



MC Mining Limited

Previously Coal of Africa Limited
(Incorporated and registered in Australia)
Registration number ABN 008 905 388
ISIN AU000000MCM9
JSE share code: MCZ
ASX/AIM code: MCM

HALF-YEAR RESULTS FOR PERIOD ENDED 31 DECEMBER 2022

MC Mining Limited (**MC Mining** or the **Company**) is pleased to announce its interim financial report for the six months ended 31 December 2022. All figures are denominated in United States dollars unless otherwise stated and the full interim report is available on the Company's website, www.mcmMining.co.za.

Financial review

- The loss after tax for the Period was \$1.3 million or 0.50 cents per share (FY2022 H1: loss after tax of \$0.8 million or 0.54 cents per share) primarily due to an income tax expense of \$1.0 million (FY2022 H1: credit of \$0.5 million);
- Revenue of \$14.0 million (FY2022 H1: \$13.0 million) and cost of sales of \$10.1 million (FY2022 H1: \$10.9 million), resulting in a gross profit of \$3.9 million (FY2022 H1: gross profit of \$2.1 million);
- Administrative expenses of \$4.1 million (FY2022 H1: \$2.9 million) which included non-cash employee expenses of \$0.6 million (FY2022 H1: \$0.4 million);
- Finance costs of \$1.1 million (FY2022 H1: \$0.9 million);
- Fully underwritten Rights Issue completed in November 2022 raising net proceeds of \$21.4 million;
- Loan repayments of \$5.1 million (FY2022 H1: \$0.6 million) including \$3.5 million settled in equity as part of the Rights Issue; and
- Cash and cash equivalents of \$20 million compared to cash and cash equivalents of \$3 million at 30 June 2022.

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

"The Company made pleasing progress during the six months, the most notable achievements being the completion of the A\$40 million Rights Issue, the recommencement of operations at the Vele Colliery, extension of the Marketing Agreement with Overlooked and commencement of detailed planning for the construction of the Makhado Project.

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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, Khomotso Mosehla, Mathews Senosi, Yi He, Julian Hoskin

The completion of the underwritten Rights Issue confirmed the continued robust support of our anchor shareholders and provided an opportunity for new equity investors to participate in the Company's growth strategy. This was completed despite the current volatile market and uncertain economic environment. The additional capital transformed the Company's balance sheet and facilitated the settlement of over \$5.1 million of debt. The Rights Issue is a further key milestone towards raising the financing required for the flagship Makhado Project as it unlocks other sources of funding, enabling the positioning of MC Mining as the only large-scale producer of hard coking coal in South Africa.

The Makhado CPP optimisation study was completed during the period, confirming the benefits of increasing the Makhado CPP annual ROM feed capacity from 3 million tonnes per annum to 4 million tonnes per annum. These indicative volumes have been used in the detailed Makhado CPP and infrastructure design work as well as revised mine plans that are on track to be completed by the end of Q1 CY2023 and includes increased confidence levels for capital and operating cost estimates. The Company's directors approved expenditure of ZAR71.3 million (\$4.1 million) on early works at Makhado and this commenced in February 2023 while the funding initiatives for the balance of the capital required continued during the period and these are expected to be finalised as previously guided in first half of CY2023.

The Vele Aluwani Colliery had been on care and maintenance for almost ten years and during this time the Company assessed various strategies to utilise the asset. During December 2022, the Company signed the Mining Agreement with HOS and coal sales commenced in January 2023 with ramp-up to full production expected in April/May 2023. The recommissioning of Vele created 303 permanent job positions and the resumption of production will also alleviate any 'use it or lose it' risk associated with unutilised mining assets in South Africa."

Operational review

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

Safety continues to be a key focus and three lost-time injuries (LTIs) reported at the Uitkomst metallurgical and thermal coal colliery (**Uitkomst Colliery** or **Uitkomst**) during the Period (FY2022 H1: three LTIs).

Uitkomst sells an up to 40mm (duff) product into the metallurgical domestic market for use as pulverised coal. The colliery also sells unsized thermal coal into the export coal market via the Coal Sales and Marketing Agreement (**Marketing Agreement**) with Overlooked Collieries (Pty) Ltd (**Overlooked**). Uitkomst supplies sized coal (peas) products to local energy generation facilities and also sells smaller volumes of a high-ash, coarse discard coal (**middlings**) product. The initial Marketing Agreement with Overlooked was signed in July 2022 and was due to expire on 31 December 2022 and has been extended for a further six months to June 2023.

