



MC Mining Limited

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MAKHADO, VELE AND GSP UPDATES ALTERNATIVE DEVELOPMENT SCENARIOS

MC Mining Limited (**MC Mining** or the **Company**) is pleased to provide an update for its activities, including the Limpopo projects: Makhado hard coking coal project (**Makhado Project, Makhado** or the **Project**), Vele Colliery (**Vele**) and Greater Soutpansberg Projects (**GSP**).

Makhado Project Update

MC Mining announced the completion of the Bankable Feasibility Study (**BFS**) for its fully licenced, shovel ready (subject to further funding) Makhado Project, on 13 April 2022. The BFS was prepared by Minxcon (Pty) Ltd (**Minxcon**), an independent mining industry consulting firm, and is a key milestone in securing the funding for the Project. Seeking to unlock near-term shareholder value, the 'Base Case' development plan in the BFS was designed to minimise the upfront capital expenditure by utilising the existing Vele Colliery infrastructure, as this mine currently remains on care and maintenance.

The BFS is supported by a JORC compliant Coal Resource of 296 million mineable tonnes in situ (**MTIS**). The BFS assessed the mining of 3.2 million tonnes per annum (**Mtpa**) of run of mine (**ROM**) coal from the Makhado West Pit. This coal was planned to be crushed and screened at Makhado and the resulting 2.0Mtpa of -31.5mm coal transported 134km to the modified Vele Colliery coal processing plant (**CPP**) for processing. The Vele plant would yield an average of 0.5Mtpa of a mid-volatile hard coking coal (**HCC**) for sale domestically and internationally, and 0.6Mtpa of a 5,500kcal thermal coal by-product. The saleable coal would need to be transported 55km to the Musina railway siding for sale to customers.

The salient features of the Makhado Project are:

- Coal Resources of 296 MTIS in the Measured and Indicated categories
- Coal Reserves of 69.3 million tonnes (**Mt**) in the Proved and Probable categories
- Overall stripping ratio over the life of mine (**LOM**) is 2.48:1.0 (bank cubic metres of waste: tonne of coal)
- 25.6Mt of saleable coal produced over the LOM comprising:

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

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

- 13.7Mt of HCC
- 11.9Mt of 5,500kcal thermal coal
- Approximately 22 years LOM
- Outsourcing of mining and processing operations
- Creation of an estimated 650 permanent employment positions

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

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

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

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

	Base Case	Scenario 1: Move Vele CPP to Makhado	Scenario 2: Build new CPP at Makhado
Average payback period (years)	3.8	3.2	3.5

¹Timelines to be confirmed during detailed design phase

²Average of ZAR16.80:US\$1.00 for July 2022

³ Average of \$254/t for July 2022

⁴ Average of \$342/t for July 2022

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

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

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

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

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

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

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

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

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

Vele Colliery

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

The option of building a CPP at Makhado has resulted in the assessment of potential alternative exploitative scenarios for the Vele Colliery. The previously envisaged phased approach to the development of Makhado Project would have resulted in the processing of Makhado's crushed and screened coal at the Vele CPP which would have required modifications to the Vele CPP of approximately ZAR397m.

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

Other Limpopo Exploration Assets

MC Mining has interests in various exploration assets in the Limpopo province, including the three project areas comprising the GSP, namely Chapudi, Generaal and Mopane. These are all longer-term development opportunities and the Company is in the process of re-assessing the carrying values of these projects given their longer-term development horizons and the current focus on other projects.

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

“MC Mining has made very pleasing progress during the last four months. This includes securing the standby loan facility which ensured the Company had sufficient liquidity while it builds-up inventory prior to accessing international thermal coal markets. This has been achieved by reaping the benefit of coal prices which remain favourable due to geopolitical events and the global energy shortage.

The Company has also enhanced the Makhado Bankable Feasibility Study, ensuring we have assessed opportunities to maximise the Project’s economic returns. Once developed, Makhado is expected to be South Africa’s pre-eminent coking coal mine and would replace a significant amount of imported hard coking coal. MC Mining continues to explore potential marketing strategies for Makhado’s coal while the composite funding package for the development of the Project is being concluded. We are planning to commence with certain early-works activities at Makhado later in CY2022 and funding dependent, construction is planned to commence in early CY2023.”

Godfrey Gomwe

Managing Director and Chief Executive Officer

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

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014, as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended.

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

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About MC Mining Limited:

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

All figures are denominated in United States dollars unless otherwise stated. Safety metrics are compared to the preceding quarter while financial and operational metrics are measured against the comparable period in the previous financial year. A copy of this report is available on the Company's website, www.mcmMining.co.za.

Forward-looking statements

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

Statements of intention

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

Term	Definition
API4	Standard grade of South African export coal with a calorific value of 6,000kcal/kg
BOOT	build, own, operate, transfer
BFS	Bankable feasibility study
CPP	coal processing plant
HCC	hard coking coal
JORC	Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2012 Edition
Indicated Coal Resource	Maximum distance between points of observation of 1,000 metres (m) and a maximum Halo radius of 500m
Inferred Coal Resource	Maximum distance between points of observation of 4,000m and a maximum Halo radius of 2,000m

Term	Definition
Measured Coal Resource	Maximum distance between points of observation of 500m and a maximum Halo radius of 250m
Mt	million tonnes
MTIS	mineable tonnes in situ
Mtpa	million tonnes per annum
NPV	net present value
LOM	life of mine
Probable Coal Reserves	a Probable Coal Reserve is the economically mineable part of an Indicated, and in some circumstances, a Measured Coal Resource. The confidence in the modifying factors applying to a Probable Coal Reserve is lower than that applying to a Proved Coal Reserve.
Proved Coal Reserve	a Proved Coal Reserve is the economically mineable part of a Measured Coal Resource. A Proved Coal Reserve implies a high degree of confidence in the Modifying Factors.
ROM	run of mine
SAMREC	South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves