than as a result of a breach of the Share Subscription Agreement by the Company, within 270 days after the date of the Share Subscription Agreement, the Company may give a notice ("**Buy-Back Demand**") to MC Mining requesting MC Mining to buy-back the Company's First Closing Shares.

On receipt of a Buy-Back Demand from the Company, MC Mining shall, subject to the receipt by MC Mining of requisite shareholders' approval under the Corporations Act, proceed to buy-back MC Mining's First Closing Shares, at the Subscription Price per First Closing Share.

Material representations and warranties:

MC Mining represents and warrants to the Company, among other things, that the following statements are true, correct, complete and not misleading:

(i) Each Target Group Company is the sole record and beneficial holder of all of the equity securities of its applicable subsidiary(ies), free and clear of all encumbrances of any kind other than those arising under applicable law.

(ii) MC Mining is not required to obtain the approval of its shareholders under the Corporations Act or the ASX Listing Rules for the issuance of the First Closing Shares to the Company.

(iii) As of the date on which MC Mining issues a Cleansing Statement under the Share Subscription Agreement, the Company is entitled to rely on the sale offer exemption under section 708A(5) of the Corporations Act in respect of the ordinary shares to which the Cleansing Statement relates.

(iv) MC Mining has complied with all its disclosure requirements under the Corporations Act and the ASX Listing Rules and there is no material information or circumstance which MC Mining is not obliged to notify ASX about, pursuant to ASX Listing Rule 3.1 and it is not withholding any information in reliance on the exemption in ASX Listing Rule 3.1A other than in respect of the transactions contemplated by the Share Subscription Agreement.

(v) The audited consolidated balance sheet and income statements and cash flows for the Target Group as of and for the twelve-months ended 30 June 2023 and the unaudited consolidated balance sheet (the "**Balance Sheet**") and income statements and cash flows for the Target Group as of and for the six-months ended 31 December 2023 (the "**Statement Date**") (a) have been prepared in accordance with the books and records of the Target Group Companies, (b) fairly present in all material respects the financial condition and position of the Target Group Companies as of the dates indicated therein and the results of operations and cash flows of the Target Group Companies for the periods indicated therein, except in the case of unaudited financial statements for the omission of notes thereto and normal year-end audit adjustments that are not expected to be material, and (c) were prepared in accordance with the accounting standards applied on a consistent basis throughout the periods involved.

(vi) Since the Statement Date, there has not been any material adverse effect or any material change in the way the Target Group Company conducts its business.

(vii) No Target Group Company has any liabilities of the type that would be disclosed on a balance sheet in accordance with the applicable accounting standards, except for (i) liabilities set forth in the Balance Sheet that have not been satisfied since the Statement Date, and (ii) current liabilities incurred since the Statement Date in the ordinary course of the Target Group Company business consistent with its past practices and which do not exceed US$2,000,000 in the aggregate.

(viii) The Target Group Companies are the holders of the mining rights and there are no encumbrances registered or otherwise existing in relation to the mining rights.

(ix) Each Target Group Company operated the coal business and the coal assets in compliance, and the coal business and the coal assets are currently in compliance in all material respects with all applicable environmental, health and safety laws, except where the failure to do so would not have a material adverse effect.

II. BASIS OF DETERMINATION OF CONSIDERATION

The total consideration payable by the Company under the Subscription amounts to US$90,000,000, which was negotiated on an arm's length basis between the Company and MC Mining, and also taking into account, on the part of the Company, (i) the valuation of 100% equity interest in MC Mining of US$217.1 million as at 30 June 2024 as appraised by an independent valuer adopting the discounted cash flow method of the income approach and the market approach (the "**Valuation**"). Further details of such Valuation are set out in the section headed "Valuation" below; (ii) the consolidated assets and net assets of MC Mining as of 31 December 2023 of US$124,783,000 and US$83,771,000 respectively; (iii) the total market capitalisation amount of MC Mining of US$10,416,576 as quoted on ASX, where MC Mining maintains its primary listing, and US$37,192,877 as quoted on JSE, where MC Mining maintains its secondary listing, both as at 23 August 2024, being the last trading day of MC Mining's shares on ASX and JSE prior to the date of this announcement; (iv) the liquidity and price history of the shares of MC Mining on ASX and JSE; and (v) the proportional interest of the Group in MC Mining and the fact that it will become a non-wholly owned subsidiary of the Group upon completion of the Subscription.

