



MCMining
LIMITED

20 21

ANNUAL REPORT

SCOPE OF THE REPORT

In line with international trends and best practice, MC Mining Limited (MC Mining or the Company) presents its annual report for the year ended 30 June 2021. The contents of this report have been informed by regulatory obligations, our risk management processes and the stated interests of our stakeholders. The financial and non-financial activities and performance of MC Mining's colliery and projects are covered in this report.

Although the Company only operates in South Africa, our primary listing remains on the Australian Securities Exchange (ASX), with secondary listings on both the Alternative Investment Market (AIM) of the London Stock Exchange (LSE) and the Johannesburg Stock Exchange Limited (JSE). This report complies with Australian Accounting Standards, the Corporations Act, 2001 and the International Financial Reporting Standards (IFRS). The compilation of the Reserves and Resources is according to the Australasian Joint Ore Reserves Committee (JORC) guidelines, carried out by the Company's Competent Persons, Mr J.C.H.K. Sparrow and Ms N. Masunyane and independent consultants Mr B. Bruwer and Mr C.W. Archer. The Resources and Reserves in the report are published with the Competent Persons' consent.

This report was compiled according to the ASX corporate governance principles. In line with our commitment to mine responsibly, we have reported on our sustainability performance with the aim of incrementally improving both our performance and reporting in this area and, in this respect, our reporting is aligned with the principles of the International Council on Mining and Metals (ICMM).

All reference to \$ is to United States dollar, unless otherwise stated.

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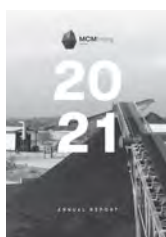
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FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements which are not historical facts. Any statement that expresses or implies MC Mining's intentions, beliefs, expectations or predictions (and the assumptions underlying them) is a forward-looking statement. Forward-looking statements involve inherent risks, uncertainties and assumptions including, without limitation, risks related to the timing or ultimate completion of any proposed transactions or projects, and the possibility that benefits may not materialise as expected. If such risks or uncertainties materialise or such assumptions prove incorrect, actual results could differ materially from those expressed or implied by such forward-looking statements and assumptions. The forward-looking statements in this report are made as of the date of this report, and MC Mining expressly disclaims any obligation to update or correct these statements due to events occurring after issuing this report. The financial information on which the forward-looking statements are based has not been audited nor reported on by the Company's independent external auditors.

HOW TO NAVIGATE THROUGH THIS REPORT



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OVERVIEW

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MC Mining's aim is to be the pre-eminent South Africa producer of hard coking coal to advance sustainable transformative benefits for all our stakeholders

SALIENT HIGHLIGHTS



Uitkomst Colliery ROM coal production
up 14%



Sold 292,261t
of Uitkomst coal,
generating \$20.7 million



Revenue/t at Uitkomst
improved by
8%



Extension of drawdown of
new \$17 million Makhado
Phase 1 IDC term-loan facility



Repayment of existing IDC
loan delayed until
January 2022



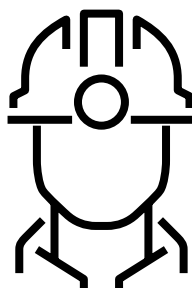
Mining Right granted for the
Mopane coking and thermal
coal project



Normalisation of
operations at Uitkomst
and its customers
following spread of
COVID-19
in H2 FY2020



Recommencement of
Makhado composite
debt/equity funding
initiatives following
delays due to
COVID-19



5%

**reduction in Uitkomst production
costs per saleable tonne**

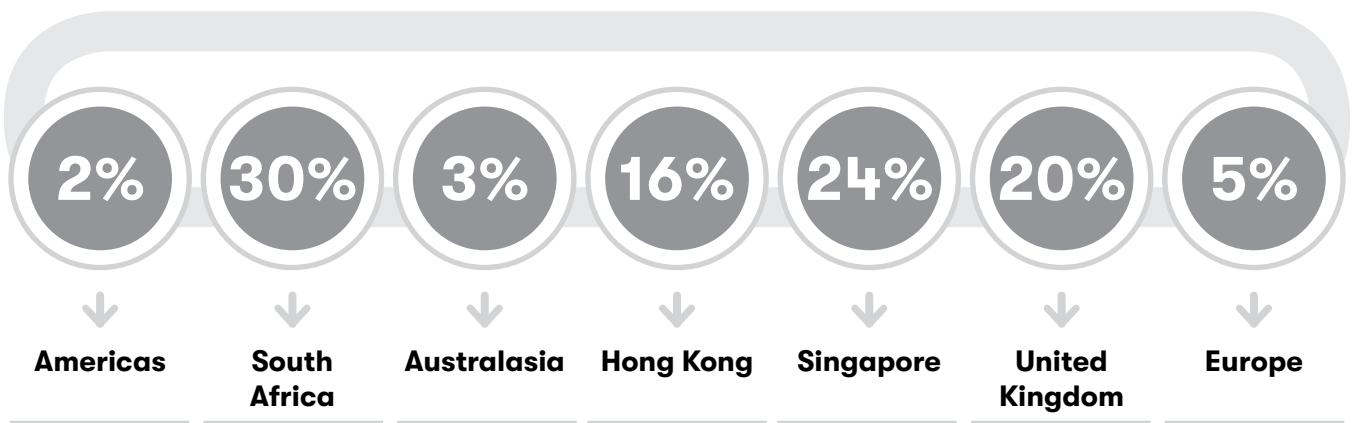
- Restructuring of the Industrial Development Corporation of South Africa Limited (IDC) loan facility of \$16,772 thousand (ZAR240,000 thousand), originally secured in March 2017. In addition to the initial \$8,386 thousand (ZAR120,000 thousand) draw down in May 2017, the IDC agreed that the Company's subsidiary, Baobab Mining & Exploration Proprietary Limited (Baobab), draw down \$2,795 thousand (ZAR40,000 thousand) representing the second tranche drawn on that loan facility. The remaining \$5,591 thousand (ZAR80,000 thousand) undrawn balance was then cancelled;
- The August 2020 IDC Facility restructure was conditional upon the Company raising \$1,048 thousand (ZAR15,000 thousand) in the form of new equity which resulted in the Company issuing 13,331,433 new shares;
- The terminal drawdown date of the new \$17,121 thousand (ZAR245,000 thousand) new IDC facility for the development of Phase 1 of the Makhado Project is available for drawdown prior to 31 January 2022, subject to the IDC re-affirming its financial due diligence; and
- Recommencement of composite debt/equity funding initiatives for the Makhado Project following delays due to COVID-19.

WHO WE ARE



SHAREHOLDERS BY GEOGRAPHY as at 30 September 2021:

100%



MC Mining is a coal mining company whose high-quality South African metallurgical and thermal coal assets encompass long reserve life and growth options, ensuring we are well-positioned for growth. The safety and health of our people takes precedence and a zero harm culture is embedded in all activities. We believe in shared value and strive to create and enhance sustainable value for stakeholders by maximising the benefits of mining for all stakeholders, including our host communities.

WHERE WE OPERATE

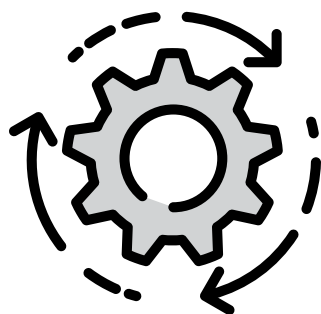
MC Mining has high-quality coking, metallurgical and thermal coal assets located in the Limpopo and KwaZulu-Natal provinces of South Africa.

The Company's key assets include Utkomst Colliery (metallurgical coal), Makhado Project (hard coking coal), Vele Colliery (semi-soft coking coal) and the Greater Soutpansberg Projects (GSP) (coking and thermal coal).



OUR ASSETS

PROJECT



THE COMPANY'S OPERATIONAL FOCUS

is the development and mining of high quality metallurgical coal projects in South Africa

1

MAKHADO PROJECT FLAGSHIP PROJECT

Resources

344.8Mt
mineable tonnes *in situ*

Location

**Soutpansberg Coalfield,
Limpopo province**

Product

Hard coking coal

Regulatory status

Fully compliant

Status

**Construction of Phase 1 expected to commence in
Q2 CY2022, funding dependent**

Mining method

Opencast

Number of employees and contractors

29

(approximately 650 when Makhado Phase 1 is operational)

DETAILS

MC Mining's flagship Makhado Project is situated in the Soutpansberg Coalfield in Limpopo province. Makhado has all required licences and authorisations and construction of Phase 1 of the project is expected to commence in Q1 CY2022, dependent on funding.

The initial development (Phase 1) of the project reduces construction time and execution risk. Phase 1 includes the scalped and screened Makhado run-of-mine (ROM) coal being processed at the existing, modified Vele Colliery plant, producing 0.54 million tonnes per annum (Mtpa) of hard coking coal and 0.57Mtpa of a thermal coal by-product. MC Mining has secured offtake agreements for ~85% of the Makhado Phase 1 hard coking coal and all of the thermal coal by-product.

The development of Phase 2 in circa CY2026, funding and market dependent, includes the construction of a new processing plant and related infrastructure. Phase 2 will generate over 1.7Mtpa of saleable product, including approximately 0.8Mtpa of hard coking coal.

2

UITKOMST COLLIERY

3

VELE COLLIERY

4

GREATER SOUTPANSBERG PROJECT

(comprises Chapudi, Generaal and Mopane Projects)

Resources

23.6Mt
mineable tonnes *in situ*

361.6Mt
mineable tonnes *in situ*

>1.5bn
mineable tonnes *in situ*

Location

**Utrecht Coalfield,
KwaZulu-Natal**

**Tuli Coalfield,
Limpopo province**

**Soutpansberg Coalfield,
Limpopo province**

Product

Metallurgical and
thermal coal

Semi-soft coking and
thermal coal

Coking and
thermal coal

Regulatory status

Fully compliant

Fully compliant

Mining Rights granted for the
Chapudi, Generaal and
Mopane Projects

Status

Cash generative, producing
asset

On care and maintenance since 2013;
existing processing plant will be modified
as part of Makhado Phase 1

Exploration project

Mining method

Underground operation with
planned life-of-mine (LOM)
extension

Opencast

Opencast

Number of employees and contractors

516

41

—

FY2021 run-of-mine (ROM) production

490,100t

—

—

FY2021 sales

292,261t

—

—

FY2021 revenue generated

\$20.7m

—

—

DETAILS

Uitkomst Colliery in the Utrecht Coalfields in KwaZulu-Natal is a high-grade deposit for domestic metallurgical and thermal coal markets. The colliery consists of a well-established underground coal mine with an estimated 15-year LOM.

The Vele semi-soft coking and thermal colliery in the Tuli Coalfield in the Limpopo province is a significant resource that has all required regulatory approvals. The operation remains on care and maintenance pending improvements in coal prices and market conditions and the development of the Musina Special Economic Zone (SEZ).

The existing Vele processing plant will be modified as part of Phase 1 of the Makhado Project to simultaneously produce two saleable products.

Chapudi, Generaal and Mopane are three early-stage coal exploration projects in the Soutpansberg Coalfield, forming the GSP. The GSP is a significant resource base of coking and thermal coal products and forms part of MC Mining's long-term strategy. The Company has secured mining rights for the all project areas.

02

YEAR IN REVIEW

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We strive to create and enhance sustainable value through transformative and collaborative mining practices that are responsive to the needs of our stakeholders

CHAIRMAN'S REPORT



Bernard Pryor
Chairman

These are unprecedented times and MC Mining faced dual challenges during FY2021: navigating our way following the initial spread of the COVID-19 pandemic and the focus on coal and its role in climate change.

Our strict health and safety protocols continued at our operations and the higher number of positive COVID-19 cases followed the waves of infection in South Africa. Unfortunately, an employee of one of our service providers at the Uitkomst Colliery succumbed to COVID-19 and we extend our heartfelt condolences to his family, friends and colleagues.

It is comforting to note that employees have overwhelmingly willingly participated in a government supported vaccine programme implemented at Uitkomst.

The increased global uncertainty following the spread of COVID-19, together with the South Africa's elevated sovereign risk, led to delays in the Makhado funding initiatives and a review of our capital raising strategy. This confirmed that traditional sources of funding, particularly large investment funds and commercial banks, have diverted resources away from coal projects, resulting in significant obstacles to secure funding for new exploration and development stage projects. A review has led to the identification of potential funders who have aspirations of participating in this market, and they have commenced with detailed due diligence studies. We are hopeful that these will be successfully completed by early CY2022, facilitating the construction of Phase 1 of Makhado soon thereafter.

Hard coking coal is a key input in the manufacture of steel while thermal coal is likely to remain the dominant source of energy in developing economies in the near term. The development of our high-quality metallurgical coal projects is our key differentiator and the execution of the Makhado capital raising will create value and deliver significant positive returns for our shareholders. Notwithstanding this, the United Nations Intergovernmental Panel on Climate Change released a landmark report in August 2021 confirming the need for reductions in greenhouse gas emissions. We will be including environmentally-friendly

practices at our operations as part of our future development strategies.

MC Mining has proven its resilience despite human resources capacity constraints and the post-COVID-19 restart which led to working capital challenges that needed to be managed. Increased global economic activity with a resultant higher demand for commodities led to coal prices improving from depressed levels early in July 2020 to record highs in early October 2021. Market commentators anticipate that the shortfall in supply will continue in CY2022, lending further support to favourable pricing in the year ahead.

On behalf of the board I would like to express our gratitude to Sam Randazzo for accepting the role as Interim CEO following the resignation of Brenda Berlin in February 2021. Sam has made a valuable contribution, stabilising the business as well as initiating and progressing the Makhado funding programme. I also extend my appreciation to my board colleagues, our employees and shareholders for their continued support. I am confident that the initiatives underway will result in the fulfilment of the Company's potential.

Bernard Pryor
Chairman

CEO'S REVIEW



Sam Randazzo
Interim CEO

The financial year ended 30 June 2021 has again proved to be challenging with both the COVID-19 pandemic continuing on its destructive path and the heightened climate change debate impacting the Company's advancement.

Discussions around carbon emissions and its impact on climate change has intensified with major international financial institutions publicly announcing their intention to exit fossil fuel investments. Unfortunately, such actions filter through to the general investment community which limits the investor and financier target market for capital raisings and general financing of coal projects.

These events necessitated MC Mining to pursue a number of initiatives to manage the way through these turbulent times. More specifically:

- A COVID-19 vaccination programme was implemented at the 70% owned Uitkomst colliery and at the time of writing, some 70% of the workforce are fully vaccinated. Our target is to achieve a 100% vaccinated workforce at Uitkomst by 31 December 2021;
- A placement of 13.3 million shares, raising \$1 million (ZAR15 million) was completed in August of 2020 to supplement the working capital requirements of the MC Mining group;

- An additional \$2.8 million (ZAR40 million) was drawn down from an existing Industrial Development Corporation (IDC) loan facility;
- The repayment date for the existing \$11.2 million (ZAR160 million) IDC loan was extended to 31 January 2022;
- The terminal drawdown date for the new IDC \$17.1 million (ZAR245 million) was extended to 31 January 2022;
- A review of expenditure resulted in the reduction of group overheads by \$2.3 million (ZAR33.3 million); and
- Entering into prepayment contracts for coal sales with Uitkomst largest customer.

The negative sentiment for investment in coal projects has resulted in fewer new mines coming online and the closure of numerous poor quality mines. The impact this had on supply appears to be the cause of the substantial increase in both coking and thermal coal prices, which in recent times have hit record high levels. The historically high coal prices are forecast to prevail for at least the short term, which bodes well for refocusing investor interest in funding new coal developments.

Our flagship Makhado Project remains development ready. All regulatory approvals are in place and surface rights over the mining and processing areas have been secured. MC Mining is heavily invested in the Makhado Project as the complex regulatory environment in South Africa demanded significant capital investment to achieve its current shovel ready status.

When in operation, Makhado will be the only significant hard coking coal 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 a significant improvement in living standards for the nearby communities.

The lack of support by major international financial institutions for development of coal projects has required MC Mining to re-strategise its approach to the development of the Makhado Project. Our strategy is to now adopt a two-phased development plan. The initial Phase 1 development reduces the upfront capital expenditure, shortens the construction period and lowers the execution risk.

Furthermore, it will provide the opportunity for the project economics to be confirmed and provide the impetus

for progressing to the scaled up Phase 2 development of Makhado.

The Phase 1 development reduces the construction period to just nine months, creates approximately 650 permanent jobs when fully operational and should produce hard coking coal (HCC) and a thermal coal by-product at the combined rate of 1.1 mtpa. Phase 2, when developed should produce coal at the combined rate of 1.6 mtpa and provide some 900 job opportunities.

An updated bankable feasibility study (BFS) of the Phase 1 development of Makhado is in progress and is due for completion by mid-November 2021. Several potential financiers are currently waiting for the successful completion of this BFS, which we anticipate should be the catalyst for concluding a funding package to finance the Phase 1 development of Makhado.

Health and safety of our employees and of the communities surrounding our project areas remains a priority. Safety re-training and implementation of additional safety procedures and practises at the Uitkomst colliery had a positive impact with four lost time injuries (LTI), during FY 2021 (nine LTIs FY 2020). There were no LTIs at the Makhado Project, GSP Project or Vele colliery, which remained on care and maintenance, in FY 2021.

We are continuing with our environmental monitoring programmes and remain fully compliant with regulatory requirements. At the Vele colliery, the collaborative approach, with regulators and other stakeholders through an Environmental Management Committee (EMC), continues to work well.

In conclusion, I would like to extend my appreciation to all stakeholders who have supported MC Mining throughout the past year. It has been a challenging year and I am particularly grateful for the on-going support of our shareholders, the IDC and our bankers, ABSA. Thank you also to the MC Mining team for their hard work and their continued loyalty during the year. Finally, I thank MC Mining's directors for their significant contribution and entrusting me to guide the Company through these turbulent times.

Sam Randazzo
Interim CEO

SUMMARY OF OPERATIONS AND PROJECTS

Uitkomst Colliery

Uitkomst Colliery is an owner-operated mine situated in the Utrecht coalfield of KwaZulu-Natal province of South Africa. The mine contains a high-grade coal deposit which supplies domestic metallurgical and thermal markets.

The colliery comprises an existing underground coal mine with approximately 15 years remaining LOM. The colliery currently mines the south adit (horizontal shaft) and the development of the north adit is subject to receipt of the regulatory approvals. Construction is expected to commence in late CY2022. Uitkomst has established infrastructure, including a processing plant, and submitted an application to renew its Integrated Water Use License (IWUL) in December 2020. This application is currently being processed by the Department of Human Settlements and

Water & Sanitation (DHSWS). MC Mining holds a 70% interest in Uitkomst and the remaining 30% is held by a black industrialist and two broad-based black economic empowerment (BEE) trusts representing employees and host communities.

The health and safety of MC Mining's employees and contractors remains the prevailing priority and the Company has implemented rigorous measures to prevent the spread of COVID-19, including staggering the arrival and departure of employees on site and ensuring that sufficient social distancing is maintained. Staff and contractors are regularly screened, while those with symptoms, or those who were in contact with someone who has tested positive, are requested to self isolate off site. During FY2021, 38 Uitkomst employees tested positive for COVID-19 (FY2020: nil positive tests). The Uitkomst Colliery employs approximately 516 employees (including contractors) and recorded four LTIs during FY2021 (FY2020: nine LTIs).

Uitkomst sells its smaller 0 to 40mm coal product into the domestic metallurgical market for use as pulverised coal while the larger sized product (peas) are supplied to local energy generation facilities. The colliery also sells a high ash, coarse discard (middlings) coal. Following the easing of the Q4 FY2020 COVID-19 lockdown, customer order levels for all

three products normalised during Q1 FY2021.

The Uitkomst Colliery produced 490,100 tonnes (t) (FY2020: 431,354 t) of ROM coal during FY2021, 14% more than in FY2020 when mining and processing was prevented between March and June by South African government-imposed COVID-19 lockdown restrictions. Operations at Uitkomst ramped-up from July 2020 but high levels of absenteeism due to COVID-19 preventative measures resulted in lower than anticipated coal production for the first six months of FY2021.

Uitkomst's customers also suspended operations to prevent the spread of COVID-19 and experienced operational challenges in September 2020 and again in February/March 2021, which adversely affected orders of Uitkomst coal. The Uitkomst Colliery sold 292,261t of coal in FY2021 (FY2020: 254,193t) comprising 265,879t (FY2020: 228,206t) of premium duff and sized peas and 26,382t (FY2020: 25,987t) of high ash, coarse discard coal - generating sales revenue of \$20.7 million (FY2020: \$17.2 million). The colliery has a Rand denominated cost base and production costs benefited from stringent cost control measures as well as improving API4 export coal prices during FY2021. Export coal prices increased from \$53/t in July 2020 to \$115/t at the end of the financial year 2021.

The key production and financial metrics for the period are detailed below.

	FY2021	FY2020	%
Production tonnages			
Uitkomst ROM (t)	490,100	431,354	14
Sales tonnages			
Premium duff & peas (t)	265,879	228,206	17
Middlings (t)	26,382	25,987	2
	292,261	254,193	15
Financial metrics			
Revenue/t(\$)	70	65	8
Production costs/saleable tonnes (\$)^	60	63	(5)

^all costs are incurred in Rand

SUMMARY OF OPERATIONS AND PROJECTS continued

Makhado Project

MC Mining has a 67% interest in its flagship Makhado hard coking coal project, situated in the Soutpansberg coalfield in the Limpopo province and the project has a LOM in excess of 46 years.

During 2015 the Company agreed to sell 20% of the project to the Makhado Colliery Community Development Trust, comprising seven beneficiary communities. An agreement was also signed with a black industrialist facilitating his acquisition of a 6% interest in Makhado and the IDC acquired a 6.7% shareholding in terms of its existing loan facility. The Makhado Project has all of the regulatory permits required to commence mining operations and no LTIs were recorded during the 12 months (FY2020: nil).

South Africa produces significant quantities of thermal coal but has a very limited domestic supply of high-quality hard coking coal (HCC) and once developed, Makhado will be the only significant HCC mine in the country. The project will also provide direct and indirect benefits to communities located in an area with significant unemployment levels and is expected to create approximately 1,500 job opportunities during the construction and operational phases.

The Makhado Project mining area covers four farms and will be developed in two phases. MC Mining owns all of the surface rights where the opencast mining pits and related infrastructure will be situated. The development of the project in phases reduces execution risk and capital expenditure while ensuring scalability and both phases have compelling returns. Phase 1 includes the construction of the west pit and modifications to the existing Vele Colliery processing plant while Phase 2 incorporates development of the Makhado processing plant and related infrastructure and mining of the east and central pits.

