MC Mining Limited
Previously Coal of Africa Limited
(Incorporated and registered in Australia)
Registration number ABN 008 905 388
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ANNOUNCEMENT **22 December 2023**

OPERATIONS AND TRADING UPDATE

MC Mining Limited (**MC Mining** or the **Company**) provides an operational and trading update for shareholders.

Highlights

- MC Mining's flagship Makhado steelmaking hard coking coal project (**Makhado Project** or **Makhado**) is progressing the tender process for the selection of the mining, operating and maintenance contractors which will look to be completed in Q1 CY2024.
- The Company is assessing the various scenarios for the Makhado Project to facilitate an accelerated start of coal production in H2 CY2024 (subject to further funding) and anticipates making further announcements in due course.
- Uitkomst Colliery turnaround initiatives through underground production continues to yield positive results. Further market development initiatives will be completed to improve margins in H1 CY2024.
- Due to recent production performance of the Vele Aluwani Colliery (**Vele** or the **Vele Colliery**), the Company in collaboration with its mining contractor, Hlalethembeni Outsourcing Services (Pty) Ltd (**HOS**) is immediately proceeding with a number of improvement initiatives.

Makhado Project (67% owned) – *Resource size: 757.54 million tonnes (**Mt**) Gross Tonnes in Situ (**GTIS**)*

The detailed design of the coal handling and processing plant (**CHPP**) and related infrastructure for the Makhado Project is ongoing in preparation for procurement. The critical early works activities to ensure that the site is secure, as well as construction of water infrastructure for the CHPP continue and will be completed with available cash resources. The Company continues to progress the managed tender processes to select the mining contractor as well as the operating and maintenance contractors for the Makhado CHPP. Relevant appointments are anticipated to be confirmed in Q1 CY2024.

The Makhado Project remains a significant strategic asset for the Company that has the potential to take the Company's production profile to in excess of 800,000 tonnes per annum of steelmaking hard coking coal (**HCC**) and cement MC Mining as South Africa's preeminent HCC producer.

The Company continues to progress a number of funding initiatives to bring Makhado into production which it now expects to be completed in H1 CY2024, with the 18-month construction period commencing soon thereafter. Management and the Company's board are focused on maximising shareholder returns with respect to these funding initiatives and will potentially include, amongst others:

- Build, own, operate, transfer (BOOT);
- Senior debt and composite debt/equity instruments;
- Coal prepayments; and
- Engineering, procurement and construction (**EPC**) contracts.

The Company is also assessing various scenarios for the Makhado Project to facilitate an accelerated start of coal production in H2 CY2024 and anticipates making further announcements in due course.

Uitkomst Colliery (84% owned) – *Resource size: 25.58Mt GTIS*

The turnaround plan (Operation Phenduka) introduced at the underground Uitkomst Colliery (**Uitkomst**) earlier this year continues to yield tangible and financial benefits. Importantly these initiatives have not only resulted in positive trends with regards to safety but material improvements in run of mine coal and saleable coal production.

The poor performance of the state utility responsible for rail and port logistics has impacted Uitkomst, leading to higher logistics costs for export customers, resulting in this coal being sold in the domestic market rather than internationally. The increase in production at consistent volumes has facilitated the reassessment of the colliery's coal product portfolio including the ability to sell coal to the pulverised steelmaking coal or thermal coal markets. These initiatives are expected to be completed in Q1 CY2024.

Vele Aluwani Colliery (100% owned) – *Resource size: 792.58Mt GTIS*

Background
MC Mining's wholly owned subsidiary, Limpopo Coal Company (Pty) Ltd (**LCC**), signed a Contract Mining Agreement (the **Agreement**) with HOS in December 2022 to recommission, upgrade and operate the Vele's coal handling & processing plant (**CHPP**) and undertake mining in terms of an agreed mine plan.

The Vele Colliery is located in the Thuli coalfield and has a life of mine in excess of 40 years. Vele was placed on care and maintenance in 2013 due to weak thermal coal prices and the requirement for modifications to the colliery's CHPP that would facilitate the extraction of the smaller coal fraction and the simultaneous production of semi-soft coking coal and thermal coal. The Vele Colliery incurred high logistics costs when operational during 2012/2013, as the nearest export terminal is Maputo, which is ~760km away.