The consideration will be funded by internal resources of the Group.

III. INFORMATION OF MC MINING

MC Mining is a company operating in South Africa primarily engaged in steelmaking, coal and thermal coal exploration, development and mining. It has maintained a primary listing on ASX with a secondary listing on the JSE. MC Mining's key projects include the Uitkomst Colliery, Makhado Project, Vele Colliery and the Greater Soutpansberg Projects, located in different regions of South Africa.

As at the date of this announcement, MC Mining has a total of 414,013,349 issued shares, among which 93.69% are directly owned by Goldway Capital Investment Limited and its members. Based on publicly available information, Goldway Capital Investment Limited is in turn held as to 41.23% by Senosi Group Investment Holdings Proprietary Limited, a company controlled by the family trust of Mr. Mathews Senosi, the Chairman of MC Mining, and by other shareholders each holding less than 10% equity interest. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, MC Mining and its ultimate beneficial owners are third party independent of the Company and the connected persons of the Company.

Upon completion of the Subscription, MC Mining will be held as to 51% by the Group and become a non-wholly owned subsidiary of the Group and its financial results will be consolidated into the Group.

Major Assets and Operational Status

MC Mining currently owns four key projects with 27 mining rights in total, the details of which are summarised below:

(1) Uitkomst Colliery

Uitkomst Colliery is an operating high-grade metallurgical and thermal coal colliery with its single mining right held by Uitkomst Colliery Proprietary Limited, a subsidiary indirectly owned by MC Mining as to 84%. The current mining right was granted over various properties situated at magisterial district of Utrech Coalfield, in the KwaZulu-Natal Province of South Africa, with an area of 11,169.40 hectares, and will expire on 20 November 2052.

Based on the public information disclosed by MC Mining on the ASX, Uitkomst Colliery sells a 0 to 40 mm (duff) product into the metallurgical domestic market for use as pulverised coal, and it supplies sized coal (peas) products to local energy generation facilities and also sells smaller volumes of a high-ash, coarse discard coal (middlings) product.

(2) Makhado Project

Makhado Project is a steelmaking hard coking and thermal coal exploration and evaluation project with its mining right owned by Baobab Mining and Exploration Proprietary Limited, a subsidiary indirectly owned by MC Mining as to 67.3%. The project is situated in the Soutpansberg Coalfield, in the Limpopo Province of South Africa, with an area of 7,651.28 hectares. The current mining right will expire on 25 January 2046.

Based on the public information disclosed by MC Mining on the ASX, MC Mining has initiated certain early works at the Makhado Project and aims to develop the project into South Africa's pre-eminent steelmaking hard coking coal producer.

(3) Vele Colliery

Vele Colliery is a semi-soft coking and thermal coal colliery with its mining right held by Limpopo Coal Company Proprietary Limited, a wholly-owned subsidiary of MC Mining. The coal is located in the Tuli Coalfield, in the Limpopo Province of South Africa, with an area of 8,662.73 hectares. The current mining right will expire on 18 March 2040.

Based on the public information disclosed by MC Mining on the ASX, Vele Colliery was recommissioned in December 2022 after having been on care and maintenance since late 2013.

(4) Greater Soutpansberg Projects

Greater Soutpansberg Projects are three exploration stage coking and thermal coal projects, namely (i) Mopane – eight mining rights for this project have been legally executed. The projects are located in the magisterial district of Makhado, in the Limpopo Province of South Africa, and the mining rights are owned by MC Mining and various non-wholly owned subsidiaries indirectly owned by MC Mining as to 74%, covering a total area of 24,757.73 hectares and expiring between the years 2047 and 2049 respectively; (ii) Generaal – eight mining rights for this project have been legally executed. The project is located in the magisterial district of Musina, Vhembe and Makhado, in the Limpopo Province of South Africa, and the mining rights are owned by MC Mining and various non-wholly owned subsidiaries indirectly owned by MC Mining as to 74%, covering a total area of 19,767.18 hectares and expiring between the years 2047 and 2049 respectively; and (iii) Chapudi – eight mining rights for this project have been legally executed. The project is located in the magisterial district of Makhado in the Limpopo Province of South Africa and the mining rights are owned by MC Mining and various non-wholly owned subsidiaries indirectly owned by MC Mining as to 74%, covering a total area of 47,178.38 hectares and the mining rights are expiring in 2047.