The Company anticipates that the composite debt/equity funding process for Phase 1 will be completed in Q1 CY2022 with the nine-month construction period commencing in Q2 CY2022, followed by first sales ten months later. Phase 1 will produce approximately 3.0Mtpa of ROM coal that will be crushed, screened and scalped at Makhado. The resultant 2.0Mtpa of scalped ROM coal will be transported to the existing Vele Colliery for final processing, yielding approximately 0.54Mtpa of HCC and 0.57Mtpa of an export quality thermal coal by-product. The saleable coal will be trucked to Musina siding for sale to domestic and export customers, utilising previously tested logistics infrastructure.

The limited production of HCC in South Africa means domestic steel producers have to import HCC for the manufacture of metallurgical coke, a key ingredient in the production of steel. HCC typically attracts significantly higher sales prices compared to thermal coal and the Company previously secured an offtake agreement with ArcelorMittal South Africa Limited (AMSA). This offtake will result in AMSA purchasing between 350,000t and 450,000t of Phase 1 HCC annually, reaffirming the quality of Makhado's coal with sales prices linked to a published, international

US dollar denominated index. MC Mining is in discussions with potential long-term thermal coal customers and anticipates that offtake agreements will be finalised during the Makhado Phase 1 construction phase.

The Company recommenced with the Makhado Project composite debt/equity funding initiatives that were previously delayed due to COVID-19.

This included:

- The placement of 13.3 million shares raising \$1 million (ZAR15 million) in August 2020;
- An additional \$2.8 million (ZAR40 million) was drawn down from an existing Industrial Development Corporation (IDC) loan facility;
- The repayment date for the existing \$11.2 million (ZAR160 million) IDC loan was extended to 31 January 2022;
- The terminal drawdown date for the new IDC \$17.1 million (ZAR245 million) was also extended to 31 January 2022;
- An in-principle contractor build, own, operate, transfer (BOOT) funding arrangement of \$4.2 million, subject to final documentation; and
- The Company is in advanced discussions with potential debt and equity funders for the remaining \$29.9 million and expects to compete the finding process in Q1 CY2022 with construction of Phase 1 anticipated to start in Q2 CY2022.

Phase 2 is expected to commence in circa CY2026, funding and market dependent, and will result in 4.0Mtpa of ROM coal, producing approximately 1.7Mtpa of saleable HCC and thermal coal. The Company has also secured a three-year offtake agreement for Phase 2 HCC which is also at index-linked prices, affirming international appetite for Makhado's HCC.

Vele Colliery

The 100% owned Vele Colliery is in the Tuli coalfield of the Limpopo province. Vele has been on care and maintenance since October 2013 and recorded no LTIs during the 12 months (FY2020: nil).

The colliery has all the regulatory approvals required to recommence operations and the existing processing plant will be modified as part of the Makhado Phase 1 development. These modifications include circuits to capture the fine coal fraction and will facilitate the simultaneous production of two products, namely HCC and a thermal coal by-product. The Company anticipates that, following Phase 1 of Makhado in circa FY2030, the Vele Colliery will be ideally positioned to potentially supply coal to the government gazetted Limpopo SEZ.

Compliance with regulatory and licensing requirements at the colliery is monitored using various initiatives

- internal inspections, external audits conducted by the DHSWS, as well as audits conducted by the Environmental Compliance Officer. Vele also participates in a Project Steering Committee in line with the historic October 2014 Biodiversity Offset Agreement (BOA) between the Company, the Department of Forestry, Fisheries and Environment (DFFE) and the South African National Parks (SANParks). The colliery also participates in the EMC, established as an oversight committee in terms of the colliery's Environmental Authorisation (EA). The EMC comprises various stakeholders from regulatory authorities, relevant organs of state, municipal representatives, civic society and stakeholders identified during the initial public process.

Greater Soutpansberg Project

The GSP also situated in the Soutpansberg coalfield in the Limpopo province, located within close proximity to the SEZ.

The GSP comprises the Mopane, Generaal and Chapudi project areas. The project is jointly owned by MC

Mining (74%) and its BEE partner, Rothe Investments (Pty) Ltd (26%). The project recorded no LTIs in FY2021 (FY2020: nil).

The exploration and development of the three GSP areas is the catalyst for MC Mining's long-term growth. The Company applied for mining rights (MRs) for the three project areas during 2013 and the Chapudi Project MR was granted in late 2018 and was subsequently appealed. The Chapudi Project contains over 6.3 billion gross tonnes in situ of inferred coal resources, positioning the GSP to be a potential long-term coal supplier to the planned SEZ, as well as other markets. The Department of Mineral Resources & Energy (DMRE) granted the Generaal MR in late 2019 and the Mopane MR was granted in February 2021. The Company anticipates commencing with the various studies required for the outstanding water and environmental regulatory approvals once the Makhado Phase 1 funding has been secured.

REGULATORY COMPLIANCE

Colliery and project regulatory status

Project	Mining Right granted by the DMRE			IWUL granted by the DHSWS			EA granted by the environmental departments			Access to surface rights secured
	Granted	Duration	Status	Granted	Duration	Status	Granted	Duration	Status	
Uitkomst (KwaZulu-Natal)	✓	Until 2023	See below ¹	✓	10 years (granted in 2011) ²	Fully compliant	✓	LOM	Fully compliant	✓
Makhado Project (Limpopo)	✓	30 years	Received May 2015	✓	20 years	See below ³	✓	LOM	Validity period amended and EA aligned with LOM	✓
Vele Colliery (Limpopo)	✓	30 years	Fully compliant	✓	20 years		✓	LOM	Fully compliant See below ⁴	✓
GSP (Limpopo)	Chapudi MR granted in December 2018, General MR granted in November 2019, Mopane MR granted in February 2021			No applications for IWULs submitted – will apply once construction of Makhado Project has commenced			No applications for EAs submitted – will apply once construction of Makhado Project has commenced			✗

Notes:

¹ Extension Application submitted in late CY2019 to extend the MR for LOM

² Expired in February 2021 and a renewal application was lodged in December 2020

³ Suspension lifted in FY2017 and appeal to be heard by the Water Tribunal in January 2022

⁴ MC Mining committed to spending R55 million over 25 years on biodiversity and cultural heritage in line with the off-set agreement signed in 2014

RESOURCES AND RESERVE STATEMENT

AS AT 30 JUNE 2021

Introduction

MC Mining reviews and reports its mineral Resources at least annually to coincide with its financial year-end of 30 June 2021. If there are any material changes to the Mineral Resources over the course of the financial year, the Company is required to promptly report these changes.

The Uitkomst Colliery was mined continuously save for the period between 27th March 2020 to 1st May 2020 when the mine was placed under care and maintenance for the duration of the COVID-19 lockdown. The projects have been continuously evaluated with no addition or reduction in the Resources or Reserves required.

The following Summary of the Resource and Reserve statement for MC Mining's operations and projects are compliant with the Committee for the Mineral Reserves International Reporting Standards (CRIRSCO) of November 2013, which is a requirement due to the fact that MC Mining has its primary listing on the Australian Stock exchange (ASX: MCM:AU) with secondary listings on London's Alternative Investment Market (AIM: MCM:LN) and the Johannesburg Stock Exchange (JSE: MCZ:SJ).

Under the auspices of CRIRSCO the reporting is required to be compliant to the relevant National Reporting Organisations (NROs) and are required to be founded on the Central Principles of Transparency, Materiality and Competence and are provided on an "if not, why not" basis.

The various projects are the subject of Competent Persons Reports (CPRs) that are all JORC 2012 and SAMREC 2016 compliant. The CPRs used in this report are:

JANUARY 2018

the Makhado Project was evaluated by Minxcon Consulting Engineers and an independent report dated 1st of January 2018 was prepared

FEBRUARY 2017

the Uitkomst Colliery was evaluated by Minxcon Consulting and an independent report dated 28th February 2017 was presented

MARCH 2017

the Vele Colliery was evaluated by VBKom mining engineers and an independent report dated 1st March 2017 was presented

FEBRUARY 2017

the Greater Soutpansberg Projects were evaluated by Venmyn Deloitte consultants and their report dated 1st February 2017 was prepared

By whom is this statement prepared

The principle competent persons involved in this declaration are Mr J.C.H.K. Sparrow and Ms N. Masunyane in terms of the Resource declaration, and Mr B Bruwer and Mr C.W. Archer in terms of the Reserve declaration. Mr Sparrow and Ms Masunyane are in full time employ of MC Mining, Mr Sparrow as the Group Geologist and Ms Masunyane as the Principle Geological Modeler. Mr Bruwer and Mr Archer are both consultants to MC Mining – Mr Bruwer consulting in terms of the projects and Mr Archer in terms of the Uitkomst Colliery.

Mr Bruwer is a qualified mining engineer and registered member of good standing with the South African Institute of Mining and Metallurgy (SAIMM).

Mr Sparrow is a registered professional scientist of good standing with the South African Council for Natural Scientific Professions (SACNASP) (400109/03).

Ms Masunyane is a registered professional scientist of good standing with the SACNASP (400226/10).

Mr Archer is a qualified mining engineer and registered member of good standing with the SAIMM (706388).

All parties have consented to the inclusion of the Resources and Reserves in the FY2021 Annual Report.

The units of measure in this report are metric, with Tonnes (t) = 1,000kg.

This report includes technical information that requires subsequent calculations to derive subtotals, totals and weighted averages. Such calculations may involve a degree of rounding and consequently introduce an error. Where such errors occur MC Mining does not consider them to be material.

Terminology used herein is English, with English spellings utilised throughout.

Background

MC Mining has a number of operations and projects that will be reported.

Operating Colliery

Uitkomst Colliery, Amajuba Magisterial District, KwaZulu-Natal Province, Republic of South Africa (GPS Coordinates, Lat: 27° 36'02.99"S, and Long: 30°08'06.51"E).

Operation on care and maintenance

Vele Colliery, Vhembe Magisterial District, Limpopo Province, Republic of South Africa (GPS Coordinates Lat: 22° 9'29.28"S, and Long: 29°38'41.24"E) – on care and maintenance since October 2013.

Projects at various stages of development

Makhado Project, Vhembe Magisterial District, Limpopo Province, Republic of South Africa (GPS Coordinates Lat: 22°48'13.44"S, and Long: 29°57'44.52"E). Mining Right granted May 2015.

Chapudi Project, Vhembe Magisterial District, Limpopo Province, Republic of South Africa (GPS Coordinates Lat: 22°52'52.36"S, and Long: 29°39'41.72"E). Mining Right application submitted in June 2013 and granted in December 2018. The project consists of the Chapudi, Chapudi West and Wildebeesthoek Sections.

RESOURCES AND RESERVE STATEMENT continued

AS AT 30 JUNE 2021

Generaal Project, Vhembe Magisterial District, Limpopo Province, Republic of South Africa (GPS Coordinates Lat: 22°40'34.46"S, and Long: 30° 8'51.19"E). Mining Right application submitted April 2013 and the project consists of the Generaal and Mount Stuart sections.

Mopane Project, Vhembe Magisterial District, Limpopo Province, Republic of South Africa (GPS Coordinates Lat: 22°32'42.06"S, and Long: 29°48'51.40"E). Mining Right application submitted March 2013 and the Project consists of the Voorburg and Jutland Sections.

Makhado Extension Project, Vhembe Magisterial District, Limpopo Province,

Republic of South Africa (GPS Coordinates Lat: 22°45'33.18"S, and Long: 30° 4'10.34"E). This project is currently under a Prospecting Right application.

Summary of the MC Mining Limited Resources and Reserves Extract from the Resource and Reserve Statement

The Mineral Resource and Reserves statement has been extracted from the independent technical reports compiled by MSA consulting, VBKom Consulting Engineers and Venmyn Deloitte. These technical reports can be viewed at www.mcmining.co.za/investors-and-media/technical-reports.

The Resources and Reserves are stated as at 30 June 2021 for all assets. The statement below is relevant to the Mineral Assets under MC Mining's control on this date. They have been based on reliable exploration and mining results (where appropriate) and accurately estimated using industry best practice standards of modelling. The Resources and Reserves have been correctly classified according to the JORC Code (2012). The relevant Competent Persons in the employ of/or are consultants to the Company: Mr Bruwer, Mr Sparrow, Ms Masunyane and Mr Archer consent to the inclusion of this extract of the Resources and Reserves into the 2021 MC Mining Integrated Report.

MC Mining Limited Resources¹

Project\operation	Resource category ²	Gross tonnes <i>in situ</i> (GTIS) Mt	Total tonnes <i>in situ</i> (TTIS) Mt	Mineable tonnes <i>in situ</i> (MTIS) Mt	MC Mining attributable interest	MC Mining attributable MTIS Resource
Vele Colliery	Measured	148,166	133,349	86,112	100%	86,112
Uitkomst Colliery ⁸		15,710	14,925	14,139	70%	9,897
Mopane Project ³		109,435	98,492	94,916	97%	92,012
Makhado Project		402,781	362,503	265,025	69%	182,867
Makhado Extension Project ⁶		42,245	38,020	36,241	100%	36,241
Total Measured Resources		718,337	647,288	496,432		407,129
Vele Colliery	Indicated	426,854	362,826	200,303	100%	200,303
Uitkomst Colliery ⁸		4,885	4,397	4,153	70%	2,907
Mopane Project ³		125,034	106,279	100,507	96%	96,444
Makhado Project		298,595	253,806	76,743	69%	52,953
Makhado Extension Project ⁶		29,581	25,144	23,226	100%	23,226
Total Indicated Resources		884,950	752,451	404,932		375,833
Vele Colliery	Inferred	218,932	175,145	75,154	100%	75,154
Uitkomst Colliery ⁸		6,696	5,692	5,357	70%	3,750
Mopane Project ³		36,239	28,991	24,001	88%	21,130
Makhado Project		94,232	75,386	2,998	69%	2,069
Generaal Project ⁴		407,163	325,730	55,511	100%	55,511
Chapudi Project ⁵		6 399,023	5 119,219	1 318,481	74%	975,676
Makhado Extension Project ⁶		12,301	9,841	7,346	100%	7,346
Total Inferred Resources		7 174,586	5 740,004	1 488,847		1 140,634
Grand Total Resources		8 777,872	7 139,744	2 390,212		1 923,596

Notes

¹ www.mcmining.co.za/technical-reports

² The JORC and SAMREC compliant coal resources is at the 30th June 2021 and is inclusive of reserves

³ Mopane Project – Consists of the Voorburg and Jutland sections

⁴ Generaal Project – Consists of the Generaal and Mount Stuart sections

⁵ Chapudi Project – Consists of the Chapudi, Chapudi West and Wildebeesthoek sections

⁶ Makhado Extended Project – This project is held under a Prospecting Right application

⁷ MC Mining Limited does not own the surface rights to all farms over which it has rights

⁸ Uitkomst Colliery – This operation is held under a Prospecting Right application

MC Mining Limited Reserves^{1,4}

Operation	Reserve category	Mineable tonnes <i>in situ</i> reserve Mt	Run-of-mine tonnes (ROM) Mt ³	Saleable primary product tonnes Mt	Saleable secondary product tonnes Mt	MC Mining attributable interest
Vele Colliery	Proven	23,806	25,280	4,666	9,68	100%
Uitkomst Colliery ⁵		10,853	6,224	3,923		70%
Total Proven		34,660	31,504	8,589	9,682	
Vele Colliery	Probable	301,371	266,115	47,848	117,751	100%
Makhado Project ²		188,250	172,757	25,637	44,536	69%
Uitkomst Colliery ⁵		2,589	1,432	0,915		70%
Total Probable		492,211	440,304	74,399	162,287	
Grand Total Reserves		526,871	471,807	82,988	171,969	

Notes

¹ www.mcmining.co.za/technical-reports

² The Makhado Project is based on the published feasibility study, and a current front end engineering and design

³ The declared coal Reserves are based upon the Measured and Indicated coal Resources only

⁴ Tonnages reported in millions of tonnes and rounding of weighted averages may have occurred

⁵ Uitkomst Colliery Reserves are based on a detailed LOM layout (1 July 2021)

Resource and Reserve Statement Comparison

The only operation that has undergone any change is Uitkomst Colliery and a depletion calculation considered the production for the 2020/2021 financial year.

MC Mining Limited Resources¹

Project \ Operation	Resource category	Gross tonnes <i>in situ</i> (GTIS) Mt	Total tonnes <i>in situ</i> (TTIS) Mt	Mineable tonnes <i>in situ</i> (MTIS) Mt	MC Mining attributable interest	MC Mining attributable MTIS Resource
Uitkomst Colliery	Measured	0,740	(0,108)	0,666	70%	0,466
Total Measured Resources		0,740	(0,108)	0,666		0,466
Uitkomst Colliery	Indicated	(0,108)	(0,097)	(0,092)	70%	(0,064)
Total Indicated Resources		(0,108)	(0,097)	(0,092)		(0,064)
Uitkomst Colliery	Inferred	(0,357)	(0,303)	(0,286)	70%	(0,200)
Total Inferred Resources		(0,357)	(0,303)	(0,286)		(0,200)
Grand Total Resources		0,275	(0,509)	0,288		0,202

MC Mining Limited Reserves^{1,2,3}

Operation	Reserve category	Mineable tonnes <i>in situ</i> reserve Mt	Run-of-mine tonnes (ROM) Mt	Saleable primary product tonnes Mt	Saleable secondary product tonnes Mt	MC Mining attributable interest
Uitkomst Colliery	Proven	(0,292)	(0,080)	(0,044)		70%
Total Proven		(0,292)	(0,080)	(0,044)	0,000	
Uitkomst Colliery	Probable	(0,163)	(0,077)	(0,053)		70%
Total Probable		(0,163)	(0,077)	(0,053)	0,000	
Grand Total Reserves		(0,455)	(0,157)	(0,097)	–	

Notes

¹ www.mcmining.co.za/technical-reports

² The declared coal Reserves are based upon the Measured and Indicated coal Resources only

³ Tonnages reported in millions of tonnes and rounding of weighted averages may have occurred

Governance Arrangement and Internal Controls

MC Mining has ensured that the mineral Resources quoted are subject to good governance arrangements and internal control. The Company has engaged external independent consultants to update the mineral resource in accordance with the JORC Code 2012 and SAMREC 2016.

03

SUSTAINABLE DEVELOPMENT REVIEW

- 19** Introduction
- 21** Safety and health
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- 26** Environmental management
- 32** Social commitments

We have committed to report according to the requirements of the Global Reporting Initiative (GRI) guidelines where possible, and to align our reporting with the principles of the International Council on Mining and Metals (ICMM) which has endorsed the United Nations' Sustainable Development Goals (SDGs)

INTRODUCTION

Our approach to sustainability continues to evolve. The challenges of poverty, inequality and weak economic growth continue to plague the communities in the vicinity of our operations and South Africa as a whole. We have integrated sustainability into our corporate strategy and prioritise our obligation to pursue it to deliver a positive social and economic contribution to our stakeholders.

We have committed to report according to the requirements of the Global Reporting Initiative (GRI) guidelines where possible and to align our reporting with the principles of the ICMM which has endorsed the United Nations' Sustainable Development Goals (SDGs). The SDGs are becoming increasingly significant for investors, as they represent targets for the world's most pressing environmental,

social, and economic issues.

We have also aligned our sustainability commitments with the World Coal Association's (WCA) Responsible Mining Principles which were published in support of the SDGs.

Of the 17 goals, MC Mining has initially focused on the following seven:

They are: SDGs 3, 5, 8, 12, 13, 15 and 17



We are developing metrics and related targets to monitor our contribution to these goals.

Our reporting roadmap



INTRODUCTION continued

Our key sustainability issues

Our material issues

Our ability to create value in the short, medium and long term may be affected by matters which substantively impact our strategic objectives. Integral to our planning processes is identifying

and evaluating the matters that are of common material interest to our stakeholders and our business, as well as understanding how they will affect our ability to create value. Our success will be measured by how well we manage these issues.

The aim of our materiality assessment is to ensure that the issues of society, environment and economy which pose risks and opportunities to MC Mining are identified and addressed. We conducted a desk top exercise with key stakeholders to determine these material matters.

Category	Issue	Description of Potential Impact	Mitigation Measures
Social	Maintaining our social licence to operate	S – The strength of our social licence to operate is an important consideration for sustainability.	E – Implement the shared value approach to maximise the benefits for community participation throughout the value chain.
	Stakeholder engagement - building sustainable relations	S – Fostering social cohesion within our communities minimises the scope for community unrest.	S – Skilled team to drive the execution of the strategy,
	Engaging transparently and collaboratively with integrity		S – Identify mutually beneficial issues aligned to our purpose, and seek common ground to achieve these.
	Fostering social cohesion amongst communities		
	Building trust with communities within our area of operation		
	Community activism and unrest		
Environment	Managing the impacts of climate change	E – The biggest threat to coal mining is global climate change, hence the opportunity for funding of thermal coal projects is particularly difficult. The metallurgical sector is being tarred with the same brush, but steel and ferro-alloys are critical in the development of renewables, and metallurgical coal is still essential.	E/ENV – Addressing the need to mitigate climate change impacts through adoption of latest technology, infrastructure design and methodologies, and embracing opportunities presented such as carbon offset projects.
		E – The financing of new coal projects is a challenge as most local and international financial institutions seem to be moving towards not funding any fossil fuel projects due to the mounting global pressure relating to climate change.	E/ENV – Project level interventions to adapt processes and technologies to address climate change mitigation and decarbonise operations.
		ENV/S – There is a growing drive by societies to achieve net zero carbon emissions.	ENV – An actionable climate strategy that demonstrates a recognition of the impacts of climate change; e.g. the impact of increasing water stress on operations, impact of increasing flooding episodes on infrastructure and assets.
			E/ENV – Implementing renewable energy opportunities.

LEGEND

S – Social **ENV** – Environment **E** – Economy

SAFETY AND HEALTH



We strive to achieve our goal of zero harm by embedding and integrating the zero harm culture into all our activities as a prioritised pillar for not only management, but for all our employees, contractors and communities.

We review our safety targets annually and apply stringent systems and processes to achieve our goal.

For six consecutive years, our operations have been fatality-free. During FY2021, we achieved our best safety performance – Lost time injury frequency rate (LTIFR) of 1.12 against a target of 1.61. This is an improvement on the FY2020 LTIFR of 1.60. This has been achieved by adapting our leadership approach, strengthening our culture, and by implementing a range of safety targeted interventions.

Our safety focus is through:



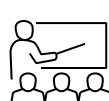
LEADERSHIP

Highly engaged, visible and accountable leadership, leading by example, are essential to ensuring that all our people are safe. There is ongoing engagement with mine management on the implementation of safety processes and protocols.