The improvement in coal prices during CY2022 created optionality for the potential recommencement of operations at Vele. MC Mining evaluated various options to recommence operations at Vele and, given the capital and working capital required and the Company's focus on the development of its flagship Makhado steelmaking hard coking coal project, the outsourcing of operations at the colliery was considered the optimal strategy.

Contract Mining Agreement

As previously announced, the Company signed the Agreement in December 2022 and following this, HOS recommissioned and upgraded the Vele Colliery CHPP and commenced mining. The Agreement is on an exclusive basis to produce thermal coal and endures for an initial five-year period to December 2027. HOS targeted monthly production of 60,000t of saleable thermal coal from Vele and LCC earns R200/t (excluding VAT) (US$11/t) for each tonne of saleable coal produced if the average monthly API4 export coal price is above US$120/t. HOS 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 electricity and water.

Re-engineering of operations

HOS has 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. The railing of coal was anticipated to result in a significant reduction in logistics costs due to the colliery's location and the high cost of trucking coal to port and domestic customers. The challenges experienced by the colliery have been exacerbated by the decline in the API4 export thermal coal price during CY2023. The three-month average API4 price for Q1 CY2023 was US$146/t, reducing to US$115/t in Q2 CY2023, US$109/t in Q3 CY2023 and currently trades at approximately US$102/t.

HOS has informed LCC that due to the production challenges at Vele, combined with elevated logistics costs and the depressed API4 coal price, it intends downscaling operations at Vele and while it progresses a production optimisation strategy at the colliery. As a result, HOS has exercised the hardship clause in the Agreement and will downscale operations at Vele during the remainder of December 2023 and January 2024. HOS's production optimisation strategy (Operation Shandukani) will potentially include, amongst others, changes to the mining methodology, as well as further modifications to the CHPP and securing access to rail transport at competitive prices. The evaluation of these measures is expected to take place in H1 CY2024 and will result in improved profitability at the colliery.

Receipt of Non-Binding Indicative proposals

As announced on 2 November 2023, the Company received a notice of Intention to make a Takeover from Senosi Group Investment Holdings Proprietary Limited and Dendocept Proprietary Limited, each substantial shareholders of the Company, sent on behalf of shareholders and associates stated to represent in aggregate 64.5% of the issued capital in the Company.

On 18 December 2023, the Company received a revised non-binding and indicative off-market takeover offer to acquire all of the MC Mining shares that it currently does not own for a cash price of A$0.16 per share from a consortium representing 64.3% and including Senosi Group Investment Holdings Proprietary Limited and Dendocept Proprietary Limited.

As previously advised, the Company has established an Independent Board Committee ("IBC") which, with its advisors, is considering the revised offer and will provide a recommendation to MC Mining shareholders if and when it is in possession of an offer capable of acceptance by shareholders.

The Company would like to reiterate to shareholders that management continue to focus on building a successful and profitable Company for the benefit of all shareholders and is excited by the current state of the Company and its prospects. Again, there is no need for shareholders to take any action with respect to the current non-binding indicative proposal.

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

"Whilst MC Mining has experienced some challenges in the last 12 months, I remain extremely excited by the prospects of the business moving forward.

The commissioning and expected commencement of production and development works at Makhado in 2024 will mark a significant milestone for MC Mining and has the potential to create a world class coal production facility for South Africa. We still have some pieces of the puzzle to complete, not least of which being able to complete an optimal funding pathway under an accelerated programme, but I am confident that our team can bring this project online and within budget.

The Uitkomst Colliery remains an important asset for the Company and I am pleased we have made some great progress though Operation Phenduka, resulting in significant improvements in both safety as well as production. The prevailing domestic and international coal market conditions have also resulted in the colliery assessing its product portfolio to optimise revenue and this initiative will continue in Q1 CY2024.

The outsourcing of mining and processing operations at Vele secured the necessary investment from a third party to modify the CHPP and recommence operations at the colliery. This added a potential cash generating unit to MC Mining's portfolio with limited financial or human capital contributions and the recommencement of operations also removed the 'use it or lose it' risk associated with unutilised mining assets in South Africa, as Vele had been on care and maintenance for almost ten years."

Godfrey Gomwe
Managing Director & Chief Executive Officer

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

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014 as it forms part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended.

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BSM Sponsors Proprietary Limited is the nominated JSE Sponsor

About MC Mining Limited:

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