Based on the public information disclosed by MC Mining on the ASX, as at the date of this announcement, the Greater Soutpansberg Projects are in exploration and development stage.

Major Financial Data of MC Mining

According to the published consolidated financial statements of MC Mining, (i) for the financial year ended 30 June 2022, its net losses before and after taxation were US$20,719,000 and US$20,835,000 respectively; (ii) for the financial year ended 30 June 2023, its net losses before and after taxation were US$4,008,000 and US$4,398,000 respectively; and (iii) the consolidated assets and net assets of MC Mining as of 31 December 2023 were US$124,783,000 and US$ 83,771,000 respectively.

IV. INFORMATION OF THE COMPANY

The Company is a limited company incorporated in the Cayman Islands with limited liability and its shares are listed on the main board of the Stock Exchange. The principal business of the Company, together with its subsidiaries, is extraction and sales of coal products.

V. VALUATION

Since the discounted cash flow method of the income approach was adopted in the preparation of the Valuation, such Valuation constitutes profit forecasts under Rule 14.61 of the Listing Rule. For the purpose of complying with Rule 14.60A of the Listing Rules, details of the principal assumptions, including commercial assumptions, upon which the Valuation was based are as follows:

(1) The Target Group will continue to operate as a going concern and has sufficient liquidity and capability to achieve the business development; all relevant permits, business certificates, licenses and legal approvals to operate the business in the localities in which the Target Group operates or intends to operate would be officially obtained and renewable upon expiry with de minimis expenses;

(2) There will be sufficient supply of technical staff in the industry in which the Target Group operates or intends to operate, and the Target Group will retain competent management, key personnel and technical staff to support their ongoing operations and developments;

(3) There will be no major changes in the current taxation laws in the localities in which the Target Group operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

(4) There were no major changes in the financial position and performance of the Target Group between 30 June 2024 and the date of the valuation report, i.e. 26 August 2024;

(5) There will be no major changes in the political, legal, economic or market conditions in the localities in which the Target Group operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Target Group;

(6) There will be no material changes in the relevant interest rates and exchange rates that would impact the Target Group's business; and

(7) There are no undisclosed actual or contingent assets or liabilities, no unusual obligations or substantial commitments, other than in the ordinary course of business and as reflected in the financials, nor any litigation pending or threatened, which would have a material impact on the value of the Target Group as of 30 June 2024.

The Board has confirmed that they have made the forecast after due and careful enquiry. The letter from the Board has been set out in Appendix I. The reporting accountants of the Company, KPMG, have reported on the calculations of the discounted future cash flows used in the valuation. The report from KPMG on the calculations of the discounted future cash flows used in the valuation has been set out in Appendix II. The discounted future cash flows do not involve the adoption of accounting policies.

The following are the qualifications of the experts who have given their opinion in this announcement:

Name	**Qualification**
Win Bailey Valuation and Advisory Limited ("**Win Bailey**")	Independent professional valuer
KPMG	Certified Public Accountants

As at the date of this announcement, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, each of Win Bailey and KPMG is an independent third party. Neither Win Bailey nor KPMG has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for securities in any member of the Group.

As at the date of this announcement, neither Win Bailey nor KPMG had any direct or indirect interests in any assets which have been, since 31 December 2023 (the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Each of Win Bailey and KPMG has given and has not withdrawn its consent to the publication of this announcement including its report or letter and all references to its name in the form and context in which it respectively appears in this announcement.