COMMUNICATION AND AWARENESS

Our communication and awareness programmes focus on ensuring that all our people are aware of our safety targets, strategies and gaps in developing leadership skills in safety.



TRAINING

Our goal is to ensure that every employee is able to undertake their tasks in a safe and responsible manner. Our training programmes focus on creating a mind-set shift in which every employee embraces our ultimate objective of zero harm and working together to create an incident and injury free environment.



RISK MANAGEMENT

Risk management is central to our operational and project management. Through this process we identify, assess, analyse and address risks associated with our business and operational activities. Our safety approach is reviewed regularly to ensure that we remain relevant and is aligned to global best practice.

South Africa's Mine Health and Safety Act, 1996 (Act 29 of 1996) sets out the minimum requirements to ensure the safety of mining company employees.

An independent occupational hygienist is employed to conduct regular monitoring at our operations and projects, thus ensuring compliance with airborne pollutants, thermal stress and occupational noise requirements.

	FY2021	FY2020
HIV/ AIDS		
Number of tests	137	93
New positive diagnosis	3	–
Employees on treatment	70	67
Mortalities	–	–
Tuberculosis		
Number of cases	1	–
Mortalities	–	–
Diabetes		
Number of cases	14	12
Hypertension		
Number of cases	53	53
Pneumoconiosis		
Suspected cases	–	2
Noise induced hearing loss		
Submitted/reportable cases	1	–
COVID-19		
Positive cases	39	23
Recoveries	38	22
Deaths	1	–

SAFETY AND HEALTH continued

Our response to the COVID-19 pandemic is to minimise, manage and mitigate the spread of the virus and includes:



Awareness campaigns to empower our employees with accurate information about COVID-19, causes of infection, symptoms, transmission, risks and personal hygiene measures



Workplace measures included the issue of Personal Protective Equipment (PPE) to employees and the adoption of social distancing and regular hand washing practices



Screening at mine entrances



Adjustment of shift times to ensure social distance on staff transport



Staggering of shift times to reduce the number of employees at the mine at a given time



Training to drive improved compliance and behavioural change



70% of our employees have been vaccinated. We are running a campaign to address hesitancy to reach our goal of a fully vaccinated work force.

Sadly, one of our contractors at the Uitkomst Colliery lost an employee to the pandemic in FY2021.

STAKEHOLDER ENGAGEMENT

We have adopted a shared value approach in our engagement with our stakeholders. This approach is based on the recognition of the tangible value of our relationships with our stakeholders, whose trust we seek to secure and maintain.

Inclusive and sustainable mutually beneficial relationships with our stakeholders are a prerequisite for our social licence to operate. Within our multi stakeholder environment, there is a need to continuously align the business objectives with the societal challenges

which exist in our areas of operation, with the ultimate aim of embedding social needs and challenges in all areas of the business.

Stakeholder engagement strategy

Our stakeholders are defined as those interested in and potentially affected by our operations and projects. A stakeholder engagement strategy is key to building and securing the trust of our stakeholders. Our engagement strategy is direct and managed through our Corporate Affairs Department at a corporate and mine site level.

The vision of the strategy is to build social cohesion and social capital within communities in order to develop sustainable communities through inclusive, transparent and regular engagement.

Communities residing in close proximity to our projects and operations, known as our beneficiary communities, have high

expectations of the company to single-handedly address the challenges they are facing.

There is therefore a need to understand and skilfully manage these expectations, balancing the apparently competing demands and expectations of various stakeholders, including shareholders. We have conducted house to house surveys in all our areas of operation to ensure we understand our stakeholders.

Our Stakeholder Management System (SMS), the central repository of information on our stakeholders, continues to evolve as we update information on our stakeholders, record all issues, and monitor our responses to such issues.

Securing and maintaining our social licence to operate is an ongoing process in which the Company seeks to build social capital with all our stakeholders.



WE CONTINUE TO BUILD COLLABORATIVE AND MUTUALLY BENEFICIAL RELATIONSHIPS WITH OUR KEY STAKEHOLDERS, WHICH INCLUDE:



Shareholders and investors



Regulatory authorities at a national and provincial level



Employees and their families



Local communities and traditional leadership



Landowners and neighbours



Civic society

WE:

Proactively engage with and respond to all stakeholders timeously.

Acknowledge, respect and incorporate stakeholders' views, values and cultural heritage in our decision-making processes.

Seek to drive meaningful socio-economic transformation in our areas of operation.

Enhance the co-ordination of environmental and social initiatives.

Engage with all stakeholders on a basis of a "shared value" approach.

STAKEHOLDER ENGAGEMENT continued

Makhado Project's established stakeholder engagement structures

Structure	Stakeholder groups	Mandate	Meeting frequency
King's Advisory Forum	Traditional leadership	Structure for sharing of information regarding development in the Venda area	As and when required
Makhado Chiefs Forum	Traditional leadership	To deal with traditional and ancestral matters	Quarterly
Makhado Colliery Community Consultative Forum	Community	Structure to share information on Makhado, and to deal with community issues	Quarterly
Communities	Community	Engagement with communities through mass meetings to share information	Annually
Integrated Government Forum (IGF)	Authorities National – DMRE, DHSWS, DFFE, Department of Rural Development & Land Reform (DRDLR) Provincial – DAFF, LEDET Local – Makhado, Musina and municipalities	Compliance and legislative framework	Annually Individual departments quarterly

Vele's established stakeholder engagement structures

Structure	Stakeholder groups	Mandate	Meeting frequency
Environmental Management Committee	MC Mining, DMRE, DFFE, DHSWS, Capricorn and Blouberg Municipalities, Weipie Farmers Ass, Coalition	Established in terms of the EA to monitor environmental compliance	Quarterly
Heritage Sub-committee	DFFE, SAHRA, SANParks, Coalition, ASAPA, MC Mining	Sub-committee of the EMC to monitor compliance within the approved Heritage Management Plan	Quarterly
Water Sub-committee	DHSWS, Farmers Association, Coalition MC Mining	Sub-committee of the EMC to monitor compliance within the approved IWUL	Quarterly
PSC	DFFE, SANParks, MC Mining	Established in terms of the BOA	Quarterly
Vele Community Forum	Land claimant communities Tshivhula, Machete and Leshivha	To provide updates to community on the project and the Sustainable Value Model (SVM)	Bi-Annual
Authorities	Authorities National – DMRE, DHSWS, DFFE, DRDLR Provincial – LEDET, DAFF, DoA Local – Musina and Vhembe municipalities	Compliance Legislative framework Socio-economic transformation	

EMPLOYMENT

Building trust co-operation and community across our differences

Our culture and our people are fundamental to our success. We are committed to building an inclusive, diverse and engaged workforce who are connected to our purpose and whose actions are guided by our values. We believe that an environment which enhances employee wellbeing will also enhance performance.

We strive to change the way our employees and stakeholders experience our business by creating an inclusive workplace in which:

- Our people live out our values in the day to day operations of the business
- They are empowered to reach their full potential
- Every person feels that their contribution to our business performance is recognised and valued
- There is a shared commitment to growth and continual improvement
- Diverse views and cultures are celebrated and valued.

Our approach

Attract, retain and develop

We believe that our workforce must reflect the community and society where we operate. We are committed to promoting a workplace culture and environment in which every individual feels that they belong, and their contribution to the success of the company is recognised.

Our values of safety, respect and integrity underpin how we interact and engage with each other, and enable us to attract and retain a talented, diverse and inclusive workforce.

We continually review and redesign our policies and procedures to harness the full potential of our employees, enabling them to thrive and to make a difference in their work environment.

We employ just under 500 people in our three operations and we make every effort to create an environment to drive higher levels of engagement, performance and profit.

Our approach is premised on the following areas:

1. Diversity and inclusion

We are committed to building an inclusive workforce and a workplace culture in which every individual feels supported and valued. We continue to train our leadership to support diversity, and we have developed structures and policies that promote and prioritise inclusion and the protection of our employees. Our goal is to promote an environment in which both management and employees consistently advocate for one another, and remain accountable in their efforts.

Women make up 19% of our workforce. Our women in mining initiatives aims to identify and attract more women into our organisation, while we retain talented women through our integrated approach to culture.

2. Capacity building

We encourage a life- long approach to learning, and we offer opportunities

for our people to grow. Our consistent approach to training focuses on developing skills and competencies in leadership, sustainability and compliance.

During the FY2020, we invested over R6.5 million on training and development initiatives.

3. Talent management

Fundamental to the success of our business strategy is our ability to identify, attract, support and retain talented individuals. Our talent management strategy aims to develop and advance talented people within the organisation and provide opportunities which challenge their abilities

We facilitate leadership training, formal studies, mentorship and internships for our people to build leadership, management and technical competencies.

4. Employee engagement

Engaging with our people regularly in an honest and transparent manner enables us to identify what works well in the workplace and what needs to be improved. We believe that people who are engaged contribute to the success of our business.

Historically Disadvantaged South African (HDSA) statistics (%)

	FY2021	FY2020
Senior management	50	57
Management	38	38
Employees	95	95

* Includes white females

Employment by project

	Employees			Contractors		
	FY2021	FY2020	FY2019	FY2021	FY2020	FY2019
Uitkomst	437	447	463	79	75	92
Makhado/Bakstaar	19	22	24	10	14	14
Vele/Harrisia	25	28	31	16	18	18
Corporate office	13	21	25	0	0	1

ENVIRONMENTAL MANAGEMENT



Our principal environmental impacts are:



Land disturbance



Fossil-fuel-generated energy consumption and GHG emissions



Water consumption and pollution



Waste generation



Air quality pollution

Mining, by its very nature, involves the extraction of natural minerals from the earth. Land is disturbed; water is consumed; dust is generated; waste is generated and discharged or disposed; and greenhouse gases (GHGs) are emitted. MC Mining fully recognises and appreciates the impact of our activities, not only on the natural environment, but also on our surrounding communities.

Our environmental management activities are guided by the Guidelines of our Environmental Policy. Our policy is flexible, and adaptable to the various contexts of geography, operations, and regulation. We are stewards of the land and ecosystems in which we operate. Our goal is to maintain a healthy environment and minimise our footprint.

To that end, we have implemented a risk-based approach to environmental management which focuses on the key areas of water stewardship, responsible resource consumption, proactive forward-planning for sustainable mine closure, biodiversity, and heritage management.

All our efforts are directed to not only minimise our impact, but to deliver positive and long-lasting environmental outcomes and a sustainable legacy for the local community.

Our goal is to reduce the biodiversity impacts of our operations through improving land management practices and enhancing conservation efforts.

We aim to minimise harm to the environment whilst economically mining the mineral resource by designing the operations and the closure thereof responsibly. Compliance with the applicable legislation and regulations is embedded in the approach.

The philosophy applied to water and waste management is to determine mitigation is management measures based on the mitigation hierarchy. The mitigation hierarchy in general consists of the following in order of which impacts should be mitigated:

Avoid (prevent) impact:

Can be done through utilising alternative sites, technology and scale of projects to prevent impacts. In some cases, if impacts are expected to be too high, the “no project” option should also be considered, especially where it is expected that the lower levels of mitigation will not be adequate to limit impacts.

Minimise (reduce) impact:

Can be done through utilisation of alternatives that will ensure that impacts on the environment and eco-services provision are reduced. Impact minimisation is considered an essential part of any development project.

Manage (restore) impact:

Applicable to aspects where impact avoidance and minimisation are not feasible or unsuccessful. Restoration/rehabilitation must be implemented to re-instate impacted aspects and return them to conditions which are similar to the pre-project conditions or an agreed post-project state.

Offset (compensate) impact:

Compensating for latent or unavoidable negative impacts on the physical and socio-economic environment. Offsetting should take place to address any impacts deemed to be unacceptable which cannot be mitigated through the other mechanisms in the mitigation hierarchy.

The Environmental Management Strategy and System (EMS) adopted at the Vele and Uitkomst Collieries has been developed as the formal tool for environmental management. These systems are independently audited every quarter, and reports are submitted to the regulatory authorities.

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 is reviewed by the EMC on a quarterly basis, and the monitoring programme and/or protocols revised where necessary.

Our environmental goals are based on the following considerations

			
Consideration	Goal	Current activities	Future outlook/plans
Water management	- To reduce our dependence on water - To reduce freshwater usage - To prevent the deterioration of water resource quality	Both Uitkomst and Vele Collieries operate a closed water system with zero discharge to the natural environment. MC Mining's operations strive, through the implementation of continued improvement projects, to reduce water consumption by increasing the use of wastewater in the processing of coal. We employ the latest water management technology at our operations. Vele Colliery: - No water abstraction for mining or processing activities during the period of review due to the colliery being on care and maintenance. - Spring rehabilitation completed, water flowing since February 2021. - In-pit water quality in line with IWUL requirements. Uitkomst Colliery: 1.5 Mm³ of surface water was used for mining and processing activities; 1.2 Mm³ was recycled in the process. - Clean and dirty water facilities are monitored regularly to ensure compliance with the IWUL requirements. Action is taken in the event of any exceedances. Makhado Colliery: - A water treatment plant has been designed for the Makhado processing plant which will reduce the requirement for freshwater.	Produce more accurate site-specific and regional water balances for the active sites. Assess opportunities to reduce freshwater consumption by replacing freshwater with non-freshwater sources. Assess opportunities to reduce regional water losses in conjunction with the relevant Water Boards / local municipalities. Ongoing water monitoring.
Biodiversity and land use	- To minimise our land usage and promote conservation and biodiversity - To invest in biodiversity stewardship	Implementation of the EMS system at Vele and Uitkomst Collieries which addresses the different needs and expectations of stakeholders. This is also effective for ecological, environmental and ecosystem management. Vele Colliery: - Total land under management: 8,663 ha - Rehabilitation maintenance ongoing - Nursery fully operational - Alien Vegetation Eradication Programme in place Uitkomst Colliery: - Uitkomst Colliery is an underground mine, limited areas are disturbed apart from the surface infrastructure - Alien Vegetation Eradication Programme in place	Develop a Rehabilitation, Decommissioning and Closure Plan for each of the operations in line with the requirements of the <i>Regulations pertaining to the Financial Provision for Prospecting, Exploration, Mining or Production Operations (GN1147)</i>. An EMS system to be developed and implemented at Makhado Colliery upon commencement of construction.

ENVIRONMENTAL MANAGEMENT continued

Our environmental goals are based on the following considerations continued

 Consideration	 Goal	 Current activities	 Future outlook/plans
Energy use	- To ensure resource efficiency in respect of energy consumption - To invest in renewable energy sources where possible	Monitoring our energy usage from the national grid and energy produced using diesel generators allows MC Mining to identify any potential opportunity for energy savings. Vele Colliery: - Utilises a diesel generator to meet its current energy requirements. Eskom will provide the full electricity requirements once the care and maintenance status is amended and production is resumed. - Total energy generated from diesel during period of review – 677,442 GJ. Uitkomst Colliery: - Utilises Eskom, as its primary source of energy with diesel generators as a back-up supply. - Energy from Eskom – 8,861 MWh - Energy generated from diesel – 6,950 GJ	Ongoing monitoring of energy usage to identify potential opportunities for energy savings. Improved monitoring and reporting of energy consumption to determine our contribution to greenhouse gas emissions. Change to renewable energy sources where possible.
Climate change	- To manage and reduce our greenhouse gas (GHG) emissions - To guard against the impact of climate change on our business and communities	MC Mining has identified the following energy saving initiatives that, once implemented, will translate into reduced GHG emissions: - New process plants will be equipped with energy efficiency motors that consume less power, while performing at the same operational efficiency. - Mixed-fuel sources: - solar panel installations at all offices and change house facilities e.g. solar geysers. - selected lighting on the mine will be powered by solar panels, where applicable. - Energy efficient globes to be used in offices and change houses. - Energy efficient air conditioners that consume less energy. - Change house shower heads will be of the efficient spray type, requiring less heated water. - Contractual requirements from contractors: diesel-operated equipment from mining contractors will utilise modern fuel saving (latest tier) engines. A continuous weather station is situated at Vele Colliery, with the results analysed internally.	A climate change impact assessment to be done for each operation and the Makhado Project. Develop an actionable climate strategy for the operations.

Our environmental goals are based on the following considerations continued

			
Consideration	Goal	Current activities	Future outlook/plans
Air quality	- To manage air quality emissions to an acceptable standard - To minimise the impact of dust on our surrounding communities and the environment	Ongoing air quality monitoring is conducted at the active mining sites. - Dust fallout monitoring is conducted monthly. Action is taken in the event of any exceedances from the National Standards. - Vele Colliery has an active Particulate Matter (PM₁₀) monitoring station.	Identification of air quality offset projects in the communities most affected by poor air quality. Potential offset projects identified include using alternative fuels for cooking, paving unpaved roads, and waste management to reduce illegal burning of waste. Improved dust alleviation to improve on dust fallout results. Ongoing air quality monitoring.
Waste management	To eliminate unnecessary wastage and waste to landfill by implementing waste reduction, reuse, and recycling initiatives in support of circular economies where practical	Waste is separated at source on operating sites, with waste bins placed strategically in the plant and mining areas according to the colour codes. All hazardous waste is stored in the bunded facility to prevent and minimise possible pollution. Vele Colliery: - No mining or hazardous waste produced for mining or processing activities during the period of review (care and maintenance). Uitkomst Colliery: - Mining waste accumulated in waste rock dumps: 179,685 tonnes - Non-mineral waste to landfill: 10,678 tonnes - Hazardous waste to incineration: 31,699 tonnes	Implement improved waste monitoring programmes at the operational mines. Identify waste reduction, reuse, and recycling opportunities in conjunction with surrounding communities.
Rehabilitation and closure provision	- To reduce our environmental footprint through concurrent and final rehabilitation - To ensure sustainable and appropriate post-mining land use	Vele Colliery: Current Lombard Guarantee with DMRE: R62,000,000 Liability assessed and submitted to DMRE: R61,745,764 Uitkomst Colliery: Current Lombard Guarantee with DMRE: R26,954,901 Liability assessed and submitted to DMRE: R28,053,312 Makhado Colliery: Current Lombard Guarantee with DMRE: R77,400,000 Liability assessed and submitted to DMRE: No liability assessed as mining has not commenced	Develop a Rehabilitation, Decommissioning and Closure Plan for each of the operations in line with the requirements of the <i>Regulations pertaining to the Financial Provision for Prospecting, Exploration, Mining or Production Operations (GN1147)</i>.

ENVIRONMENTAL MANAGEMENT continued

Environmental auditing, reporting and monitoring

	Vele Colliery	Makhado Colliery	Uitkomst Colliery
Legal permits	EA – DFFE and DMRE	EA - DFFE and DMRE	Approved EMP
	Approved Environmental Management Plan (EMP) - DFFE and DMRE		
	IWUL - from DHSWS	IWUL - from DHSWS	IWUL - renewal
	Removal of protected species permit - DAFF	Removal of protected species permit - DAFF	
	Heritage permits in place	Heritage permits in place	N/A
Auditing			
Environmental management system (EMS)	✓ EMS fully developed as per EA requirements ✓ EMS is audited quarterly by external independent auditor ✓ EMS reports are submitted to DFFE ✓ Last submitted to DFFE in October 2019	During construction	Internal EMS in place and ongoing
Key elements of EMS	✓ Environmental policy ✓ Planning ✓ Implementation and operation ✓ Checking and corrective action ✓ Management review	MC Mining Environmental policy to be integrated	Environmental policy in place
EA audit	✓ Biennially by external auditors ✓ Submitted to DMRE	During construction	N/A
WUL audit	✓ Annually by external auditors ✓ Internal WUL audits by scientist annually ✓ Submitted to DHSWS in April 2021 ✓ Water balance annually in place ✓ IWWMP and WCD annually internal ✓ SWMP annually internal ✓ RSIP annually internal ✓ Internal IWUL audit	✓ Annually by external auditors ✓ Submitted to DHSWS in 2019 ✓ Internal WUL audits by scientist annually	✓ Annually by external auditors ✓ Submitted to DHSWS in April 2021 ✓ Water balance annually in place ✓ IWWMP and WCD annually internal ✓ SWMP annually internal ✓ RSIP annually internal ✓ Internal IWUL audit
Environmental performance report (EPR)	✓ Compiled by external auditors annually ✓ Details environmental performance of the project for the year ✓ Submitted to DMRE annually in April 2021	During construction	✓ Compiled by external auditors annually ✓ Details environmental performance of the project for the year ✓ Submitted to DMRE annually in April 2021
Financial liability assessment	✓ Compiled by external auditors annually ✓ Submitted to DMRE annually in April 2021	In place	✓ Compiled by external auditors annually ✓ Submitted to DMRE annually in April 2021
Environmental Performance Assessment Report (ECO)	✓ Compiled quarterly by independent Environmental Control Officer ✓ Submitted to DFFE last in November 2019	During construction	Not a requirement

Environmental auditing, reporting and monitoring continued

	Vele Colliery	Makhado Colliery	Uitkomst Colliery
EMC water committees heritage and biodiversity subcommittee	✓ Fully implemented as per EA and WUL requirements ✓ Meeting held on a quarterly basis with relevant stakeholders such as NGOs, DFFE, DWS, DMRE, LEDET, local Municipalities	During construction	Not a requirement
External audit by authorities	✓ DWS conduct annual audits and quarterly inspection on IWUL, last audit conducted in May 2021 ✓ DMRE conduct annual audits on EMP, EA last audit conducted in Dec 2020 ✓ SAHRA conduct annual heritage monitoring, last audit conducted in Sep 2020	✓ DWS conduct annual audits ✓ DMRE conduct annual audits on EMP, EA last audit conducted in Dec 2020	✓ DWS conduct annual audits
Monitoring			
Ground water	✓ Monitoring done quarterly	Monitoring done six monthly, to be done quarterly during construction	Monitoring done quarterly
Surface water	✓ Monitoring done monthly ✓ Biomonitoring done biannually (wet and dry season) ✓ PMS Monthly Monitoring ✓ Geochemical studies conducted every five years ✓ Long term water management strategies in place	Water monitoring ad hoc	✓ Monitoring done monthly ✓ Biomonitoring done biannually (wet and dry season) ✓ Geochemical studies conducted every five years
Heritage	✓ HIA done ✓ Palaeontological study in place ✓ Heritage awareness part of induction ✓ Heritage monitoring done on monthly basis	In place	
Air quality	✓ PM10 monitoring station is live ✓ NAEIS submitted to DFFE annually ✓ Dust monitoring conducted monthly ✓ Vital weather station live	Dust monitoring	✓ Dust monitoring conducted monthly
Biodiversity	✓ TOPS survey conducted as part of EIA ✓ Vegetation audits annually ✓ Alien plants control monthly ✓ Plants and animals rescue as part of EIA ✓ Riverine assessments annually ✓ Avifauna Management Plan ✓ Species diversity ✓ Indigenous plants nursery operational	✓ Threatened of Protected Species conducted as part of EIA ✓ Indigenous plants nursery during construction	✓ Alien plants control monthly
Waste management	✓ External company Gundo handling hazardous waste ✓ Oilkol used oil	During construction	✓ External company Environserve handling hazardous waste and general waste

SOCIAL COMMITMENTS



We operate in multi-stakeholder environments with, at times, competing stakeholder needs and expectations.