Uitkomst produced 225,389 tonnes (t) (H1 FY2022: 217,228t) of run of mine (ROM) coal during the period and the colliery had 27,058t (H1 FY2022: 10,803t; FY2022: 15,534t) of saleable product at site at the end of the period with a further 36,764t at port (H1 FY2022: nil t; FY2022: 22,169t). Uitkomst sold 104,855t of coal during the six months consisting of 98,924t of high-grade peas and duff, with 71,955t exported (H1 FY2022: nil t) and the balance sold domestically. The exported volumes are 5,352t lower than previously reported following the subsequent receipt of an updated third-party confirmation. The colliery also sold 5,931 tonnes of lower grade middlings coal (H1 FY2022: 11,655t).

Despite the challenging geological conditions and increased incidence of electricity outages due to lack of supply from Eskom, the state power utility, Uitkomst generated pleasing results for the period with revenue of \$14.0 million (H1 FY2022: \$13.0 million) yielding a gross profit of \$3.9 million (H1 FY2022: \$2.1 million).

| | FY2023 H1 | FY2022 H1 | %▲ |
|---|----------------|----------------|-----------------|
| Production volumes | | | |
| Uitkomst ROM (t) | 225,389 | 217,228 | 4% |
| Inventory volumes | | | |
| High quality duff and peas at site (t) | 27,058 | 10,803 | >100% |
| High quality duff and peas at port (t) | 36,764 | - | 100% |
| | 63,822 | 10,803 | >100% |
| Sales tonnages | | | |
| Domestic high-quality duff and peas (t) | 26,969 | 107,953 | (75%) |
| Export high-quality duff and peas (t) | 71,955 | - | 100% |
| Middlings sales (t) | 5,931 | 11,655 | (49%) |
| | 104,855 | 119,608 | (12%) |
| Quarter financial metrics | | | |
| Net revenue/t (\$) | 134 | 109 | 23% |
| Net revenue/t (ZAR) | 2,321 | 1,636 | 42% |
| Production cost/saleable tonnes (\$) | 105 | 85 | 24% |

MC Mining increased its interest in the Uitkomst Colliery during the period when it bought back the 14% interest belonging to a black industrialist shareholder, for \$0.5 million. The terms of the transaction ensure that the Uitkomst equity purchased satisfies the 'once empowered, always empowered' principle in South Africa.

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

No LTIs were recorded at Makhado during the period (H1 FY2022: nil LTIs).

MC Mining's flagship Makhado hard coking coal project (**Makhado Project** or **Makhado**) has secured the regulatory approvals and surface rights over the mining and processing areas. MC Mining is heavily invested in the Makhado Project as the complex regulatory environment in South Africa demanded significant capital and time investment to achieve its current 'shovel ready' status.

The development of the Makhado Project is expected to deliver positive returns for shareholders and position MC Mining as South Africa's pre-eminent hard coking coal (**HCC**) producer. During the period, the Company appointed Erudite (Pty) Ltd (**Erudite**) to complete the detailed planning for a full process design for the Makhado coal processing plant (**CPP**). Erudite expects to complete the planning during H1 CY2023 and this plan is also required by potential funders to complete their assessments.

The Company also employed independent consultants to review the Makhado mine plan and this forms part of the detailed execution plan. MC Mining's directors approved the commencement of early works Makhado and the Company allocated ZAR71.3 million (\$4.1 million) to this and expects to have this completed at the end of H1 CY2023. The early works commenced in February 2023 and include amongst others, a bridge and internal roads, initial bulk earthworks, site security and communication infrastructure.

The Makhado CPP optimisation study was completed by independent experts during the period and the results of this study are being used in Erudite's detailed CPP and infrastructure design work. The planned Makhado CPP annual ROM feed capacity is expected to increase from 3.0 million tonnes per annum (**Mtpa**) to 4.0 Mtpa in addition to further refinement of the CPP design.

Makhado is expected to produce HCC with an ash content of less than 10% and would be the only significant HCC producer in South Africa resulting in obvious advantages for South African steel producers. Development of Makhado is also expected to have a positive impact on employment and the general Limpopo province economy resulting in the creation of approximately 650 direct jobs. The funding initiatives for Makhado continued during the period and these are expected to be finalised in first half of CY2023 following completion of the detailed designs for the Makhado CPP and updated mine plan.

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

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

The Vele Colliery had been on care and maintenance since late CY2013 and the Company assessed various strategies to utilise the asset. These assessments confirmed the significant capital and technical investment required to optimise production at the colliery. Following the increase in international thermal coal prices in CY2022, the outsourcing of operations at Vele was identified as the optimal strategy as this would secure the necessary investment from a third party to de-water the opencast pit, modify and recommission the CPP and remove a significant portion of the ongoing costs associated with the colliery.