VI. REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Subscription represents a major milestone in the Company's strategy to expand its global footprint. The Group has an established track record of successful and profitable coal mining operations in the PRC, while MC Mining is holding various coal mining assets in South Africa with promising potentials, which remains largely untapped as of the date hereof. The Board believes that there are clear synergies for the cooperation between the Group and MC Mining and is confident that, upon completion of the Subscription and after consolidating MC Mining as a non-wholly owned subsidiary of the Group and combining the respective management expertise of both the Group and MC Mining, the business and operational prospects of MC Mining will be elevated to the next level. As disclosed in the interim results announcement of the Company dated 19 August 2024, the Group is actively seeking potential mining project targets. The Subscription aligns with the overall development strategies of the Group and allows the Group to leverage its industry expertise to develop valuable mining assets across key regions. The added scale and diversification from the Subscription will also improve the Group's risk profile and long-term sustainability. The Board also believes that the Subscription represents an attractive opportunity to expand its business overseas and to create value to the Shareholders.

The terms and conditions of the Share Subscription Agreement are negotiated on an arm's length basis between the parties thereto. The Board (including the independent non-executive Directors) is of the view that the terms of the Share Subscription Agreement are fair and reasonable, and the Subscription are in the interest of the Company and Shareholders as a whole.

VII. MAJOR RISKS OF THE SUBSCRIPTION

(i) Risk of uncertainties in completion of the Subscription

Completion of the Subscription is subject to certain conditions precedent beyond control of the Company and MC Mining (see the section headed "Conditions precedent" above). There are uncertainties in whether the Subscription can be completed.

(ii) Operational risk of the projects

The major assets of MC Mining are located in South Africa, where the politics, economics and culture are different from those of China. The Company will bear risks in management and operation after completion of the Subscription.

The Uitkomst Colliery is the MC Mining's only project in current production. It is expected that MC Mining's profit will improve rapidly after the Makhado Project commences production. However, MC Mining may bear certain short-term difficulties in its operation. There are risks that the mining volume may not reach the designated production capacity; there may be declining of ore grade; the grade of mined ores may fall short of the designated grade, and the volumes of metals mined and produced may be lower than expectation. These may adversely affect the economic benefits of the Subscription.

(iii) Political and legal risks

The Subscription should observe the laws and regulations of relevant countries and regions; hence there are risks of governments and regulatory authorities initiating investigations or introducing policies against the Subscription. The execution of the Subscription will strictly comply with the policies and laws of the relevant countries and regions, in order to effectively control the policy and legal risks.

(iv) Foreign exchange risks

The Subscription will be settled in US$. The continuous fluctuations in the exchange rate will bring foreign currency risks to the Subscription to a certain extent.

(v) Market risks

Market risks lie in the future price trend of coal. If the coal prices fluctuate substantially in the future, there will be uncertainties as to the profitability of the project, which has impact on the value of MC Mining.

VIII. IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the Subscription are more than 5% and all of the applicable percentage ratios are less than 25%, the Subscription constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Shareholders and potential investors should be aware that the completion of the Subscription is conditional upon the satisfaction of multiple conditions precedent, which may or may not be satisfied. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

IX. DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

"ASX"	Australian Securities Exchange
"ASX Listing Rules"	official listing rules of ASX, as amended from time to time
"Board"	the board of Directors
"Company"	Kinetic Development Group Limited (formerly known as Kinetic Mines and Energy Limited), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
"Corporations Act"	Corporations Act 2001 (Cth) of Australia
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"JSE"	Johannesburg Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MC Mining"	MC Mining Limited ACN 008 905 388, a company incorporated under the Laws of Australia and its securities are listed on the JSE and ASX (ASX: MCM)
"PRC"	the People's Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan
"Share Subscription Agreement"	the share subscription agreement dated 26 August 2024 entered into between the Company and MC Mining in relation to the subscription of the Subscription Shares by the Company
"Shareholders"	the shareholders of the Company
"South Africa"	the Republic of South Africa

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	the subscription of the Subscription Shares by the Company pursuant to the terms of the Share Subscription Agreement
"Subscription Price"	US$90,000,000, being the total amount payable by the Company to MC Mining for the Subscription pursuant to the Share Subscription Agreement
"Subscription Share(s)"	the First Closing Shares and the Second Closing Shares
"Target Group Company(ies)" or "Target Group"	MC Mining and its subsidiaries
"Transaction Documents"	the Share Subscription Agreement and each of such agreements and documents as contemplated by, and/or annexed and exhibited to, the Subscription, and each of the other agreements and documents otherwise required in connection with implementing the transactions contemplated by any of the foregoing
"US$"	United States dollars, the lawful currency of United States
"%"	per cent