We recognise our potential to contribute in a meaningful way to social and economic development, within sound corporate policies and good governance framework.

We aim to enhance corporate performance while advancing meaningful socio-economic transformation

The needs of our community are extensive – jobs, access to basic services, quality education, decent housing amongst others. We recognise the potential of our shared value approach to address the societal and economic challenges in our areas of operation.

Whilst the State is the primary enabler of inclusive, sustainable development, and the provision of basic services, we acknowledge that partnerships between

communities, government and private sector are key to achieving the goals of the National Development (NDP) of reducing poverty and inequality, raising economic growth, increasing employment, building skills, developing capabilities, amongst others.

Through our Social and Labour Plan we build partnerships with communities and various government departments to improve the well-being of our communities. We carefully select the projects in which we invest through a prioritisation of the challenges as we evolve from compliance to sharing value.



Consideration	Goal	Current activities	Policies/ Relevant Documents
Health & safety	Zero harm Safeguarding the lives and livelihoods of our colleagues and local communities Identify opportunities to improve health and safety performance	The safety and health of our people is our priority, and we implement an inclusive and proactive approach towards ensuring that each day we achieve our goal of zero harm.	Incident management reports Actions and remediation Change management strategy
Human capital	Create an inclusive work environment where all our employees are respected Advance sustainable and inclusive transformation	- Ensure compliance with relevant legislation - Create awareness of the Employment Equity (EE) plan, and the Women in Mining strategy - Training of management on EE guidelines and targets	Employment Equity Plan Women in Mining strategy Values campaign being rolled-out
	Building capacity, facilitating education and skills development of employees Retention of employees	- Implement career path for employees within the various disciplines of mining – engineering, mining, processing - Ongoing engagement with employees on company's long-term plan - Clear communication on training and development programmes - Identification of top performers for mentorship and development	
	Become an employer of choice	Attract, recruit and retain staff	
	Labour management	- Ongoing engagement with organised labour through recognised structures: - Future Forum. - Monthly labour and management meetings.	Future Forum constitution established and is active

 Consideration	 Goal	 Current activities	 Policies/ Relevant Documents
Stakeholder engagement	Connecting the community to the Company through interactive, transparent and mutually beneficial engagement	• Completion of a house-to-house survey for communities at Uitkomst, Vele and Makhado • Maintenance of a SMS to understand the needs, expectations of and engagement activities with each stakeholder • Proactively engage with stakeholders in a transparent and inclusive manner • Build lasting relationships with stakeholders	Stakeholder engagement framework Stakeholder engagement policy
Enterprise and supplier development	Create a pipeline of new suppliers Job creation	• Enterprise and Supplier Development Programme implemented at Makhado and Uitkomst to incubate, develop and link entrepreneurs with procurement opportunities	• Enterprise and Supplier Development Strategy • Procurement Strategy
Training and development	Address skills shortage in the mining industry Build capacity within communities	• MC Bursary Fund • MC Artisan Programme • Learnership and Internship Programme	• Social and Labour Plan
Procurement	Compliance with legislation		• Mining Charter



ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

(Expressed in United States Dollars unless otherwise stated)

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DIRECTORS' REPORT

The directors of MC Mining Limited submit herewith the annual report of the Company and the entities controlled by the Company (its subsidiaries), collectively referred to as the "Group", for the financial year ended 30 June 2021. All balances are denominated in United States dollars unless otherwise stated.

In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Information about the directors and key management personnel

The names and particulars of the directors of the Company during or since the end of the financial year are set out below. Unless otherwise stated, the directors held office during the whole of the financial year:

Bernard Robert Pryor	Independent Non-Executive Chairman	Mr Pryor is a Chartered Engineer and currently the chief executive officer of Alufer Mining Limited and was previously the CEO of African Minerals Limited and prior to that the Chief Executive of Q Resources Plc. He is also a director of Petra Diamonds Limited. Between 2006 and 2010 he held senior executive positions within Anglo American Plc as Head of Business Development, and CEO of Anglo Ferrous Brazil Inc.
Sebastiano (Sam) Randazzo	Executive Director, Interim Chief Executive Officer	Mr Randazzo was appointed as an Executive Director and Interim CEO of MC Mining on 15 February 2021. Sam Randazzo began his career with Arthur Young (predecessor firm to Ernst & Young) before working as a consultant across a variety of projects in the USA, Australia, Canada, Africa and South America and is a member of Chartered Accountants Australia and New Zealand. He has over 25 years' experience in the international mining industry with extensive public company management expertise from roles as chairman, director, chief executive officer, chief financial officer, company secretary and executive director positions of ASX, TSX and AIM listed mineral resource companies. Mr Randazzo has completed numerous feasibility studies, mergers and acquisitions and capital-raising and has operational management experience in Australia, South America, USA, Canada and the UK.

DIRECTORS' REPORT continued

An Chee Sin	Non-executive Director	Mr Chee Sin is an Accredited Tax Practitioner with the Singapore Institute of Accredited Tax Professionals and is also a Chartered Accountant with the Institute of Singapore Chartered Accountants. He has more than 17 years of extensive experience in international and local corporate taxation and co-founded Pinnacle Tax Services Pte Ltd (Pinnacle Tax) in 2004. Prior to joining Pinnacle Tax he held the position of Director of Corporate Tax with KPMG and has coordinated various advisory projects, including cross-border fund structures, corporate restructurings, treasury and mergers and acquisitions.
Andrew David Mifflin	Independent Non-Executive Director	Mr Mifflin obtained his BSc. (Hons) Mining Engineering from Staffordshire University and has a Master's Degree in Business Administration. Andrew has over 30 years' experience specifically in the coal mining arena. His experience spans across various organisations such as British Coal Corporation, Xstrata and more recently GVK Resources. He has gained in depth knowledge in coal operations, both thermal and hard coking coal as well as in project development.
Brian He Zhen	Non-executive Director	Mr Zhen holds a bachelor's degree in business administration from Sichuan University and is currently Marketing and Public Relations Executive for Pan African Mining Pvt. Ltd. Between 2012 and 2015, Brian worked as Managing Director of Real Gain Investment Pvt. Ltd and was responsible for infrastructure and construction market development, as well as overseas market investments. He has previously served as Construction Manager for CRI – Eagle Investments (Pty) Ltd and Eagle Canyon Investments (Pty) Ltd.
Khomotso Brian Mosehla	Independent Non-Executive Director	Mr Mosehla is a CA (SA) and completed his articles with KPMG. Khomotso worked at African Merchant Bank Limited for five years where he gained a broad range of experience, including management buy-out, leveraged buy-out and capital restructuring/raising transactions. In 2003, he established Mvelaphanda Corporate Finance for the development of Mvelaphanda's mining and non-mining interests. Mr Mosehla served as a director on the boards of several companies, including Mvelaphanda Resources Limited and was the CFO of The Housing Development Agency until March 2021. Mr Mosehla served as a Non-executive Director of Northam Platinum Limited as well as Zambezi Platinum Limited until June 2021.

Shangren Ding	Non-executive Director	Mr Ding is an experienced professional engineer and has worked for a number of mining and energy companies as well as acting as a consultant to government geological bureaus. Shangren has over 30 years' experience predominantly in the coal mining sector and has gained extensive operational coal mining knowledge through chief operating roles at a number of mines in the Heilongjiang province in the People's Republic of China. Since 2014, Mr Ding has worked in a number of senior roles for Beijing Haohua Energy Resource Co., Ltd.
Brenda Berlin	Former Executive Director, Chief Financial Officer and Acting Chief Executive Officer	Ms Berlin was appointed as CFO and Executive Director of MC Mining in 2018 from Implats where she held the position of Group CFO. Brenda joined Implats in 2004 and held a number of senior appointments including head of group corporate finance activities until her appointment as CFO in 2011. She is a CA (SA) and obtained degrees from the University of the Witwatersrand and completed her articles at PwC South Africa. Prior to working at Implats, Brenda worked for Johnnic Holdings Limited in the corporate finance department and following its unbundling, remained with JCI Limited (JCI) assuming responsibility for business development. After leaving JCI, Brenda commenced working for Southern Mining Corporation Limited.

Brenda Berlin resigned on 15 February 2021. Sam Randazzo was appointed interim Chief Executive Officer on 15 February 2021. All other directors held office during and since the end of the previous financial year.

DIRECTORS' REPORT continued

Directorships of other listed companies

Directorships of other listed companies held by the directors in the three years immediately before the end of the financial year are as follows:

Director	Company	Period of directorship
Bernard Pryor	Petra Diamonds Limited	January 2019 - Present
Sam Randazzo	Bardoc Gold Limited	October 2018 – March 2019
	Excelsior Gold Limited	October 2016 – October 2018
An Chee Sin	None	
Andrew Mifflin	None	
Brian He Zhen	None	
Khomotso Mosehla	Northam Platinum Limited	2015 – 2021
	Zambezi Platinum Limited	2015 – 2021
Shangren Ding	None	

Directors' shareholdings

The following table sets out each director's relevant interest in shares or options in shares or debentures of the Company as at the date of this report.

Director	Ordinary shares	Performance rights	Unlisted options
B Pryor	7,500	–	–
A Chee Sin	–	–	–
A Mifflin ⁽³⁾	–	–	–
H Zhen	–	–	–
K Mosehla	–	–	–
S Randazzo	–	–	–
S Ding	–	–	–
	7,500	-	–

Remuneration of directors and key management personnel

Information about the remuneration of directors is set out in the remuneration report of this directors' report, on pages 10 to 17. Shareholder nominee non-executive directors are not remunerated. During the reporting period, no senior management satisfy the criteria of 'key management personnel'.

Share options granted to directors and senior management

During and since the end of the financial year, share options and performance rights were granted to Directors and key management personnel of the Company and of its controlled entities as part of their remuneration. Details of options and performance rights granted to Directors and senior management are set out on page 14.

Company secretary

Mr Tony Bevan, a qualified Chartered Accountant with over 25 years' experience, is the Company Secretary and works with Endeavour Corporate Pty Ltd, the company engaged to provide contract secretarial, accounting and administration services to MC Mining.

Principal activities

The Company is a limited company incorporated in Australia. Its common shares are listed on the ASX, the AIM and the JSE in South Africa. The principal activities of the Company and its subsidiaries are the acquisition, exploration, development and operation of metallurgical and thermal coal projects in South Africa.

The Group's principal assets and projects include:

- The Uitkomst Colliery, an operating metallurgical and thermal coal mine with a *circa* 15-year LOM;
- Makhado hard coking and thermal coal project;
- The Vele Colliery, a semi-soft coking and thermal coal mine, which remains on care and maintenance; and
- Three exploration and development stage coking and thermal coal projects, namely Chapudi, Generaal and Mopane in the Soutpansberg Coalfield.

Review of operations - salient features

- No fatalities (FY2020: nil) and four LTI's (FY2020: nine);
- The Uitkomst Colliery produced 490,100 tonnes (t) (FY2020: 431,354 t) of ROM coal during the twelve months to 30 June 2021;
- Uitkomst ROM coal production was 14% higher than FY2020 due to the South African Government-imposed COVID-19 lockdown restrictions in place between March and June of CY2020 preventing mining and processing at Uitkomst;
- Ramp-up of operations at Uitkomst commenced in July 2020 but high levels of absenteeism due to COVID-19 preventative measures resulted in lower than anticipated coal production for the first six months of FY2021;
- The Uitkomst Colliery's customers also suspended operations to prevent the spread of COVID-19 and order volumes normalised towards the end of Q1 FY2021. The colliery's largest customer experienced equipment and operational challenges in September 2020 and again in February/March 2021, adversely affecting orders of high quality Uitkomst coal;
- Uitkomst sold 292,261t of coal in FY2021 (FY2020: 254,193t) comprising 265,879t (FY2020: 228,206t) of premium duff and sized peas and 26,382t (FY2020: 25,987t) of high ash, coarse discard coal - generating sales revenue of \$20,702 thousand (FY2020: \$17,155 thousand);
- Thermal coal prices declined significantly during Q2 CY2020 following the spread of the COVID-19 pandemic. The API4 export thermal coal price improved during FY2021, increasing from \$53/t in July 2020 to \$115/t at the end of the financial year 2021;
- Limited activities at the Company's (Makhado Project or Makhado), Vele semi-soft coking and thermal coal colliery (Vele Colliery or Vele) and Greater Soutpansberg Projects during FY2021;

DIRECTORS' REPORT continued

- The Vele processing plant is expected to be refurbished and recommissioned as part of Phase 1 of the Makhado Project when financed; and
- The Department of Mineral Resources & Energy (DMRE) granted the mining right for the Mopane Project, the third and final mining right for the GSP area.

Corporate salient features

- Restructuring of the IDC loan facility of \$16,772 thousand (ZAR240,000 thousand) (the IDC Facility), originally secured in March 2017. In addition to the initial \$8,386 thousand (ZAR120,000 thousand) draw down in May 2017 (the First Drawdown), the IDC agreed that the Company's subsidiary, Baobab Mining & Exploration Proprietary Limited (Baobab), draw down \$2,795 thousand (ZAR40,000 thousand) representing the second tranche drawn on that loan facility (the Second Drawdown). The remaining \$5,591 thousand (ZAR80,000 thousand) undrawn balance was then cancelled;
- The August 2020 IDC Facility restructure was conditional upon the Company raising \$1,048 thousand (ZAR15,000 thousand) in the form of new equity which resulted in the Company issuing 13,331,433 new shares;
- The terminal drawdown date of the new \$17,121 thousand (ZAR245,000 thousand) new IDC facility (New IDC Facility) for the development of Phase 1 of the Makhado Project is available for drawdown prior to 31 January 2022, subject to the IDC re-affirming its financial due diligence;
- Recommencement of composite debt/equity funding initiatives for the Makhado Project following delays due to COVID-19; and
- Mr Sam Randazzo was appointed as Interim Chief Executive Officer (CEO) following the resignation of Ms Brenda Berlin.

Subsequent events

- During July 2021 the IDC extended the repayment of the IDC Facility as well as the drawdown of the new \$17,121 thousand (ZAR245,000 thousand) facility, both to 31 January 2022.
- Prepayment of \$2.1 million (ZAR29.7 million) from Uitkomst's largest customer for 16,500t of coal, to be amortised at 2,750t over six months from September 2021 to February 2022, improving working capital management in the near-term and forms part of the going concern assumptions assessed by the Company's auditors.

Financial review

- Operations were impacted by the COVID-19 pandemic and this resulted in operational challenges with two periods of equipment breakdowns at the Uitkomst Colliery's largest customer.
- Operating cash flows of \$1,723 thousand generated by the Uitkomst Colliery;
- Continued shareholder support facilitated the restructuring of the IDC Facility during the year and subsequent extension of the repayment of this facility as well as the drawdown of the New Facility;
- The R/\$ exchange rate continued to be volatile more so with the impact of COVID-19 and gains/losses from these elements are unpredictable;
- Contributing to the loss of \$11,837 thousand (2020: \$12,190 thousand) were non-cash charges of \$9,460 thousand (FY2020: \$4,281 thousand) which includes the following:
 - o Net impairment expense of \$6,759 thousand (FY2020: \$1,257 thousand)
 - o depreciation and amortisation of \$2,533 thousand (FY2020: \$2,608 thousand)
 - o share based payment expense of \$168 thousand (FY2020: \$416 thousand)
- Total unrestricted cash balances at year-end of \$3,226 thousand (FY2020: \$2,678 thousand).

Going concern

Attention is drawn to the disclosure in the annual financial statements on the going concern assumptions (refer note 1 of the annual financial statements), noting that there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that the entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors are satisfied however, at the date of signing the financial report, that there are reasonable grounds to believe that the Group will be able to continue to meet its debts as and when they fall due and that it is appropriate for the financial statements to be prepared on a going concern basis. The directors have based this on a number of assumptions which are set out in detail in note 1 to the accounts. In order to meet its working capital requirements, the Group is exploring and progressing on several alternative strategies to raise additional funding including, but not limited to:

- The issue of new equity for cash in the Company to current and new shareholders, of which the Group has a demonstrated history of success in this regard;
- The issue of new equity for cash in subsidiary companies which own the Makhado project;
- Further debt funding;
- Further contractor BOOT funding arrangements; and
- The sale of a minority stake in the subsidiary companies holding the Makhado Project.

The Group also has the capacity if necessary to reduce its operating cost structure in order to minimise its working capital requirements and defer the timing of any future capital raising.

The conclusion of the debt and equity raise is by its nature an involved process and is subject to successful negotiations with the external funders and shareholders. Any equity raise is likely to be subject to a due diligence process. The Group has a history of successful capital raisings to meet the Group's funding requirements. The directors believe that at the date of signing the annual financial statements there are reasonable grounds to believe that they will be successful in achieving the matters set out above and that the Group will therefore have sufficient funds to meet their obligations as and when they fall due.

Future developments

MC Mining aims to become the preeminent HCC producer in South Africa and will continue to build on the progress made during FY2021. The main focus for FY2022 will be to secure the funding for the construction of Makhado Phase 1, and once funding is received to begin construction.

The Makhado Project is fully permitted and has 344.8 million mineable tonnes of coal in situ. The Company has completed a Competent Persons Report (CPR) for the project and the phased development of Makhado was approved by the Company's directors during FY2019. Phase 1 incorporates the development of the west pit and modifications to the existing Vele Colliery processing plant. The development of the project in phases reduces execution risk, capital expenditure, shortens the mine's construction period and ensures the scalability of the project. Phase 1 will produce approximately 3.0Mtpa of ROM coal that will be screened and scalped at Makhado. The resultant 2.0Mtpa of scalped ROM coal will be transported to the Vele Colliery for final processing and will yield approximately 0.54Mtpa of HCC and 0.57Mtpa of an export quality thermal coal as a by-product. ArcelorMittal South Africa Limited (AMSA) have signed an off-take agreement for 350,000-450,000 tonnes per annum (tpa) of Phase 1 HCC.

Phase 2 could commence in circa CY2026, subject to funding and the market conditions, and includes the construction of the east pit as well as the Makhado processing plant and related infrastructure. This phase will result in 4.0Mtpa of ROM coal producing 1.7Mtpa of saleable HCC and thermal coal.

The exploration and development of MC Mining's three Soutpansberg coalfield projects namely the Chapudi, Mopane and Generaal project areas, is the catalyst for the long-term growth of the Company. The DMRE has granted MRs for all three project areas, and the GSP collectively comprises over 7.1bn tonnes of coal.

Environmental regulations

The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation and there has consequently been no breach. The Group is subject to numerous environmental regulations in South Africa, including:

- National Environmental Management Act, 1998 (No. 107 of 1998): Amendment to the Environmental Impact assessment regulations 2014;

DIRECTORS' REPORT continued

- National Water Act, 1998 (No.36 of 1998);
- National Heritage Resources Act, 1999 (Act 25 of 1999); and
- National Environmental Management Air Quality Act, 2004 (No. 39 of 2004).

The Board believes that there are adequate systems in place for the management of its environmental impacts but from time to time statutory non-compliances may occur. The Board takes these seriously and continues to monitor compliance.

Corporate Governance

The Group recognises the need for the highest standards of corporate behaviour and accountability. The Directors have accordingly followed the recommendations set by the ASX Corporate Governance Council. For further information on corporate governance policies adopted by MC Mining Limited, refer to the website:

<http://www.mcmining.co.za/corporate-governance/board-committees-and-charters> and the annual report.

Dividends

No dividend has been paid or proposed for the financial year ended 30 June 2021 (FY2020: nil).

Shares under option or issued on exercise of options or performance rights

There are no unissued shares under option as at the date of this report.

Details of unissued performance rights granted as at the date of this report are:

	Number of shares under performance rights	Class of shares	Exercise price	Expiry period
Performance rights	960,127	Ordinary	Nil	November 2021
Performance rights	1,602,393	Ordinary	Nil	March 2022
Performance rights	1,143,657	Ordinary	Nil	November 2022
Performance rights	4,858,467	Ordinary	Nil	November 2023
Total performance rights	8,564,644			

No other shares or interests were issued during or since the end of the financial year as a result of the exercising of options or meeting of performance rights criteria.

Indemnification of officers and auditors

During the financial year, the Company paid a premium of \$141 thousand (FY2020: \$175 thousand) in respect of a contract insuring the directors of the Company, the Company Secretary, and all executive officers of the Company and of any related body corporate against a liability incurred by such a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred by such an officer or auditor.

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, a total of four scheduled and seven unscheduled board meetings were held as well as five Nomination and Remuneration Committee, four Safety and Health Committee meetings and four Audit and Risk Committee meetings were held.

Director	Board Meetings		Audit and Risk Committee Meetings		Nomination and Remuneration Committee Meetings		Safety, Health and Environment Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
B Pryor	11	11	–	–	5	5	4	3
S Randazzo ⁽¹⁾	11	11	2	2	5	5	2	2
B Berlin ⁽²⁾	6	5	–	–	–	–	–	–
A Chee Sin	11	9	4	4	–	–	–	–
A Mifflin	11	11	–	–	–	–	4	4
H Zhen	11	11	–	–	–	–	–	–
K Mosehla	11	8	4	4	5	4	–	–
S Ding	11	11	–	–	–	–	–	–

1. Appointed Interim CEO and Executive Director on 15 February 2021.

2. Resigned on 15 February 2021.

Proceedings on behalf of the Company

No persons applied for leave to bring or intervene in proceedings on behalf of the Company during or since the end of the financial year.

Non-audit services

No non-audit services were provided during the current financial year. Details of amounts paid or payable to the auditor are outlined in note 10 to the consolidated financial statements.

Auditor's independence declaration

The auditor's independence declaration is included on page 19 of these consolidated financial statements.

Remuneration report (audited)

This remuneration report, which forms part of the Directors report, sets out information about the remuneration of MC Mining Limited's Directors and its senior management for the financial year ended 30 June 2021. The prescribed details for each person covered by this report are detailed below under the following headings:

- Director details;
- Remuneration policy;
- Relationship between the remuneration policy and company performance;
- Remuneration of Directors and senior management; and
- Key terms of employment contracts.