The assessment of outsourcing opportunities resulted in the conclusion of a five-year Contract Mining Agreement (**Mining Agreement**) with Hlaletshembeni Outsourcing Services (Pty) Ltd (**HOS**) in December 2022. HOS is mining in terms of an agreed mine plan on an exclusive basis until 22 December 2027 and is targeting monthly production of 60,000t of saleable thermal coal from Vele. HOS is responsible for all mining and processing costs while the Company remains responsible for the colliery's regulatory compliance, rehabilitation guarantees, relationships with authorities and communities as well as the supply of electricity and water.

HOS recommissioned the Vele CPP in late December 2022 and first coal sales commenced in early CY2023. Operations at the colliery are expected to ramp-up to full production during Q2 CY2023. The recommissioning of the Vele Colliery adds a further cash generating unit to MC Mining's portfolio, with limited financial or human capital contributions and is a potential funding contributor for Makhado. The recommencement of operations at Vele created 303 permanent job positions and also alleviates any 'use it or lose it' risk associated with unutilised mining assets in South Africa.

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

The GSP reported no LTIs during the period (H1 FY2022: nil LTIs).

The South African Department of Mineral Resources & Energy has granted mining rights for the three project areas comprising the GSP, namely, Chapudi, Mopane and Generaal.

The three GSP project areas contain over 7.0 billion gross tonnes in situ of inferred HCC, semi-soft coking coal and thermal coal resources. The exploration and development of the GSP is the catalyst for MC Mining's long-term growth and positions the Company to be a potential long-term domestic and export metallurgical coal supplier. The Company anticipates commencing with the various studies required for the outstanding water and environmental regulatory approvals following the construction of the Makhado Project.

Corporate

IDC loans

The Industrial Development Corporation of South Africa Limited (**IDC**) is a 6.7% shareholder in MC Mining's subsidiary, Baobab Mining & Exploration (Pty) Ltd, the owner of the Makhado Project. The bank continues to provide support for the development of Makhado. MC Mining previously utilised the existing IDC loan facility to develop the project and during the period, the IDC extended the date for repayment of the ZAR160 million loan (\$9.4 million) plus interest thereon, as well as the terminal draw down date of the new ZAR245 million (\$14.4 million) loan facility, to 30 June 2023. Draw down of the additional ZAR245 million (\$14.4 million) loan facility remains subject to the IDC confirming its due diligence and credit approval.

Fully underwritten Rights Issue

In November 2022, MC Mining completed a fully underwritten 1.012 for 1 renounceable rights issue (the **Rights Issue**) of new ordinary shares of no par value in the Company (each, a **New Share**) at an

issue price of A\$0.20 per New Share for eligible shareholders in Australia and New Zealand, and at ZAR2.36 per New Share for eligible shareholders in South Africa. The Rights Issue raised gross proceeds of A\$40 million (equivalent to approximately ZAR472 million) from the issue of 200,026,719 New Shares.

The proceeds of the Rights Issue are being used to fund the equity contribution requirement for the continued development of Makhado and to meet the Company's equity contribution required for the IDC's proposed debt funding. The funds will also be used for an enhanced development strategy that optimises HCC production and capex and, general working capital. The Rights Issue also resulted in a reduction of debt owed under the ZAR60 million Standby Facility (\$3.5 million) owing to Dendocept (Pty) Ltd (**Dendocept**) and the Company also repaid the ZAR20 million (\$0.4 million) loan owing to the Senosi Group Investment Holdings (Proprietary) Limited during the period.

Subsequent events

Director resignation

Mr Junchao Liu, Haohua Energy International (Hong Kong) Co. Ltd's (**HEI**) shareholder representative director, resigned as a Non-Executive Director on 10 March 2023. HEI is MC Mining's sixth largest shareholder, owning 5.8% of the issued shares.

Appointment of Non-Executive Directors

Ms Yi (Christine) He and Julian Hoskin were appointed as Non-Executive Directors of the Company on 10 March 2023. Ms He is the Managing Director of Dendocept, a 7.1% shareholder in the Company and holds a further 2.2% in her personal capacity and joins the board as a shareholder nominee Director for the Dendocept Consortium, which collectively holds 23.9% of MC Mining's issued shares. Mr Hoskin was appointed as an Independent Non-Executive Director and is an Australian resident.

Godfrey Gomwe

Managing Director and Chief Executive Officer

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

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

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15 March 2023

About MC Mining

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).

JSE Sponsor: Investec Bank Limited

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.