By Order of the Board
Kinetic Development Group Limited
Ju Wenzhong
Chairman and Executive Director

Hong Kong, 26 August 2024

As at the date of this announcement, the Board comprises seven Directors, of whom three are executive Directors, namely Mr. Ju Wenzhong (Chairman), Mr. Li Bo (Chief Executive Officer) and Mr. Ji Kunpeng; one is a non-executive Director, namely Ms. Zhang Lin; and three are independent non-executive Directors, namely Ms. Liu Peilian, Mr. Chen Liangnuan and Ms. Xue Hui.

26 August 2024

Listing Division
The Stock Exchange of Hong Kong Limited
12th Floor, Two Exchange Square,
8 Connaught Place, Central, Hong Kong

Dear Sirs,

DISCLOSEABLE TRANSACTION – SUBSCRIPTION OF SHARES IN MC MINING

We refer to the announcement of Kinetic Development Group Limited (the "**Company**") dated 26 August 2024 (the "**Announcement**") relating to the captioned transaction. Capitalized terms used in this letter shall have the same meanings as those defined in the Announcement unless stated otherwise.

We refer to the valuation report dated 26 August 2024 issued by Win Bailey (the "**Valuation Report**") regarding the valuation of 100% equity interest of MC Mining of US$217.1 million as at 30 June 2024 (the "**Valuation**") based on the market approach and discounted cash flows, which constitutes a profit forecast under Rule 14.61 of the Listing Rules.

We have discussed with the Win Bailey about different aspects including the bases and assumptions based upon which the Valuation has been prepared, and reviewed the Valuation for which Win Bailey is responsible. We have also considered the report from KPMG dated 26 August 2024 regarding whether the discounted future cash flows used in the Valuation, so far as the calculations are concerned, have been properly compiled in all material respects in accordance with the bases and assumptions set out in the Valuation Report, which the Board has relied on, in all material respects. We have noted that the profit forecasts in the Valuation are mathematically accurate and the discounted cash flows will not be affected by accounting policies.

Pursuant to the requirements of the Listing Rules, the Board confirmed that the Valuation prepared by Win Bailey has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of the Board
Kinetic Development Group Limited
Ju Wenzhong
Chairman and Executive Director

The following is the text of a report received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for inclusion in this announcement.

KPMG

REPORT ON THE DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE VALUATION OF 100% EQUITY INTEREST IN MC MINING LIMITED AND ITS SUBSIDIARIES

To the Board of Directors of Kinetic Development Group Limited

We refer to the discounted future cash flows on which the valuation (the "**Valuation**") dated 26 August 2024 prepared by Win Bailey Valuation and Advisory Limited in respect of the appraisal of the fair market value of 100% equity interest in MC Mining Limited and its subsidiaries (the "**Target Group**") as at 30 June 2024 is based. The Valuation is prepared based in part on the discounted future cash flows and is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Directors' Responsibilities

The directors of Kinetic Development Group Limited (the "**Directors**") are responsible for the preparation of the discounted future cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements" which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to report, as required by paragraph 14.60A(2) of the Listing Rules, on the calculations of the discounted future cash flows used in the Valuation. The discounted future cash flows do not involve the adoption of accounting policies.

Basis of Opinion

We conducted our engagement in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the calculations are concerned, the Directors have properly compiled the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation. We performed procedures on the arithmetical calculations and the compilations of the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation.

Other matters

Without qualifying our opinion, we draw to your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flows are based and our work does not constitute any valuation of the Target Group or an expression of an audit or review opinion on the Valuation.

The discounted future cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Further, since the discounted future cash flows relates to the future, actual results are likely to be different from the discounted future cash flows because events and circumstances frequently do not occur as expected, and the differences may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.60A(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

KPMG
Certified Public Accountants
Hong Kong
26 August 2024