The Board is responsible for establishing remuneration packages applicable to the Board members of the Company. The policy adopted by the Board is to ensure that remuneration properly reflects an individual's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest calibre.

DIRECTORS' REPORT continued

Directors' remuneration packages are also assessed in the light of the condition of markets within which the Company operates, the Company's financial condition and the individual's contribution to the achievement of corporate objectives. Executive Directors are remunerated by way of a salary commensurate with their required level of service.

Total remuneration for all Non-Executive Directors, excluding share-based payments, as approved by shareholders at the November 2010 General Meeting, is not to exceed AUD1,000,000 per annum (USD749,520).

The Board has a Nomination and Remuneration Committee which was made up as follows: Mr Pryor (Chairman), Mr Mosehla and Mr Randazzo. The Company does not have any scheme relating to retirement benefits for Executive or Non-Executive Directors.

Director and key management personnel details

The following persons acted as directors of the Company during or since the end of the financial year:

- B Pryor Independent Chairman
- S Randazzo⁽¹⁾ Interim Chief Executive Officer and Executive Director
- B Berlin⁽²⁾ Acting Chief Executive Officer and Executive Director
- A Chee Sin Non-Executive Director
- A Mifflin Independent Non-Executive Director
- H Zhen Non-Executive Director
- K Mosehla Independent Non-Executive Director
- S Ding Non-Executive Director

1. *Appointed as Interim Chief Executive Officer and Executive Director on 15 February 2021, previously Non-Executive Director*
2. *Resigned on 15 February 2021*

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. Apart from the Executive Directors, no employees satisfy the definition of 'key management' to be separately disclosed in this remuneration report.

Remuneration policy

The remuneration policy of MC Mining has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The Board of MC Mining believes the remuneration policy to be appropriate and effective in its ability to attract and retain management personnel to run and manage the Group, as well as create goal congruence between Directors, management and shareholders.

The Board's policy for determining the nature and amount of remuneration for management personnel of the Group is as follows:

- The remuneration structure is developed by the Nomination and Remuneration Committee and approved by the Board after professional advice is periodically sought from independent external consultants.
- Management personnel receive a base salary (based on factors such as length of service and experience), performance rights and performance incentives.
- Incentives paid in the form of cash and performance rights are intended to align the interests of the Directors, management and the Company with those of the shareholders.

The Nomination and Remuneration Committee reviews senior management personnel packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors.

The performance of senior management personnel is measured against criteria agreed annually with each executive and bonuses and incentives are linked to predetermined performance criteria. The performance criteria vary and are determined in line with each individual's performance contract. The Board may, however, exercise its discretion in relation to approving incentives, bonuses, options or performance rights, and can recommend changes to the Nomination and Remuneration Committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

All remuneration paid to management personnel is valued at the cost to the Company and expensed.

The Board's policy is to remunerate Non-Executive Directors at market rates for time, commitment and responsibilities. Shareholder nominee Non-Executive Directors are not remunerated. The Nomination and Remuneration Committee determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees, excluding share-based payments that can be paid to Non-executive Directors is AUD1,000,000 (USD749,520).

To assist Directors with independent judgement, it is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval from the Chairman for incurring such expense, the Company will pay the reasonable expenses associated with obtaining such advice.

Options granted under the Employee Share Option Plan do not carry dividend or voting rights. Options are valued using a binomial option pricing model and the Black-Scholes option pricing model was used to validate the price calculated.

The Company has a shareholder approved performance rights plan (the "Plan") to assist in the reward, retention and motivation of eligible employees and to align the interest of eligible employee with the shareholders of the Company. Prior to a performance right being exercised, the performance grants do not carry any dividend or voting rights. Performance rights are granted for no consideration and no exercise price is payable upon exercise of the performance rights.

Apart from the special incentive performance rights granted during the year, the performance rights proposed to be granted are subject to the following vesting conditions:

- Vesting of the performance rights will be subject to a hurdle rate based the South African Consumer Price Index plus five percent (Hurdle Rate).
- The Hurdle Rate will be compounded annually over the three-year period but will be measured annually to determine whether one third of the performance grants are cancelled or earned.
- The Hurdle Rate is a measure of the increase in the Company's share price and is a target for the total shareholders return (TSR).
- The base price for the TSR calculation will be the volume weighted average price (VWAP) of shares over the 30 days prior to the grant date.
- The end price for the TSR calculation will be the VWAP over the last 30 days of the Performance Period.

The special incentive performance rights were granted to certain employees of the company in the form of MC Mining shares. The incentive shares will vest in full on the hot commissioning of the Vele Colliery plant. If the hot commissioning does not take place before 31 March 2022, the incentive shares will lapse.

Performance-based remuneration

The key performance indicators (KPIs) are set annually, which includes consultation with management personnel to ensure buy-in. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential to position the Group for future expansion and profit, covering financial and non-financial as well as short and long-term goals.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved.

DIRECTORS' REPORT continued

Hedging of Management Remuneration

No member of executive management entered into an arrangement during or since the end of the financial year to limit the risk relating to any element of that person's remuneration.

Relationship between remuneration policy and Company performance

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to June 2021.

	Year ended 30 June 2021 \$'000	Year ended 30 June 2020 \$'000	Year ended 30 June 2019 \$'000	Year ended 30 June 2018 \$'000	Year ended 30 June 2017 \$'000
Revenue	20,702	17,155	26,403	32,693	-
Net loss before tax from continuing operations	12,107*	12,850*	33,522*	97,043*	17,662
Net loss after tax from continuing operations	11,837	12,190	33,726	103,763	17,367
Share price at start of year ⁽¹⁾	A\$0.13	A\$0.67	A\$0.36	A\$0.05	A\$0.06
Share price at end of year	A\$0.10	A\$0.13	A\$0.67	A\$0.36	A\$0.05
Basic and diluted loss per share (\$ cents) from continuing operations	7.76*	8.55*	23.72*	73.54*	17.26

**includes net impairment expense of \$6,759 thousand (2020: includes at \$1,257 thousand impairment expense (FY2019: includes the \$23,268 thousand impairment of the Makhado Project consolidated exploration asset) (2018: includes the \$87,475 thousand impairment of the Vele Colliery assets)*

⁽¹⁾ The share price at the start of the 2018 year is prior to the share consolidation that took place in December 2017.

Remuneration of directors and key management personnel

Details of the nature and amount of each major element of the remuneration of each director are:

	Short term employee benefits			Post-employment benefits	Share-based payments	Total	Share based % of Total
2021	Salary and fees	Bonus	Non - monetary benefits	Super-annuation	Termination benefits	Options / Shares	
	\$	\$	\$	\$	\$	\$	%
Non-Executive Directors							
B Pryor ⁽¹⁾	74,112	-	-	-	-	-	74,112 -
A Chee Sin	-	-	-	-	-	-	- -
A Mifflin ⁽¹⁾	46,490	-	-	-	-	-	46,490 -
H Zhen	-	-	-	-	-	-	- -
K Mosehla ⁽¹⁾	47,142	-	-	-	-	-	47,142 -
S Randazzo ^(1,2)	30,069	-	-	2,778	-	-	32,847 -
S Ding	-	-	-	-	-	-	- -
Executive Directors							
S Randazzo ⁽²⁾	133,531	-	-	-	-	-	133,531 -
B Berlin ⁽³⁾	255,461	-	-	-	-	(241,845)	13,616 -
	586,805	-	-	2,778	-	(241,845)	347,738 -

1. The second, third and fourth quarter fees were accrued but not paid in the 2021 financial year
2. Mr Randazzo was appointed as Interim Chief Executive Officer and Executive Director on 15 February 2021.
3. Ms Berlin resigned on 15 February 2021 and all performance rights granted were forfeited.

No director appointed during the period received a payment as part of his consideration for agreeing to hold the position.

DIRECTORS' REPORT continued

	Short term employee benefits			Post-employment benefits		Share-based payments	Total	Share based % of Total
2020	Salary and fees	Bonus	Non - monetary benefits	Super-annuation	Termination benefits	Options / Shares		
	\$	\$	\$	\$	\$	\$	\$	%
Non-Executive Directors								
B Pryor ⁽¹⁾	69,326	-	-	-	-	-	69,326	-
A Chee Sin	-	-	-	-	-	-	-	-
A Mifflin ⁽¹⁾	44,447	-	-	-	-	-	44,447	-
H Zhen	-	-	-	-	-	-	-	-
K Mosehla ⁽¹⁾	44,941	-	-	-	-	-	44,941	-
P Cordin	15,291	-	-	1,453	-	-	16,744	-
S Randazzo ⁽¹⁾	44,154	-	-	4,195	-	-	48,349	-
S Ding	-	-	-	-	-	-	-	-
T Mosololi	20,975	-	-	-	-	-	20,975	-
Executive Directors								
D Brown	242,185	218,790	-	-	171,804 ⁽²⁾	-(3)	632,779	-
B Berlin	356,093	186,615	-	-	-	84,203 ⁽³⁾	626,911	13
	837,412	405,405	-	5,648	171,804	84,203	1,504,472	6

1. The third and fourth quarter fees were accrued for but not paid in the 2020 financial year
2. Mr Brown resigned on 31 January 2020 and in lieu of his six-month notice period, 208,537 shares have been issued to him, being one-third of the 2017 performance rights granted to him (\$130,944). These shares issued cannot be disposed of for a period of one year until 31 January 2021.
3. This is a non-cash cost expensed as employee costs. The non-cash costs for Mr Brown were reversed due to his resignation.

No director appointed during the period received a payment as part of his consideration for agreeing to hold the position.

In October 2019, performance bonuses of \$405 thousand were paid out in relation to certain performance targets met for the 2019 financial year. The performance targets were based on a combination of individual performance and corporate key performance indicators including; safety, operational targets and progression of raising funding for Phase 1 of the Makhado project.

Share-based payments granted as compensation for the current financial year

During the financial year, no share-based payment arrangements existed.

The following grants of share-based payment compensation to executive management personnel relate to the current financial year:

Name	Option series	During the financial year					% of compensation for the year consisting of options
		Number granted	Number vested	% of grant vested	% of grant forfeited		
B Berlin ⁽¹⁾	Special incentive	761,237	-	-	100%		N/A
B Berlin ⁽¹⁾	Performance grant	3,045,728	-	-	100%		N/A

⁽¹⁾ Ms Berlin forfeited the performance rights due to her resignation on 15 February 2021.

During the year, none of the executive management personnel exercised performance rights granted to them as part of their compensation.

Key terms of employment contracts

The Company has entered into formal contractual employment agreements with the Chief Executive Officer who is an Executive Director of the Company. There are no formal contractual employment agreements with any other member of the Board. The employment conditions of the Chief Executive Officer are:

Current

1. Mr Randazzo was appointed as Interim Chief Executive Officer on 15 February 2021 with an annual remuneration of ZAR5,534 thousand and a six-month notice period. Mr Randazzo does not hold any Performance Rights.

Loans from Key Management Personnel

No loans were provided to or received from Key Management Personnel during the year ended 30 June 2021.

Other Transactions

No other transactions were entered into with any member of Key Management Personnel other than those detailed in this Remuneration Report.

Director equity holdings

Option holdings

No options exist as at 30 June 2021.

The movement during the reporting period in the number of performance grants over ordinary shares exercisable in three years' time subject to performance criteria, held directly, indirectly or beneficially by each director including their personally-related entities, is as follows:

DIRECTORS' REPORT continued

	Held at 1 July 2020	Granted as remuneration	Exercised	Expired/Other changes	Held at 30 June 2021
Non-Executive Directors					
B Pryor	-	-	-	-	-
A Chee Sin	-	-	-	-	-
A Mifflin	-	-	-	-	-
H Zhen	-	-	-	-	-
K Mosehla	-	-	-	-	-
S Ding	-	-	-	-	-
Executive Directors					
S Randazzo	-	-	-	-	-
B Berlin ⁽¹⁾	1,371,775	3,806,965	-	(5,178,740)	-

⁽¹⁾ All performance rights granted to Ms Berlin were forfeited due to her resignation on 15 February 2021.

The movement during the reporting period in the number of ordinary shares held, directly, indirectly or beneficially by each director including their personally-related entities, is as follows:

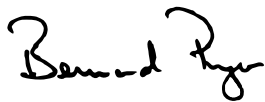
	Held at 1 July 2020	Granted as remuneration	Exercised	Expired/Other changes	Held at 30 June 2021
Non-Executive Directors					
B Pryor	7,500	-	-	-	7,500
A Chee Sin	-	-	-	-	-
A Mifflin	-	-	-	-	-
H Zhen	-	-	-	-	-
K Mosehla	-	-	-	-	-
S Ding	-	-	-	-	-
Executive Directors					
S Randazzo	-	-	-	-	-
B Berlin ⁽¹⁾	-	-	-	-	-

⁽¹⁾ Resigned on 15 February 2021.

This marks the end of the remuneration report.

This directors' report is signed in accordance with a resolution of directors made pursuant to s298(2) of the Corporations Act 2001.

On behalf of the Directors



Bernard Robert Pryor

Chairman

30 September 2021



Sam Randazzo

Interim Chief Executive Officer

30 September 2021



AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of MC Mining Limited for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of MC Mining Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Douglas Craig'.

Douglas Craig
Partner
PricewaterhouseCoopers

Perth
30 September 2021

PricewaterhouseCoopers, ABN 52 780 433 757
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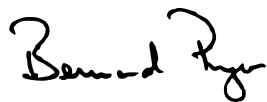
DIRECTORS' DECLARATION

The directors declare that:

- a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- b) in the directors' opinion, the attached consolidated financial statements are in compliance with International Financial Reporting Standards, as stated in Note 1.1 to the consolidated financial statements;
- c) in the directors' opinion, the attached consolidated financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Consolidated Entity; and
- d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors



Bernard Pryor

Chairman

30 September 2021



Sam Randazzo

Interim Chief Executive Officer

30 September 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

	Note	Year ended 30 June 2021 \$'000	Year ended 30 June 2020 \$'000
Continuing operations			
Revenue	5	20,702	17,155
Cost of sales	6	(20,302)	(18,269)
Gross profit/(loss)		400	(1,114)
Other operating income	7	176	192
Other operating gains /(losses)	8	757	(184)
Net impairment expense	9	(6,759)	(1,257)
Administrative expenses	10	(5,250)	(7,578)
Operating loss		(10,676)	(9,941)
Interest income		187	250
Finance costs	11	(1,618)	(3,159)
Loss before tax		(12,107)	(12,850)
Income tax benefit/(expense)	12	270	660
Net loss for the year from continuing operations		(11,837)	(12,190)
LOSS FOR THE YEAR		(11,837)	(12,190)
Other comprehensive loss, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		18,404	(20,742)
Total comprehensive loss for the year		6,567	(32,932)
Loss for the year attributable to:			
Owners of the Company		(11,744)	(12,048)
Non-controlling interests		(93)	(142)
		(11,837)	(12,190)
Total comprehensive loss attributable to:			
Owners of the Company		6,660	(32,790)
Non-controlling interests		(93)	(142)
		6,567	(32,932)
Loss per share	13		
From continuing operations and discontinued operations			
Basic and diluted (cents per share)		(7.76)	(8.55)
From continuing operations			
Basic and diluted (cents per share)		(7.76)	(8.55)

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Note	30 June 2021 \$'000	30 June 2020 \$'000
ASSETS			
Non-current assets			
Exploration and evaluation assets	14	93,467	78,714
Development assets	15	19,055	20,720
Property, plant and equipment	16	27,370	24,396
Right-of-use assets	17	2,588	1,819
Other financial assets	19	4,708	3,743
Restricted cash	22	95	57
Total non-current assets		147,283	129,449
Current assets			
Inventories	20	834	1,109
Trade and other receivables	21	3,430	1,311
Tax receivable		4	162
Cash and cash equivalents	22	3,226	2,678
Total current assets		7,494	5,260
Assets classified as held for sale		-	274
Total assets		154,777	134,983
LIABILITIES			
Non-current liabilities			
Deferred consideration	23	-	2,220
Borrowings	24	251	566
Provisions	25	6,689	4,996
Deferred tax liability	26	4,669	4,078
Lease liabilities	27	1,557	1,622
Total non-current liabilities		13,166	13,482
Current liabilities			
Current deferred consideration	23	2,796	101
Current borrowings	24	19,231	13,029
Trade and other payables	28	9,394	6,463
Bank overdraft	22	2,203	2,214
Current provisions	25	195	197
Current tax liabilities		413	341
Current lease liabilities	27	855	213
Total current liabilities		35,087	22,558
Total liabilities		48,253	36,040
NET ASSETS		106,524	98,943
EQUITY			
Issued capital	29	1,041,884	1,041,080
Accumulated deficit	30	(907,202)	(895,591)
Reserves	31	(27,437)	(45,918)
Equity attributable to owners of the Company		107,245	99,571
Non-controlling interests	33	(721)	(628)
TOTAL EQUITY		106,524	98,943

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

	Issued capital \$'000	Accumulated deficit \$'000	Share based payment reserve \$'000	Capital profits reserve \$'000	Warrants reserve \$'000	Foreign currency translation reserve \$'000	Attributable to owners of the parent \$'000	Non- controlling interests \$'000	Total equity \$'000
Balance at 1 July 2020	1,041,080	(895,591)	1,460	91	1,134	(48,603)	99,571	(628)	98,943
Total comprehensive loss for the year	–	(11,744)	–	–	–	18,404	6,660	(93)	6,567
Loss for the year	–	(11,744)	–	–	–	–	(11,744)	(93)	(11,837)
Other comprehensive loss, net of tax	–	–	–	–	–	18,404	18,404	–	18,404
Performance grants issued to employees	–	–	589	–	–	–	589	–	589
Share options expired	–	133	(133)	–	–	–	–	–	–
Share options forfeited	–	–	(422)	–	–	–	(422)	–	(422)
Shares issued	869	–	–	–	–	–	869	–	869
Share issue costs	(65)	–	–	–	–	–	(65)	–	(65)
Warrants issued to IDC	–	–	–	–	43	–	43	–	43
Balance at 30 June 2021	1,041,884	(907,202)	1,494	91	1,177	(30,199)	107,245	(721)	106,524
Balance at 1 July 2019	1,040,950	(884,297)	2,234	91	1,134	(28,060)	132,052	89	132,141
Total comprehensive loss for the year	–	(12,048)	–	–	–	(20,543)	(32,591)	(717)	(33,308)
Loss for the year	–	(12,048)	–	–	–	–	(12,048)	(142)	(12,190)
Freewheel de-recognised	–	–	–	–	–	199	199	(575)	(376)
Other comprehensive loss, net of tax	–	–	–	–	–	(20,742)	(20,742)	–	(20,742)
Performance grants issued to employees –	–	–	769	–	–	–	769	–	769
Share options expired	–	754	(754)	–	–	–	–	–	–
Share options forfeited	–	–	(658)	–	–	–	(658)	–	(658)
Shares issued	131	–	(131)	–	–	–	–	–	–
Share issue costs	(1)	–	–	–	–	–	(1)	–	(1)
Balance at 30 June 2020	1,041,080	(895,591)	1,460	91	1,134	(48,603)	99,571	(628)	98,943

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

	Note	Year ended 30 June 2021 \$'000	Year ended 30 June 2020 \$'000
Cash flows from operating activities			
Receipts from customers		21,983	20,950
Payments to suppliers and employees		(23,400)	(26,000)
Cash generated/ (used) in operations	35	(1,417)	(5,050)
Interest received		122	250
Interest paid		(240)	(137)
Tax refund		182	-
Net cash used in operating activities		(1,353)	(4,937)
Cash flows from investing activities			
Purchase of property, plant and equipment	16	(246)	(569)
Proceeds from the sale of property, plant and equipment		487	1,719
Investment in development assets	15	(4)	(5)
Investment in exploration assets	14	(99)	(1,266)
Khethekile acquisition - deferred consideration payment	23	-	(271)
Pan African Resources deferred consideration payment		-	(1,004)
Bio-diversity off-set agreement payment		-	(84)
(Increase)/ Decrease in other financial assets	19	16	320
Net cash generated from /(used in) investing activities		154	(1,160)
Net cash generated from/ (used) in financing activities			
Borrowings repayments	24	(457)	(360)
Proceeds received from borrowings	24	2,347	-
Proceeds from the issue of new shares		804	-
Lease repayments		(1,039)	(994)
Net cash generated from /(used in) financing activities		1,655	(1,354)
Net increase/ (decrease) in cash and cash equivalent		456	(7,451)
Net foreign exchange differences		103	(896)
Cash and cash equivalents at beginning of the year		464	8,811
Cash and cash equivalents at the end of the year	22	1,023	464

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

1. GENERAL INFORMATION

MC Mining is a limited company incorporated in Australia. Its common shares are listed on the ASX, AIM and JSE in South Africa. The addresses of its registered office and principal places of business is Suite 8, 7 The Esplanade, Mt Pleasant, Perth, Western Australia 6000.

The principal activities of the Company and its subsidiaries are the acquisition, exploration, development and operation of metallurgical and thermal coal projects in South Africa.

The Group's principal assets and projects include:

- The operating mine, Uitkomst Colliery;
- The Makhado hard coking and thermal coal project that has been granted a MR, an integrated IWUL and an EA;
- The Vele Colliery, a semi soft coking and thermal coal mine, currently under care and maintenance.
- Three exploration and development stage coking and thermal coal projects, namely Chapudi, Generaal and Mopane.

Going Concern

The Consolidated Entity has incurred a net loss after tax for the year ended 30 June 2021 of \$11,837 thousand (30 June 2020: loss of \$12,190 thousand). During the year ended 30 June 2021, net cash outflows from operating activities were \$1,353 thousand (30 June 2020 net outflow: \$4,937 thousand). As at 30 June 2021 the Consolidated Entity had a net current liability position of \$27,593 thousand (30 June 2020: net current liability position of \$17,298 thousand).

After the reporting period, the termination date of the \$8,386 thousand (ZAR120,000 thousand) tranche 1 and \$2,795 thousand (ZAR40,000 thousand) tranche 2 IDC loan facilities were extended to 31 January 2022. The IDC also agreed to extend the terminal drawdown date in respect of the conditional \$17,121 thousand (ZAR245,000 thousand) term loan agreed to partially finance the development of Phase 1 of the Makhado Project, to 31 January 2022, subject to the IDC reaffirming its financial due diligence.

The directors have prepared a cash flow forecast for the eighteen-month period ended 31 December 2022, taking into account available facilities, additional funding that is expected to be raised and expected cash flows to be generated by Uitkomst, which indicates that the Group will have sufficient cash to fund their operations for at least the twelve-month period from the date of signing this report.

These cash flow forecasts referred to above include the following assumptions:

- Meeting commitments to creditors arising from continuing operations;
- Deferring the settlement over time of the existing IDC loan (plus accrued interest) to when Makhado Phase 1 is at steady state production as opposed to being payable in January 2022 (refer note 24) and/or converting this facility to equity;
- A drawdown of the new IDC term facility of \$17,121 thousand (ZAR245,000 thousand);
- Contractor funding including a build, own, operate, transfer (BOOT) arrangement of \$4,193 thousand (ZAR60,000 thousand);
- The issue of new equity for cash in the Company to current & new shareholders; and
- In addition to the \$17,121 thousand (ZAR245,000 thousand) new IDC term loan facility and \$4,193 thousand (ZAR60,000 thousand) BOOT arrangement referred to above, further funding of approximately \$29,909 thousand (ZAR428,000 thousand) is required (Additional Funding) to finance the development of Phase 1 of the Makhado Project, through either debt or equity raise.

The Group is in negotiations with the IDC on the deferral of the existing loan repayment, this may have an impact on the drawdown of the new facility. This is due to the new facility being subject to certain conditions precedent which are still to be met, one of which is the settlement of the current facility. In addition, draw down on the conditional \$17,121 thousand (ZAR245,000 thousand) term loan is subject to the IDC reaffirming its financial due diligence for the Makhado project.

1. GENERAL INFORMATION (Continued)

The Group is exploring and progressing several alternatives to raise the Additional Funding including, but not limited to:

- The issue of new equity for cash in the Company to current and new shareholders, of which the Group has a demonstrated history of success;
- The issue of new equity for cash in subsidiary companies which own the Makhado project;
- Further debt funding;
- Further contractor BOOT funding arrangements; and
- The sale of a minority stake in the subsidiary companies holding the Makhado Project.

The conclusion of the debt and equity raise funding initiatives as included in the cash flow forecast and for purposes of obtaining the Additional Funding as outlined above, and renegotiations with the IDC on current and further funding, is by its nature an involved process subject to successful negotiations with the external funders and shareholders. In addition, any equity raise is likely to be subject to a due diligence process.

These conditions create a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern and, therefore, the Group may be unable to realize its assets and discharge its liabilities in the normal course of business.

The Directors are of the opinion that the going concern basis remains appropriate as a result of the following considerations:

- The Group is already in discussions with the IDC on the deferral of the settlement of the existing loan and the restructuring of the new facility;
- The Group has a history of successful capital raisings to meet the Group's funding requirements; and
- The Group has the capacity if necessary to reduce its operating cost structure in order to minimise its working capital requirements and defer the timing of any future capital raising.

Subject to raising the Additional Funding, the development of Phase 1 of the Makhado project will subsequently commence within the twelve months following the signing of these annual financial statements.

Based on the above, the directors are satisfied at the date of signing the annual financial statements that there are reasonable grounds to believe that they will be successful in obtaining the required funding and that the Group will have sufficient funds to meet its obligations as and when they fall due and are of the opinion that the use of the going concern basis remains appropriate.

These consolidated annual financial statements do not give effect to adjustments that would be necessary to the carrying value and classification of assets and liabilities, should the Group be unable to continue as a going concern. Such adjustments could be material.

Basis of presentation

1.1. Statement of compliance

These consolidated financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law. The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the consolidated financial statements and notes of the Company and the Group comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The consolidated financial statements were authorised for issue by the Directors on 30 September 2021.

1.2. Basis of Preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for other financial assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets.

All amounts are presented in United States dollars, and rounded to nearest thousand unless otherwise noted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

continued

1. GENERAL INFORMATION (Continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 or fair value less costs to sell in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

2. ACCOUNTING POLICIES

2.1. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

A list of controlled entities is contained in note 40 to the consolidated financial statements.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

2. ACCOUNTING POLICIES (Continued)

All inter-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between

- i. the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- ii. the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

2.2. Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities are recognised and measured in accordance with AASB 112 'Income Taxes';
- assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 119 'Employee Benefits';
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that represent ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. Non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

continued

2. ACCOUNTING POLICIES (Continued)

for within equity. Contingent consideration that is classified as a financial asset or liability is remeasured at subsequent reporting dates in accordance with AASB 9 'Financial Instruments', or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

2.3. Functional and presentation currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in United States dollars (\$), which is the presentation currency for the consolidated financial statements.

Transactions in foreign currencies are initially recorded in the functional currency at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the spot rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of profit or loss and other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the date of the initial transaction.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment in the foreign operation.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into United States dollars using the spot rate of exchange ruling at the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange ruling at the reporting date. Exchange differences arising are recognised in equity.

2. ACCOUNTING POLICIES (Continued)

2.4. Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the criteria above are met and the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as assets held for sale and liabilities associated with assets held for sale in the consolidated statement of financial position. The income and expenses from these operations are not included in the various line items in the consolidated statement of profit or loss and other comprehensive income but the net results from these operations classified as held for sale are disclosed as a separate line within the statement of profit or loss.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

2.5. Exploration and evaluation expenditure

(i) Pre-licence costs

Pre-licence costs relate to costs incurred before the Group has obtained legal rights to explore in a specific area. Such costs may include the acquisition of exploration data and the associated costs of analysing that data. These costs are expensed in the period in which they are incurred.

(ii) Exploration and evaluation expenditure

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

- (i) Researching and analysing historical exploration data
- (ii) Gathering exploration data through geophysical studies
- (iii) Exploratory drilling and sampling
- (iv) Determining and examining the volume and grade of the resource
- (v) Surveying transportation and infrastructure requirements
- (vi) Conducting market and finance studies

License costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit.

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to profit or loss as incurred, unless the Group conclude that a future economic benefit is more likely than not to be realised.

Capitalised expenditure includes costs directly related to exploration and evaluation activities in the relevant area of interest, including materials and fuel used, surveying costs, drilling costs and payments made to contractors. General and administrative costs are allocated to an exploration or evaluation area of interest and capitalised as an asset only to the extent that those costs can be related directly to operational activities in the relevant area of interest.

Exploration and evaluation assets acquired in a business combination are initially recognised at fair value, including resources and exploration potential that are valued beyond proven and probable reserves. Similarly, the costs associated with acquiring an exploration and evaluation asset (that does not represent a business) are also capitalised. They are subsequently measured at cost less accumulated impairment.

All capitalised exploration and evaluation expenditure is written off where the above conditions are no longer satisfied, and assessed for impairment if facts and circumstances indicate that an impairment may exist. See note 2.12.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

continued

2. ACCOUNTING POLICIES (Continued)

Exploration and evaluation expenditure that has been capitalised is reclassified to development assets when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Prior to such reclassification, exploration and evaluation expenditure capitalised is tested for impairment.

2.6. Development assets

Development expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditure comprises costs directly attributable to the construction of a mine and the related infrastructure.

No depreciation is recognised in respect of development assets.

Development assets are assessed for impairment if facts and circumstances indicate that an impairment may exist. See note 2.12.

A development asset is reclassified as a 'mining property' at the end of the commissioning phase, when the mine is capable of operating in the manner intended by management. Immediately prior to such reclassification, development assets are tested for impairment.

2.7. Property, plant and equipment – Mining property

Mining property includes expenditure that has been incurred through the exploration and development phases, and, in addition, further development expenditure that is incurred in respect of a mining property after the commencement of production, provided that, in all instances, it is probable that additional future economic benefits associated with the expenditure will flow to the Group. Otherwise such expenditure is classified as cost of sales.

Mining property includes plant and equipment associated with the mining property.

When a mine construction project moves into the production phase, the capitalisation of certain mine construction costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to mining asset additions, improvements or new developments, underground mine development or mineable reserve development.

Depreciation on plant and equipment included within mining property is computed on a straight-line basis over five years.

Depreciation on other components of mining property, is charged using the units-of-production method, with separate calculations being made for each area of interest. The units-of-production basis results in a depreciation charge proportional to the depletion of proved and probable reserves.

Mining property is assessed for impairment if facts and circumstances indicate that an impairment may exist. See note 2.12.

2.8. Deferred stripping costs

Stripping costs comprise the removal of overburden and other waste products from a mine. Stripping costs incurred in the development of a mine before production commences are capitalised as part of the cost of constructing the mine (initially within development assets) and are subsequently depreciated over the life of the operation.

Stripping costs incurred during the production stage of a mine are deferred when all of the following criteria are met: (a) it is probable that future economic benefits will flow to the entity; (b) the entity can identify the component of the ore body to which the access has been improved; and (c) the cost incurred can be measured reliably. The amount deferred is based on the waste-to-ore ratio (stripping ratio), which is calculated by dividing the tonnage of waste mined by the quantity of ore mined. Stripping costs incurred in a period are deferred to the extent that the current period ratio exceeds the expected life-of-mine-ratio. Deferred stripping costs are amortised on a systematic basis over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity, or over the expected remaining life of the ore body if the stripping activity provides improved access to the whole of the remaining ore body. The units-of-production method is applied for amortisation of deferred stripping costs.

Where a mine operates more than one open pit that is regarded as a separate operation for the purpose of mine planning, stripping costs are accounted for separately by reference to the ore from each separate pit. If, however, the pits are highly integrated for the purpose of the mine planning, the second and subsequent pits are regarded as

2. ACCOUNTING POLICIES (Continued)

extensions of the first pit in accounting for stripping costs. In such cases, the initial stripping (i.e. overburden and other waste removal) of the second and subsequent pits is considered to be production phase stripping relating to the combined operation.

Deferred stripping costs are included in the cost base of assets when determining a cash-generating unit for impairment assessment purposes.

2.9. Property, plant and equipment – Mining Rights

Mining rights are classified as property plant and equipment on commencement of commercial production.

Depreciation is charged using the units-of-production method. The units-of-production basis results in a depreciation charge proportional to the depletion of proved and probable reserves.

Mining rights are assessed for impairment if facts and circumstances indicate that an impairment may exist.

2.10. Property, plant and equipment (excluding development assets, mining property and mining rights)

Freehold land is stated at cost and is not depreciated.

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Where items of property, plant and equipment contain components that have different useful lives to the main item of plant and equipment, these are capitalised separately to the plant and equipment to which the component can be logically assigned.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a finance lease is also included in property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets (other than freehold land) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and the useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The annual depreciation rates applicable to each category of property, plant and equipment are as follows:

Furniture, fittings and office equipment	13% – 50%
Buildings	20%
Plant and equipment	20%
Motor vehicles	20% – 33%
Leasehold improvements	25%
Computer equipment	33%
Leased assets	Lease period

2.11. Intangible assets, excluding goodwill

An intangible asset is recognised at cost if it is probable that future economic benefits will flow to the Group and the cost can be reliably measured. The cost of intangible assets acquired in a business combination is their fair value at the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

continued

2. ACCOUNTING POLICIES (Continued)

date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

Intangible assets are amortised on a straight-line basis over their estimated useful lives. The amortisation method used and the estimated remaining useful lives are reviewed at least annually.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised.

Intangible assets are assessed for impairment if facts and circumstances indicate that an impairment may exist. See note 2.12.

2.12. Impairment of tangible and intangible assets other than goodwill

The carrying amounts of the Group's tangible and intangible assets are reviewed at each reporting date to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value-in-use. In assessing fair value less costs to sell, the estimated future cash flows were discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted due to a market price not being available.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.13. Leasing

The group adopted AASB 16 *Leases* retrospectively from 1 July 2019 as permitted under the specific transition provisions in the standard. On adoption of AASB 16, the group recognised lease liabilities in relation to leases, which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 12%.

For leases previously classified as finance leases, the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of AASB 16 are only applied after that date.

(i) Practical expedients applied

In applying AASB 16, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts.
- accounting for operating leases with a remaining lease term of less than 12 months as short-term leases
- The low value lease exemption - the group has elected to take the low value exemption with a value of \$5 thousand for the individual leased asset value

2. ACCOUNTING POLICIES (Continued)

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.14. Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories include expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Cost is determined by using the weighted-average method and comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs, including depreciation and amortisation, incurred in converting materials into finished goods, based on the normal production capacity.

Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision for obsolescence.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

2.15. Trade receivables

Trade receivables are classified as financial assets at amortised cost. They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the group's business model is to collect the contractual cash flows on trade receivables. Trade receivables are recognised when the group becomes a party to the contractual provisions of the receivables. They are initially measured at fair value and subsequently measured at amortised cost.

The group recognises a loss allowance for expected credit losses on trade receivables. The amount of expected credit losses is updated at each reporting date.

The group makes use of a simplified approach as a practical expedient to the determination of expected credit losses on trade receivables. The group applies the AASB 9 simplified approach to measure expected credit losses, which uses a lifetime expected credit loss allowance, for trade receivables. Trade receivables that are more than 30 days past-due are assessed to have an increase in credit risk. The simplified approach is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade receivables through use of a loss allowance account. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 90 days past due date. Impairment losses is included in operating expenses in profit or loss.

2.16. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits. Cash and cash equivalents are accounted for at amortised cost.

Restricted cash comprise cash balances which are encumbered and the Group does therefore not have unrestricted access to these funds.

2.17. Financial instruments

Financial instruments held by the Group are classified in accordance with the provisions of AASB 9 Financial Instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

continued

2. ACCOUNTING POLICIES (Continued)

Broadly, the classification possibilities, which are adopted by the Group, as applicable, are as follows:

Financial assets

- Amortised cost
- Fair Value Through Profit or Loss

Financial liabilities

- Amortised cost

When a financial liability is contingent consideration in a business combination, the Group classifies it as a financial liability at fair value through profit or loss.

Financial assets at amortised cost

The following financial assets are classified as financial assets at amortised cost:

- Trade and other receivables
- Cash and cash equivalents
- Loan receivable
- Other financial assets

Classification

Assets are classified in this category because the contractual terms give rise, on specific dates, to cash flows that are solely payments of principal and interest on the principal outstanding, and it is the Group's business model to collect the contractual cash flows on these assets.

Measurement

Financial assets at amortised cost are recognised when the Group becomes a party to the contractual provisions of the asset. These financial assets are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. These financial assets are subsequently measured at amortised cost. The amortised cost is the amount recognised on the receivable, minus principal repayments, plus cumulative amortisation (interest) using the effective interest rate method, of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Interest income is calculated using the effective interest rate method, and is included in profit or loss in interest income.

The application of the effective interest method to calculate interest income on a receivable is dependent on the credit risk of the receivable as follows:

- The effective interest rate is applied to the gross carrying amount of the financial asset, provided it is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a financial asset was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the financial asset in the determination of interest. If, in subsequent periods, the financial asset is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

When a financial asset is denominated in a foreign currency, the carrying amount of the financial asset is determined in the foreign currency. The carrying amount is then translated to using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in other operating gains/(losses).

2. ACCOUNTING POLICIES (Continued)

Impairment

The Group assesses on a forward-looking basis the Expected Credit Losses ("ECLs") associated with its financial assets carried at amortised cost. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group and Company expects to receive).

Expected credit loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group considers a financial asset to be in default when contractual payment term has lapsed. However, in certain cases, the Group and Company may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Financial assets at Fair Value Through Profit or Loss

The following financial assets are classified at Fair Value Through Profit or Loss:

- Other Financial Assets

Classification

Investments held by the Group as equity securities in investment funds are classified as Fair Value Through Profit or Loss. Assets are classified in this category because the Group does not hold these investments solely to collect payments of principal and interest on the principal outstanding, and the Group manages these investments based on their fair value.

Measurement

Financial assets at Fair Value Through Profit or Loss are recognised when the Group becomes a party to the contractual provisions of the investment. These financial assets are recognised initially at fair value. These financial assets are subsequently re-measured at fair value with all gains or losses recognised directly in profit or loss.

Financial liabilities at amortised cost

Classification

The following financial liabilities are classified as financial liabilities at amortised cost:

- Borrowings
- Finance lease liabilities
- Trade and other payables

Measurement

Liabilities at amortised cost are recognised when the Group becomes a party to the contractual provisions of the liability. The liabilities are initially measured, at initial recognition, at fair value plus transaction costs, if any. They are subsequently measured at amortised cost.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating an interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

continued

2. ACCOUNTING POLICIES (Continued)

transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs.

When financial liabilities are denominated in a foreign currency, the carrying amount of the payables are determined in the foreign currency. The carrying amount is then translated to using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in the other operating gains/(losses).

Modification of financial liabilities

A substantial modification of the terms of an existing debt instrument or part of it is accounted for as an extinguishment of the original debt instrument and the recognition of a new debt instrument.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligations specified in the contracts are discharged, cancelled or expire. On derecognition of a financial asset/liability, any difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

2.18. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). The increase in provisions due to the passage of time is included in the finance cost line item in the consolidated statement of profit or loss and other comprehensive income.

Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The entity recognizes a provision for financial guarantees when it is probable that an outflow of resources embodying economic benefits and will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement.

Indications that an outflow of resources may be probable are:

- Financial difficulty of the debtor
- Defaults or delinquencies in interest and capital repayment of the debtor
- Breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms.

2. ACCOUNTING POLICIES (Continued)

- A decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Rehabilitation provision

A provision for rehabilitation is recognised when there is a present obligation as a result of exploration, development or production activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably.

The nature of these restoration activities includes: dismantling and removing structures; rehabilitating mines and tailings dams; dismantling operating facilities; closing plant and waste sites; and restoring, reclaiming and revegetating affected areas.

The provision for future rehabilitation costs is the best estimate of the present value of the expenditure required to settle the rehabilitation obligation at the reporting date, based on current legal and other requirements and technology. Future rehabilitation costs are reviewed annually and any changes in the estimate are reflected in the present value of the rehabilitation provision at each reporting date.

The initial estimate of the rehabilitation provision relating to exploration, development and production facilities is capitalised into the cost of the related asset and depreciated or amortised on the same basis as the related asset. Changes in the estimate of the provision are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

2.20. Share-based payments transactions of the Group

Equity-settled

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 32.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on the straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Accounting for BEE transactions

Where equity instruments are issued to a black economic empowerment (BEE) party at less than fair value, these are accounted for as share-based payments. Any difference between the fair value of the equity instrument issued and the consideration received is accounted for as an expense in the consolidated statement of profit or loss and other comprehensive income.

A restriction on the BEE party to transfer the equity instrument subsequent to its vesting is not treated as a vesting condition, but is factored into the fair value determination of the instrument.

2.21. Taxation, including sales tax

The income tax expense or income for the period represents the sum of the tax currently payable or recoverable and deferred tax.

Current taxation

The tax currently payable or recoverable is based on taxable profit or loss for the year. Taxable profit or loss differs from profit or loss as reported in the consolidated statement of profit or loss and other comprehensive loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date in countries where the Group operates and generates taxable income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

continued

2. ACCOUNTING POLICIES (Continued)

Deferred taxation

Deferred taxation is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit or loss. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if a taxable temporary difference arises from the initial recognition of goodwill or any temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax balances are calculated using the tax rates that are expected to apply to the reporting period or periods when the temporary difference reverse, based on tax rates and tax laws enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax liabilities are recognised for temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Sales tax

Revenues, expenses and assets are recognised net of the amount of the applicable sales tax, except:

- where the amount of sales tax incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of sales tax.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The sales tax component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

2.22. Revenue recognition

Revenue is recognised at fair value of the consideration received net of the amount of applicable sales tax.

Sale of coal – AASB 15: Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over coal sold to a customer, which is generally indicated as follows:

- The entity has a present right to payment for the coal sold
- The customer has legal title to the coal sold
- The entity has transferred physical possession of the coal sold

2. ACCOUNTING POLICIES (Continued)

- The customer has the significant risks and rewards of ownership of the coal sold
- The customer has accepted the coal sold

Transport of coal (where applicable) is also recognised as revenue at this point. No discounts are provided for coal sales.

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate. Interest income is recognised in investment income on the consolidated statement of profit or loss and other comprehensive income.

2.23. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.24. Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

2.25. Segment information

Reportable segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Company's executive committee.

Management has determined the reportable segments of the Group based on the reports reviewed by the Company's executive committee that are used to make strategic decisions. The Group has three reportable segments: Exploration, Development and Mining (see note 4).

2.26. Adoption of new and revised Accounting Standards and Interpretations

In the current year the Group has adopted all of the new and revised standards and interpretation issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current annual reported period.

3. CRITICAL ACCOUNTING ESTIMATES AND KEY JUDGEMENTS

Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The primary areas in which estimates and judgements are applied are discussed below.

3.1 Asset carrying values and impairment charges

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using fair value less cost to sell calculations, which incorporate various key assumptions. Key assumptions include future coal prices, future operating costs, discount rates, foreign exchange rates and coal reserves.

Exploration and evaluation assets

Determining the recoverability of exploration and evaluation expenditure capitalised requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploitation, or alternatively sale, of the respective areas of interest will be achieved. The Group applies the principles of AASB 6 and recognises exploration and evaluation assets when the rights of tenure of the area of interest are current, and the exploration and evaluation expenditures incurred are expected to be recouped through successful development and exploitation of the area. If, after having capitalised the expenditure under the Group's accounting

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FOR THE YEAR ENDED 30 JUNE 2021

continued

3. CRITICAL ACCOUNTING ESTIMATES AND KEY JUDGEMENTS (Continued)

policy, a judgment is made that recovery of the carrying amount is unlikely, an impairment loss is recorded in profit or loss.

Development expenditure

Development activities commence after the commercial viability and technical feasibility of the project is established. Judgment is applied by management in determining when a project is commercially viable and technically feasible. Any judgments may change as new information becomes available. If, after having commenced the development activity, a judgment is made that a development asset is impaired, the appropriate amount will be written off to the consolidated statement of comprehensive income.

The Company considers the following items as pre-requisites prior to concluding on commercial viability:

- All requisite regulatory approvals from government departments in South Africa have been received and are not subject to realistic legal challenges;
- The Company has the necessary funding to engage in the construction and development of the project as well as general working capital until the project is cash generative;
- A JORC compliant resource proving the quantity and quality of the project as well as a detailed Mine Plan reflecting that the colliery can be developed and will deliver the required return hurdle rates;
- The Company has secured off-take and/or logistics agreements for a significant portion of the product produced by the mine and the pricing has been agreed; and
- The Company has the appropriate skills and resources to develop and operate the project.

Impairment assessment

Long-term mining assets forming part of board-approved projects are valued based on estimates of future discounted cash flows (DCF) of the latest board-approved business forecasts regarding production volumes, costs of production, capital expenditure, coal prices and market forecasts for foreign exchange rates. The discount rate is a risk adjusted discount rate, taking into account specific risks relating to the Cash Generating Unit (CGU) where cash flows have not been adjusted for the risk. This methodology is typically applied to CGUs classified as Development Assets (e.g. Vele Colliery) and as Property, Plant and Equipment (e.g. Uitkomst Colliery).

Coal resources outside approved mine plans are valued based on an *in situ* resource multiple based value. Comparable market transactions are used as a source of evidence. This methodology is typically applied to CGUs classified as Exploration and Evaluation assets (e.g. Greater Soutpansberg Project, Makhado Project). For Exploration and Evaluation projects that are at an advanced stage of evaluation and conditionally approved by the Board (e.g. Makhado Project), DCFs are also used and validated by *in situ* resource multiple based values.

The key financial assumptions used in the current year's impairment calculations are:

Hard coking coal (HCC) price (real US\$ per ton)	\$125	(i)
Thermal coal price (real US\$ per ton)	\$70	(ii)
Rand/US\$ exchange rate	15.06	(iii)
Real discount rates	10% - 14%	(iv)
<i>In situ</i> resource multiple valuation range (Rand per ton)	ZAR1 - ZAR5	(v)

- (i) Estimated with reference to the short-term future quotes for hard coking coal free-on-board Australia. Management's models considered a HCC price range of between \$115 per tonne and \$135 per ton, with a base case of \$125 per tonne.
- (ii) Estimated with reference to the forward curve for API4 thermal coal free-on-board Richards Bay. Management's models considered a real long-term thermal coal price range of between \$60 per tonne and \$80 per tonne, with a base case of \$70 per tonne.

3. CRITICAL ACCOUNTING ESTIMATES AND KEY JUDGEMENTS (Continued)

- (iii) Estimated with reference to the prevailing exchange rates and consensus outlooks. Management's models considered a Rand vs US Dollar exchange rate range of between R14.30 and R15.80 with a base case of R15.06.
- (iv) Post-tax real discount rates that reflect management's assessments of market conditions and risks specific to the various projects. Management's models considered between 10% and 12% for established and producing projects and between 12% and 14% for developing and future projects, with a base case of 10.7% for established and producing projects and between 12% and 14% for developing and future projects.
- (v) Based on historic thermal and premium coal transactions in South Africa a weighted range of between R1 and R5 per mineable ton in situ was determined reasonable for the Group's impairment assessment purposes. The carrying values of the Group's exploration and evaluation projects were comfortably supported within this range after adjusting for project risk factors.

Sensitivity analysis for DCF calculations

Sensitivity	Change	Effect on estimated recoverable amount US\$ million			
		Uitkomst Colliery	Vele Colliery	Makhado Project	
Long-term HCC prices	+10%	N/A	4	41	(i)
	-5%	N/A	(2)	(21)	
Long-term thermal prices	+7.5%	5	6	16	(ii)
	-7.5%	(5)	(6)	(16)	
Long-term exchange rate	+6%	4	7	35	(iii)
	-3%	(2)	(4)	(18)	
Discount rate	+1%	(1)	(2)	(13)	(iv)
	-1%	1	3	15	

- (i) Keeping all other inputs constant, this sensitivity scenario would not result in an impairment charge for the Makhado Project but the Vele Colliery would incur an impairment charge of \$1,800 thousand.
- (ii) Keeping all other inputs constant, this sensitivity scenario would result in an impairment charges of \$1,500 thousand for the Uitkomst Colliery and \$6,300 thousand for the Vele Colliery with no impairment charge for the Makhado Project.
- (iii) Keeping all other inputs constant, this sensitivity scenario would result in an impairment charge of \$3,600 thousand for the Vele Colliery, with no impairment charges for the Uitkomst Colliery or the Makhado Project.
- (iv) Keeping all other inputs constant, this sensitivity scenario would result in an impairment charge of \$2,300 thousand for the Vele Colliery, with no impairment charges for the Uitkomst Colliery or the Makhado Project

The key financial assumptions used in the prior year's impairment calculations were:

Hard coking coal (HCC) price (real US\$ per ton)	\$130	(i)
Thermal coal price (real US\$ per ton)	\$65	(ii)
Rand/US\$ exchange rate	15.50	(iii)
Real discount rates	8% - 11%	(iv)
In situ resource multiple valuation range (SA Rand per ton)	ZAR1- ZAR5	(v)

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FOR THE YEAR ENDED 30 JUNE 2021

continued

3. CRITICAL ACCOUNTING ESTIMATES AND KEY JUDGEMENTS (Continued)

- (i) Estimated with reference to the short-term future quotes for hard coking coal free-on-board Australia. Management's models considered a HCC price range of between \$124 per ton and \$10 per tonne, with a base case of \$130 per tonne.
- (ii) Estimated with reference to the forward curve for API4 thermal coal free-on-board Richards Bay. Management's models considered a thermal coal price range of between \$60 per ton and \$70 per ton, with a base case of \$65 per tonne.
- (iii) Estimated with reference to the prevailing exchange rates. Management's models considered a Rand vs US Dollar exchange rate range of between R15.00 and R16.50 with a base case of R15.50.
- (iv) Post-tax discount rates that reflect management's assessments of market conditions and risks specific to the various projects. Management's models considered between 8% and 10% for established and producing projects and between 9% and 12% for developing and future projects, with a base case of 8% for established and producing projects and between 9% and 11% for developing and future projects.
- (v) Based on recent thermal and premium coal transactions in South Africa a weighted range of between R1 and R5 per mineable ton *in situ* was determined reasonable for the Group's impairment assessment purposes. The carrying values of the Group's exploration and evaluation projects were comfortably supported within this range after adjusting for project risk factors.

Sensitivity analysis for DCF calculations (prior year)

Sensitivity	Change	Effect on estimated recoverable amount US\$ million			
		Uitkomst Colliery	Vele Colliery	Makhado Project	
Long-term HCC prices	+10%	N/A	8	30	(i)
	-5%	N/A	(8)	(31)	
Long-term thermal coal prices	+7.5%	4	8	15	(ii)
	-7.5%	(4)	(8)	(15)	
Long-term exchange rate	+6%	3	14	39	(iii)
	-3%	(1.5)	(7)	(20)	
Discount rate	+1%	(1.3)	(4)	(11)	(iv)
	-1%	1.5	5	12	

- (i) Keeping all other inputs constant, this sensitivity scenario would not result in an impairment at either the Vele Colliery or the Makhado Project.
- (ii) Keeping all other inputs constant, this sensitivity scenario would result in an impairment charge of \$3,500 thousand for the Uitkomst Colliery with no impairment charges for the Vele Colliery or the Makhado Project.
- (iii) Keeping all other inputs constant, this sensitivity scenario would result in an impairment charge of \$1,000 thousand for the Uitkomst Colliery, with no impairment charges for the Vele Colliery or the Makhado Project.
- (iv) Keeping all other inputs constant, this sensitivity scenario would result in an impairment charge of \$1,000 thousand for the Uitkomst Colliery, with no impairment charges for the Vele Colliery or the Makhado Project.

3.2 Coal reserves

Economically recoverable coal reserves relate to the estimated quantity of coal in an area of interest that can be expected to be profitably extracted, processed and sold.

3. CRITICAL ACCOUNTING ESTIMATES AND KEY JUDGEMENTS (Continued)

The Group determines and reports coal reserves under the Australasian Code of Reporting of Mineral Resources and Ore Reserves (the JORC Code). This includes estimates and assumptions in relation to geological, technical and economic factors, including: quantities, grades, production techniques, recovery rates, production costs, transport costs, exchange rates and expected coal demand and prices.

Because the economic assumptions used to estimate reserves change from period to period, and because additional geological data is generated during the course of operations and mining operations conducted, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the following:

- asset carrying values may be affected due to changes in estimated future cash flows; and
- depreciation and amortisation charges may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.

3.3 Rehabilitation and restoration provisions

Certain estimates and assumptions are required to be made in determining the cost of rehabilitation and restoration of the areas disturbed during mining activities and the cost of dismantling of mining infrastructure. The amount the Group is expected to incur to settle its future obligations includes estimates regarding:

- the future expected costs of rehabilitation, restoration and dismantling;
- the expected timing of the cash flows and the expected life of mine (which is based on coal reserves noted above);
- the application of relevant environmental legislation; and
- the appropriate rate at which to discount the liability.

Changes in the estimates and assumptions used could have a material impact on the carrying value of the rehabilitation provision and related asset. The provision is reviewed at each reporting date and updated based on the best available estimates and assumptions at that time. The carrying amount of the rehabilitation provision is set out in note 25.

3.4 Non-current assets held for sale and discontinued operations

A non-current asset, or disposal group, is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than continued use. In accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations', assets which meet the definition of held for sale are valued at the lower of carrying value and fair value less costs to sell.

Judgement is required by management in determining whether an asset meets the AASB 5 criteria of held for sale, including whether the asset is being actively marketed, is available for sale in its current condition and whether a sale is highly probable within 12 months of classification as held for sale. When calculating fair value less costs to sell, estimates of future disposal proceeds are also required.

4. SEGMENT INFORMATION

The Group has three reportable segments: Exploration, Development and Mining.

The Exploration segment is involved in the search for resources suitable for commercial exploitation, and the determination of the technical feasibility and commercial viability of resources. As of 30 June 2021, projects within this reportable segment include four exploration stage coking and thermal coal complexes, namely Chapudi (which comprises the Chapudi project, the Chapudi West project and the Wildebeesthoek project), Generaal (which comprises the Generaal project and the Mount Stuart project), Mopane (which comprises the Voorburg project and the Jutland project) and the Makhado Project.

The Development segment is engaged in establishing access to and commissioning facilities to extract, treat and transport production from the mineral reserve, and other preparations for commercial production. As of 30 June 2021, the only project included within this reportable segment is the Vele Colliery, in the early operational and development stage.

The Mining segment is involved in day to day activities of obtaining a saleable product from the mineral reserve on a commercial scale and consists of Uitkomst Colliery and the Klipspruit project.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

continued

4. SEGMENT INFORMATION (Continued)

The accounting policies of the reportable segments are the same as those described in note 2, Accounting policies.

The Group evaluates performance on the basis of segment profitability, which represents net operating (loss)/profit earned by each reportable segment.

Each reportable segment is managed separately because, amongst other things, each reportable segment has substantially different risks.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

The Group's reportable segments focus on the stage of project development and the product offerings of coal mines in production.

In order to reconcile the segment results with the consolidated statement of profit or loss and other comprehensive income, the discontinuing operations should be deducted from the segment total and the corporate results (as per the reconciliation later in the note should be included).

For the year ended 30 June 2021

	Exploration	Development	Mining	Total
Revenue	-	-	20,702	20,702
Cost of sales	-	-	(20,302)	(20,302)
Gross profit	-	-	400	400
Other income	21	74	63	158
Other operating (losses)/gains	(7)	-	64	57
Net Impairment expense	(434)	(6,325)	-	(6,759)
Administrative expenses	(650)	(609)	(109)	(1,368)
Operating (loss)/profit	(1,070)	(6,860)	418	(7,512)
Interest income	26	-	38	64
Finance costs	(656)	(384)	(553)	(1,593)
Loss before tax	(1,700)	(7,244)	(97)	(9,041)
Income tax charge	-	-	270	270
Segment net (loss)/ profit after tax	(1,697)	(7,244)	173	(8,771)
Segment assets	86,031	31,337	31,418	148,786
Items included in the Group's measure of segment assets				
- Addition to non-current assets	448	4	332	784
Segment liabilities	(26,513)	(5,626)	(14,976)	(47,115)

4. SEGMENT INFORMATION (Continued)

For the year ended 30 June 2020

	Exploration	Development	Mining	Total
Revenue	-	-	17,155	17,155
Cost of sales	-	-	(18,269)	(18,269)
Gross profit	-	-	(1,114)	(1,114)
Other income	77	25	35	137
Other operating (losses)/gains	(75)	(109)	-	(184)
Administrative expenses	(919)	(695)	(103)	(1,717)
Impairment (expense)/reversal	(1,804)	547	-	(1,257)
Operating (loss)/profit	(2,721)	(232)	(1,182)	(4,135)
Interest income	16	-	7	23
Finance costs	(2,209)	(342)	(607)	(3,158)
(Loss)/profit before tax	(4,914)	(574)	(1,782)	(7,270)
Income tax charge	-	-	661	661
Segment net (loss)/profit after tax	(4,914)	(574)	(1,121)	(6,609)
Segment assets	83,423	21,811	23,852	129,086
Items included in the Group's measure of segment assets				
- Addition to non-current assets	1,266	5	503	1,774
Segment liabilities	(19,023)	(4,231)	(11,818)	(35,072)

Reconciliations of the total segment amounts to respective items included in the consolidated financial statements are as follows:

	30 June 2021 \$'000	30 June 2020 \$'000
Total loss for reportable segments	(8,871)	(6,609)
Reconciling items:	-	-
Other operating income	18	55
Other operating gains/(losses)	700	-
Administrative expenses	(3,882)	(5,862)
Interest income	123	227
Finance costs	(25)	(1)
Loss for the year	(11,837)	(12,190)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

continued

4. SEGMENT INFORMATION (Continued)

	30 June 2021	30 June 2020
	\$'000	\$'000
Total segment assets	148,786	129,086
Reconciling items:		
Unallocated property, plant and equipment	1,201	225
Other financial assets	4,469	3,233
Other receivables	-	65
Unallocated current assets	321	2,374
Total assets	154,774	134,983
Total segment liabilities	(47,115)	(35,072)
Reconciling items:		
Unallocated liabilities	(1,138)	(968)
Total liabilities	(48,253)	(36,040)

The Group operates in two principal geographical areas – Australia (country of domicile) and South Africa (country of operations).

	30 June 2021	30 June 2020
	\$'000	\$'000
The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below.		
Revenue by location of operations		
South Africa	20,702	17,155
Total revenue	20,702	17,155
Non-current assets by location of operations		
South Africa	147,283	129,449
Total non-current assets	147,283	129,449

5. REVENUE

Revenue consists of the sale of coal by the Uitkomst Colliery. All coal sales during the period were made to customers in South Africa, mainly in the steel industry.

	30 June 2021	30 June 2020
	\$'000	\$'000
Revenue from contracts with customers		
Sale of coal	20,524	16,707
Transport and other	177	448
	20,702	17,155
Disaggregation of revenue by location of customers		
South Africa	20,702	17,155
	20,702	17,155

6. COST OF SALES

Cost of sales consists of:

	30 June 2021 \$'000	30 June 2020 \$'000
Employee costs	(7,936)	(7,168)
Depreciation and amortisation	(2,533)	(2,494)
Inventory	(308)	273
Underground mining	(3,637)	(2,544)
Utilities	(748)	(638)
Human resources	(886)	(765)
Training	(41)	(62)
Wash plant	(288)	(333)
Administration	(1,101)	(1,422)
Environmental	(4)	(9)
Logistics	(266)	(487)
Engineering	(1,870)	(2,087)
Safety	(269)	(168)
Security	(275)	(247)
Royalties	(140)	(118)
	<u>(20,302)</u>	<u>(18,269)</u>

7. OTHER OPERATING INCOME

Other operating income includes:

	30 June 2021 \$'000	30 June 2020 \$'000
Rental income	4	45
Scrap sales	33	13
Insurance recoveries	-	73
Sundry income	139	61
	<u>176</u>	<u>192</u>

8. OTHER OPERATING GAINS/(LOSSES)

Other operating gains/(losses) include:

	30 June 2021 \$'000	30 June 2020 \$'000
Foreign exchange (loss)/gain		
- unrealized	255	(399)
- realized	(65)	(120)
Fair value adjustments	502	(127)
Loss on sale of assets	-	(123)
De-recognition of Freewheel non-controlling interest	-	575
Other	65	10
	<u>757</u>	<u>(184)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

continued

9. NET IMPAIRMENT EXPENSE

The net impairment expense includes:

	30 June 2021 \$'000	30 June 2020 \$'000
Impairment of Freewheel at acquisition asset recognised(i)	-	(1,804)
Development Assets (ii)	(6,759)	547
	(6,759)	(1,257)

- (i) The impairment arose on liquidation of Freewheel Trade and Invest 37 (Pty) Ltd.
- (ii) The impairment in the current year arose from the impairment of the Vele project of \$6,497 thousand and \$434 thousand relates to the impairment of a property held by Fumaria Property Holdings (Pty) Ltd following the granting of a call option for the purchase of the property. The option was granted to Dendocept (Pty) Ltd. FY2021 also includes an impairment reversal of \$172 thousand relating to the sale of a property held by Harrisia Investment Holdings (Pty) Ltd that was previously impaired.

The prior year impairment reversals relate to the Harrisia Investment Holdings (Pty) Ltd properties sold (\$499 thousand) and the Vele Colliery plant sale (\$48 thousand). These assets were previously impaired.

10. ADMINISTRATIVE EXPENSES

	30 June 2021 \$'000	30 June 2020 \$'000
Employee expense	(2,315)	(3,939)
Depreciation	(89)	(114)
Professional fees	(208)	(203)
Legal expenses	(166)	(353)
Other overheads	(2,472)	(2,969)
	(5,250)	(7,578)

Included in administrative expenses is auditors' remuneration as follows:

Remuneration for audit and review of the financial report:

PWC – Australia	(72,000)	(87,000)
PWC – South Africa	(283,000)	(233,000)
	(355,000)	(320,000)

Non-audit related services performed:

PWC – Australia	-	(6,000)
	-	(6,000)

11. FINANCE COSTS

	30 June 2021 \$'000	30 June 2020 \$'000
Interest on borrowings	(621)	(2,159)
Unwinding of discount	(470)	(431)
Leases	(188)	(258)
Other	(339)	(311)
	(1,618)	(3,159)

12. INCOME TAX CHARGE

Income tax recognised in profit or loss from continuing operations

Current tax

	30 June 2021 \$'000	30 June 2020 \$'000
Tax expense in respect of the current year	-	-
Tax expense in respect of the prior year	-	(1)

Deferred tax (Note 26)

Current year deferred tax	234	610
Prior year deferred tax	36	51
Total income tax (expense)/credit recognised	270	660

The Group's effective tax rate for the year from continuing operations was 5.1% (2020: 5.1%). The tax rate used for the 2021 and 2020 reconciliations below is the corporate tax rate of 30% for Australian companies. The income tax expense for the year can be reconciled to the accounting profit as follows:

	30 June 2021 \$'000	30 June 2020 \$'000
Loss from continuing operations before income tax	(12,107)	(12,850)
Income tax benefit calculated at 30% (2020: 30%)	3,632	3,855
Tax effects of:		
Expenses that are not deductible for tax purposes	(3,044)	(2,558)
Differences in tax rates	(109)	(46)
Income not taxable	228	315
Other temporary differences not recognized	(603)	(1,385)
Other	130	429
Prior year adjustments	36	50
Income tax (expense)/credit	270	660

13. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

13.1. Basic loss per share

	30 June 2021 Cents per share	30 June 2020 Cents per share
From continuing operations	(7.76)	(8.55)
	(7.76)	(8.55)
Loss for the year attributable to owners of the Company	(11,745)	(12,048)
Loss used in the calculation of basic loss per share from continuing operations	(11,745)	(12,048)
Weighted number of ordinary shares		
	30 June 2021 shares	30 June 2020 shares
Weighted average number of ordinary shares for the purposes of basic loss per share	152,630	140,959

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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13. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (Continued)

13.1. Diluted loss per share

Diluted loss per share is calculated by dividing loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of diluted ordinary share that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

As at 30 June 2021, 2,408,752 warrants (2020 – 2,408,752 warrants), were excluded from the computation of the loss per share as their impact is anti-dilutive.

13.2. Headline loss per share (in line with JSE requirements)

The calculation of headline loss per share at 30 June 2021 was based on the headline loss attributable to ordinary equity holders of the Company of \$4,986 thousand (2020: \$11,044 thousand) and a weighted average number of ordinary shares outstanding during the period ended 30 June 2021 of 152,629,856 (2020: 140,959,000).

The adjustments made to arrive at the headline loss are as follows:

	30 June 2021 \$'000	30 June 2020 \$'000
Loss for the period attributable to ordinary shareholders	(11,745)	(12,048)
Adjust for:		
Impairment expense (refer note 9)	6,931	1,804
Impairment reversal (refer note 9)	(172)	(547)
Loss/(profit) on disposal of property, plant and equipment	-	123
De-recognition of Freewheel non-controlling interest	-	(575)
Freewheel foreign currency translation reserve recognized	-	199
Headline earnings	(4,986)	(11,044)
<i>Headline loss per share (cents per share)</i>	<i>(3.33)</i>	<i>(7.83)</i>

14. EXPLORATION AND EVALUATION ASSETS

A reconciliation of exploration and evaluation assets is presented below:

	30 June 2021 \$'000	30 June 2020 \$'000
Exploration and evaluation assets		
Balance at beginning of year	78,714	94,871
Additions	451	1,266
Movement in Rehabilitation asset	17	(28)
Impairment	-	(1,804)
Foreign exchange differences	14,286	(15,591)
Balance at end of year	93,467	78,714

As of 30 June 2021, the net book value of the following project assets were classified as Exploration and Evaluation assets:

- Greater Soutpansberg Project: \$54,147 thousand
- Makhado Project: \$34,520 thousand
- Uitkomst North adit: \$343 thousand

14. EXPLORATION AND EVALUATION ASSETS (Continued)

- Vele Colliery: \$5,194 thousand

Impairment testing

In terms of AASB 6 - *Exploration for and Evaluation of Mineral Resource* management have performed an assessment of whether facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. In performing its assessment, management have considered its exploration rights to the exploration areas, its planned & budgeted exploration activities and the likelihood of the recoverability of the net book value from the successful development of the areas of interest. Management have concluded that indicators of impairment for its Exploration and Evaluation assets exist as at 30 June 2021 and performed a formal assessment and no impairment was required at 30 June 2021. In the prior year, no impairment was required.

The discount between the Group's market capitalisation and net asset value at 30 June 2021, prompted management to conclude that indicators of impairment for its Exploration and Evaluation assets exist as at 30 June 2021. A formal assessment was performed and no impairment was required at 30 June 2021. Details of the key assumptions used in the impairment assessment are set out in note 3.1. In the prior year, no impairment was required.

15. DEVELOPMENT ASSETS

A reconciliation of development expenditure is presented below:

Development assets

	30 June 2021 \$'000	30 June 2020 \$'000
Balance at beginning of year	20,720	26,919
Additions	4	5
Disposals	(466)	(502)
Movement in Rehabilitation asset	36	(530)
Reversal of impairment*	158	48
Impairment	(6,497)	-
Transfer to assets classified as held for sale	-	(274)
Foreign exchange differences	5,100	(4,946)
Balance at end of year	19,055	20,720

* The reversal of impairment in the prior year related to the sale of land that had previously been impaired.

As of 30 June 2021 the net book value of the following project assets was included in Development Assets:

- Vele Colliery: \$25,552 thousand

The discount between the Group's market capitalisation and net asset value at 30 June 2021, prompted management to perform an impairment assessment. Details of the key assumptions used in the impairment assessment are set out in note 3.1.

The redevelopment of the Vele Colliery is aligned with the timing of the Musina-Makhado SEZ in Limpopo and the forecast production date for the colliery is expected to commence in FY2030. In terms of AASB 136 – Impairment of Assets, management identified this as an indicator that the Vele assets may be impaired and management performed a formal impairment assessment at 30 June 2021.

The recoverable value of the project was calculated using the fair value less costs of disposal approach to estimate the recoverable amount of the project, before comparing this amount with the carrying value of the associated assets and liabilities in order to assess whether an impairment of the carrying value was required under AASB 136. Due to the recoverable value being less than the carrying value, an impairment charge of \$6,497 thousand was recognised during the year ended 30 June 2021.

In calculating the fair value less costs of disposal, management forecasted the cash flows associated with the project over its expected life of 14 years until 2043 based on the current life of mine model. The cash flows are estimated for

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FOR THE YEAR ENDED 30 JUNE 2021

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15. DEVELOPMENT ASSETS (Continued)

the assets of the colliery in its current condition together with capital expenditure required for the colliery to resume operations, discounted to its present value using a post-tax discount rate that reflects the current market assessments of the risks specific to the Vele Colliery. The identification of impairment indicators and the estimation of future cash flows required management to make significant estimates and judgments. Details of the key assumptions used in the fair value less costs of disposal calculation at 30 June 2021 have been included below.

Assumptions

	Long-term (real)
Thermal coal price (USD per ton) ¹	70
Hard coking coal price (USD per ton) ²	125
Exchange rate (USD:ZAR)	15.06
Discount rate ³	14%
Production start date ⁴	FY2030

¹ Management's assumptions of the Richards Bay export thermal coal (API4) price was made after considering relevant broker forecasts

² Management's assumption of the hard coking coal price was made after considering relevant broker forecasts

³ Management prepared a real R-denominated, post-tax discount rate, which was calculated with reference to the Capital Asset Pricing Model

⁴ The production start date assumes that sufficient project finance is able to be raised by management in order to commence production in July 2029.

Impairment assessment

	US\$ '000
Carrying value of Vele cash generating unit	25,552
Recoverable value	(19,055)
Impairment expense (allocated to development assets)	6,497

Sensitivity analysis

Sensitivity	Change in variable %	Effect on fair value less costs of disposal (US\$'000)
Long-term HCC coal prices	+10%	3,618
	-5%	(1,824)
Long-term thermal coal prices	+7.5%	5,988
	-7.5%	(6,296)
Long-term exchange rates	+6%	6,927
	-3%	(3,573)
Discount rate	+1%	(2,324)
	-1%	2,713

16. PROPERTY, PLANT AND EQUIPMENT

	Mining property, plant and equipment \$'000	Mining rights \$'000	Land and buildings \$'000	Leasehold improvements \$'000	Motor vehicle \$'000	Other \$'000	Total \$'000
30 June 2021							
Cost							
At beginning of year	6,050	15,257	7,511	100	830	1,323	31,071
Additions	136	-	68	-	43	-	247
Disposals	-	-	(34)	-	-	(1)	(35)
Rehabilitation asset	133	-	-	-	-	-	133
Impairment	-	-	(421)	-	-	-	(421)
Exchange differences	1,299	3,224	1,557	17	179	277	6,553
Cost at end of year	7,618	18,481	8,681	117	1,052	1,599	37,548
Accumulated depreciation							
At beginning of year	1,297	2,291	1,127	100	579	1,281	6,675
Depreciation charge	637	991	219	-	93	23	1,963
Accumulated depreciation on disposals	-	-	(14)	-	-	(1)	(15)
Exchange differences	325	560	253	17	129	271	1,555
Accumulated depreciation at end of year	2,259	3,842	1,585	117	801	1,574	10,178
Net carrying value at end of fiscal year 2021	5,359	14,639	7,096	-	251	25	27,370
	Mining property, plant and equipment \$'000	Mining rights \$'000	Land and buildings \$'000	Leasehold improvements \$'000	Motor vehicle \$'000	Other \$'000	Total \$'000
30 June 2020							
Cost							
At beginning of year	8,414	18,779	8,846	116	970	1,625	38,750
Additions	262	-	253	-	51	3	569
Disposals	-	-	(264)	-	-	(3)	(267)
Rehabilitation asset	(258)	-	-	-	-	-	(258)
Impairment reversal	-	-	82	-	-	-	82
Transfer to right-of-use assets	(1,011)	-	-	-	(31)	-	(1,042)
Transfer from right-of-use assets	37	-	-	-	24	-	61
Exchange differences	(1,394)	(3,522)	(1,406)	(16)	(184)	(302)	(6,824)
At end of year	6,050	15,257	7,511	100	830	1,323	31,071

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FOR THE YEAR ENDED 30 JUNE 2021

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16. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Mining property, plant and equipment \$'000	Mining rights \$'000	Land and buildings \$'000	Leasehold improvements \$'000	Motor vehicle \$'000	Other \$'000	Total \$'000
Accumulated depreciation							
At beginning of year	882	1,873	1,036	116	616	1,514	6,037
Depreciation charge	648	859	219	-	87	58	1,871
Accumulated depreciation on disposals		-	-	-	-	(3)	(3)
Exchange differences	(233)	(441)	(128)	(16)	(124)	(288)	(1,230)
Accumulated depreciation at end of year	1,297	2,291	1,127	100	579	1,281	6,675
Net carrying value at end of fiscal year 2020	4,753	12,966	6,384	-	251	42	24,396

As of 30 June 2021 the net book value of the following operating asset was included in Property, Plant and Equipment:

- Uitkomst Colliery: \$21,570 thousand

The discount between the Group's market capitalisation and net asset value at 30 June 2021, prompted management to perform an impairment assessment.

Details of the key assumptions used in the impairment assessment are set out in note 3.1. The impairment charge for the year related to the Vele Coliery. No impairment charge was required for the Uitkomst Colliery at 30 June 2021.

17. RIGHT-OF-USE ASSETS

The Group leases various assets including land, buildings, plant and machinery and vehicles. The movement in the right-of-use assets is as follows:

	30 June 2021 \$'000	30 Jun 2020 \$'000
Balance at beginning of the period	1,819	-
Impact of adopting AASB16 – 1 July 2019	-	1,893
Transfer from Property plant and equipment	-	1,042
Additions	95	162
Depreciation	(660)	(737)
Modification	922	-
Transfer to PPE	-	(60)
Foreign exchange differences	412	(481)
Balance at end of period	2,588	1,819

18. OTHER RECEIVABLES

Carrying amount of:	30 June 2021 \$'000	30 June 2020 \$'000
Balance at beginning of year	-	219
Increase in receivable	-	17
Written-off	-	(179)
Foreign exchange differences	-	(57)
Balance at end of year	-	-

19. OTHER FINANCIAL ASSETS

Carrying value of financial assets at fair value through profit or loss

	30 June 2021 \$'000	30 June 2020 \$'000
Listed securities		
- Equity securities	-	-
Unlisted securities		
- Equity securities in investment funds*	4,687	3,407
	4,687	3,407
Deposits**	21	336
	4,708	3,743

Fair value movements in other financial assets are recognised in other (losses)/gains in the consolidated statement of profit or loss. Refer note 8.

* Listed investments are carried at the market value as at the reporting date and unlisted investments are valued with reference to the investment company's fund statement.

** Deposits are classified as financial assets at amortised cost.

The equity securities in investment funds are for the rehabilitation provisions and the Eskom guarantees.

	30 June 2021 \$'000	30 June 2020 \$'000
Balance at beginning of year	3,743	5,029
Revaluations	502	(69)
Interest received	104	90
Disposal of investment	(837)	(855)
Acquisition of investments	393	452
Foreign exchange differences	803	(904)
Balance at end of year	4,708	3,743

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20. INVENTORIES

	30 June 2021	30 June 2020
	\$'000	\$'000
Finished goods	384	591
Consumable stores	508	474
Other	4	115
Provision for obsolete inventory	(62)	(71)
	<u>834</u>	<u>1,109</u>

The cost of inventories recognised as a credit during the year in respect of continuing operations was \$273 thousand (2020 expense: \$273 thousand).

21. TRADE AND OTHER RECEIVABLES

	30 June 2021	30 June 2020
	\$'000	\$'000
Trade receivables	<u>3,098</u>	<u>923</u>
Other receivables	683	677
Expected credit losses allowance	<u>(351)</u>	<u>(289)</u>
	<u>3,430</u>	<u>1,311</u>

The carrying amount of trade and other receivables approximate their fair value due to their short-term maturity.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables as disclosed above. The Group does not hold any collateral as security.

Trade receivables inherently expose the Group to credit risk, being the risk that the Group will incur financial loss if customers fail to make payments as they fall due. In order to mitigate the risk of financial loss from defaults, the Group only deals with reputable customers with consistent payment histories. Each customer is analysed individually for creditworthiness before terms and conditions are offered. Customer credit limits are in place and are reviewed on a regular basis. The exposure to credit risk and the creditworthiness of customers is continuously monitored.

The average credit period on trade receivables is 30 days (2020: 30 days).

A loss allowance is considered for all trade receivables, in accordance with AASB 9 Financial Instruments, and is monitored at the end of each reporting period. The Group measures the possible loss allowance for trade receivables by applying the simplified approach which is prescribed by AASB 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses (ECLs) on trade receivables. To measure the ECLs, trade receivables are grouped based on shared credit risk characteristics and the days past due to identify non-performing receivables. In addition, forward-looking macro-economic conditions and factors are considered when determining the ECLs for trade receivables, namely trading conditions in the regional coal user markets, as well as economic growth and inflationary outlook in the short-term. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 90 days past due. Based on the year-end ECL assessment performed, no material loss allowance provision was required at the end of the financial year.

No trade receivables were past due at the end of the current or previous financial year.

All trade receivables at the end of the current and previous financial year are denominated in South African Rand.

22. CASH AND CASH EQUIVALENTS

	30 June 2021 \$'000	30 June 2020 \$'000
Bank balances	3,226	2,678
Bank overdraft	(2,203)	(2,214)
	1,023	464
Restricted cash	95	57
	95	57

The bank overdraft relates to an ABSA facility that was secured during the 2020 financial year, from ABSA Bank for \$1,384 thousand (ZAR 20,000 thousand). The facility is for short-term working capital requirements and potential expansion opportunities. It has a floating coupon at the South African Prime rate (currently 7.0% per annum) plus 1.0%, with the operating mine, Uitkomst Colliery, debtors ceded as security. The facility is subject to annual review.

The short-term working facility was increased by an additional \$1,384 thousand (ZAR 20,000 thousand) in May 2020 to alleviate the financial challenges during the COVID-19 period. Repayment of the facility commenced during the financial year and the balance outstanding at year-end was \$820 thousand. This balance is payable in equal monthly instalments prior to January 2022 and the same interest rate applies.

The restricted cash balance of \$95 thousand (FY2020: \$57 thousand) is held on behalf of subsidiary companies mainly in respect of the rehabilitation guarantees issued to the DMR in respect of environmental rehabilitation costs of \$5.4 million (FY2020: \$5.4 million). This cash is not available for use other than for those specific purposes.

Credit risk

Cash at bank earns interest at a floating rate based on daily bank deposit rates. Cash is deposited at highly reputable financial institutions of a high quality credit standing within Australia, the United Kingdom and the Republic of South Africa.

The fair value of cash and cash equivalents equates to the values as disclosed in this note.

23. DEFERRED CONSIDERATION

	30 June 2021 \$'000	30 June 2020 \$'000
Deferred consideration	2,796	2,321
Balance at beginning of year	2,321	4,071
Repaid during the year – Khethekile	-	(271)
Repaid during the year – Pan African	-	(1,004)
Repaid during the year – Wagner loan	(117)	-
Interest accrued	103	175
Foreign Exchange	489	(650)
Balance at end of year	2,796	2,321
Current	2,796	101
Non-Current	-	2,220
	2,796	2,321

Lukin and Salaita deferred consideration

During FY2019, the Company's subsidiary, Baobab Mining and Exploration (Pty) Ltd (Baobab), completed the acquisition of the properties Lukin and Salaita, the key surface rights required for its Makhado hard coking and thermal coal project for an acquisition price of \$4,892 thousand (ZAR70,000 thousand). \$2,446 thousand (ZAR35,000 thousand) of the acquisition price has been deferred to the earlier of:

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23. DEFERRED CONSIDERATION (Continued)

- the third anniversary of the transfer of the properties; or
- the first anniversary of production of coal underlying the properties; or
- completion of a potential land claims and expropriation process. In terms of current legislation, this will result in Baobab receiving market related compensation and will be followed by negotiations with the Minister of Land Affairs and the successful claimants, who are shareholders in Baobab, for long-term access to the Properties.

The deferred consideration accrues interest at the South African prime interest rate (currently 7.0%) less 3.0% and the deferred consideration is payable in January 2022.

24. BORROWINGS

	30 June 2021 \$'000	30 June 2020 \$'000
Industrial Development Corporation of South Africa Limited	18,547	12,587
Pan African Resources Management Services (Pty) Ltd	935	1,008
	<u>19,482</u>	<u>13,595</u>
Balance at beginning of year	13,595	14,299
IDC loan acquired during the year	2,347	-
Repayment – PARMS	(340)	(220)
Repayment Enprotec	-	(140)
Interest accrued	617	2,566
Warrants issued to IDC	(43)	-
Foreign Exchange	3,306	(2,910)
Balance at end of year	<u>19,482</u>	<u>13,595</u>
Non-current	251	566
Current	<u>19,231</u>	<u>13,029</u>
	<u>19,482</u>	<u>13,595</u>

Industrial Development Corporation of South Africa Limited

In March 2017, the Company and Baobab Mining and Exploration Proprietary Limited (Baobab), a subsidiary of MC Mining and owner of the NOMR for the Makhado Project entered into a loan agreement with the IDC which provided for a loan facility of \$16,772 thousand (ZAR240,000 thousand) (March loan facility). The facility was provided to advance the development of the Makhado Project. A first tranche drawn down of \$8,386 thousand (ZAR120,000 thousand) was completed in May 2017.

The IDC loan facility of \$16,772 thousand (ZAR240,000 thousand) in March 2017 was restructured during the period. In addition to the initial \$8,386 thousand (ZAR120,000 thousand) draw down in May 2017, the IDC agreed that the Company's subsidiary, Baobab, draw down \$2,795 thousand (ZAR40,000 thousand) representing the second tranche drawn on that loan facility. The remaining \$5,591 thousand (ZAR80,000 thousand) undrawn balance was then cancelled.

The \$2,795 thousand (ZAR40,000 thousand) loan facility restructure was conditional upon the Company raising \$1,048 thousand (ZAR15,000 thousand) in the form of new equity. That condition was satisfied in August 2020 at which time 13,331,433 new shares were issued raising \$1,048 thousand (ZAR15,000 thousand). The \$11,181 thousand (ZAR160,000 thousand) IDC loan facility plus accrued interest is repayable on 31 January 2022.

MC Mining is required to issue warrants, in respect of MC Mining shares, to the IDC on each draw down date. The warrants for the first draw down equated to 2.5% (equating to 2,408,752 shares) of the entire issued share capital of MC Mining as at 5 December 2016. The price at which the IDC shall be entitled to purchase the MC Mining shares is equal to a thirty percent premium to the 30-day volume weighted average price of the MC Mining shares as traded on the JSE as at 5 December 2016 (ZAR0.60 per share (ZAR12.00 after the premium and the 20:1 share consolidation in December 2017)). The IDC is entitled to exercise the warrants for a period of five years from the date of issue. The

24. BORROWINGS (Continued)

warrants for the second draw down equated to 0.833% (equating to 1,286,315 shares) of the entire share capital of MC Mining as at 1 October 2020.

Furthermore, upon each advance date, Baobab shall be required to issue new ordinary shares in Baobab to the IDC equivalent to 5% of the entire issued share capital of Baobab at such time. As a result of the first draw down, 5% of Baobab's equity was issued to the IDC. Baobab is required to issue new ordinary shares to the IDC equivalent to 1.7% of the entire share capital of Baobab for the \$2,795 thousand (ZAR40,000 thousand) draw down.

Pan African Resources Management Services (Pty) Ltd

As part of the acquisition of the underground mining equipment and liabilities of Khethekile, the Group assumed a loan of \$1,435 thousand (ZAR20,539 thousand) from Pan African Resources Management Services (Pty) Ltd (PARMS). The loan bears interest at the South African Prime rate plus two percent and is compounded monthly. It is repayable in 48 monthly instalments of approximately \$53 thousand (ZAR752 thousand) per month.

25. PROVISIONS

	30 June 2021 \$'000	30 June 2020 \$'000
Employee provisions	195	197
Biodiversity offset provision	2,357	1,834
Rehabilitation provisions	4,332	3,162
	<u>6,884</u>	<u>5,193</u>

Employee provisions

The provision for employees represents unused annual leave entitlements.

Biodiversity offset provision

The Biodiversity offset agreement (BOA) was signed by the DEFF, South African National Parks Board and the Company to the value of \$3,843 thousand (ZAR55,000 thousand) over a 25 year period. The BOA commits the Company to pay \$3,843 thousand (ZAR55,000 thousand) to the South African National Parks Board over a period of 25 years. The following payment arrangement has been agreed:

Phase 1 – ZAR2,000 thousand paid in 2015

Phase 2 – ZAR15,000 thousand from year 2016 to 2021 (*ZAR2,500 thousand annually)

Phase 3 – ZAR13,000 thousand from year 2022 to 2028 (*ZAR1,800 thousand annually)

Phase 4 – ZAR13,000 thousand from 2029 to 2033 (*ZAR2,600 thousand annually)

Phase 5 – ZAR12,000 thousand from 2034 to 2038 (*ZAR2,400 thousand annually)

*For the purpose of the present value calculation, these payments per phase have been assumed as equal annual payments and discounted at the South Africa inflation rate of 6%.

Rehabilitation provision

	30 June 2021 \$'000	30 June 2020 \$'000
Balance at beginning of year	3,162	4,531
Unwinding of discount	345	312
Change in assumptions on rehabilitation provisions	121	(892)
Foreign Exchange	704	(789)
Balance at end of year	<u>4,332</u>	<u>3,162</u>

The rehabilitation provision represents the current cost of environmental liabilities as at the respective year end. An annual estimate of the quantum of closure costs is necessary in order to fulfil the requirements of the DMRE, as well as meeting specific closure objectives outlined in the mine's Environmental Management Programme (EMP).

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FOR THE YEAR ENDED 30 JUNE 2021

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25. PROVISIONS (Continued)

Although the ultimate amount of the obligation is uncertain, the fair value of the obligation is based on information that is currently available. This estimate includes costs for the removal of all-current mine infrastructure and the rehabilitation of all disturbed areas to a condition as described in the EMP.

The period assumed in the calculation of the present value of the obligation is the shorter of the remaining period of the mining licence and the aggregate of the construction period of the mine and the total estimated LOM.

The current estimate available is inflated by the long-term South African inflation rate of 4.7% annually and the discount rate applied to establish the current obligation is a South Africa government bond rate at 30 June 2021 of 8.91% (2020: 9.17%) annually.

Due to the changes in assumptions the Vele Colliery, the Makhado Project and Uitkomst Colliery had a decrease in the present value of the environmental obligation.

The Makhado Project is still in Exploration phase and no formal decision to mine is currently in place.

Provisions have been analysed between current and non-current as follows:

	30 June 2021 \$'000	30 June 2020 \$'000
Current	195	197
Non-current	6,689	4,996
	<u>6,884</u>	<u>5,193</u>

26. DEFERRED TAX

	30 June 2021 \$'000	30 June 2020 \$'000
Deferred tax liability	4,669	4,078

The gross movement on the deferred tax account is as follows:

Balance at beginning of year	4,078	5,750
Provisions	(14)	66
Capital allowances	(183)	(475)
Prepayments	-	-
Prior year adjustment	(27)	(34)
Foreign Exchange	815	(1,229)
Balance at end of year	<u>4,669</u>	<u>4,078</u>

The deferred tax balances at year-end are represented by:

Deferred tax assets

Provisions	373	292
Prepayments	-	-
Balance at end of year	<u>373</u>	<u>292</u>

Deferred tax liabilities

Capital allowances on property plant and equipment	(5,042)	(4,370)
Balance at end of year	<u>(5,042)</u>	<u>(4,370)</u>
Net deferred tax liabilities	<u>(4,669)</u>	<u>(4,078)</u>

Deferred income tax assets are recognised for tax losses carried-forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The deferred tax assets recognised relate to Uitkomst Colliery. The Group did not recognise deferred income tax assets of \$45,571 thousand (2020: \$45,571 thousand) in respect of losses

26. DEFERRED TAX (Continued)

amounting to \$13,152 thousand (2020: \$13,152 thousand) and unredeemed capital expenditure of \$45,571 thousand (2020: \$45,571 thousand) that can be carried forward against future taxable income.

27. LEASES

As part of the historical acquisition of Khethekile, Uitkomst Colliery assumed certain vehicle leases. In addition, Uitkomst Colliery also entered into an asset financing arrangement with ABSA Bank Limited for the acquisition of new underground mining equipment. The rolling five-year facility is subject to a floating coupon at the South African prime rate (currently 7.0% per annum) plus 0.5% and is secured by the mining equipment purchased.

The movement in the lease liabilities is as follows:

	30 June 2021 \$'000	30 Jun 2020 \$'000
Balance at beginning of the period	1,835	1,001
Impact of adopting AASB16 – 1 July 2019	-	1,893
Modification	858	-
Additions	102	162
Interest	202	258
Repayments	(1,038)	(994)
Foreign exchange differences	453	(485)
Balance at end of period	2,412	1,835

The maturity of the Group's undiscounted lease payments is as follows:

	30 June 2021 \$'000	30 Jun 2020 \$'000
Not later than one year	855	928
Later than one year and not later than five years	2,068	1,122
Later than five years	113	108
	3,036	2,158
Less future finance charges	(624)	(323)
Present value of minimum lease payments	2,412	1,835

28. TRADE AND OTHER PAYABLES

	30 June 2021 \$'000	30 June 2020 \$'000
Trade payables	2,412	1,404
Accrued expenses	5,110	3,999
Other payables	1,872	1,060
	9,394	6,463

The average credit period is 30 days. Interest at the South African prime overdraft rate is charged on overdue creditors.

Included in other payables is the balance of the AMSA prepayment of \$437 thousands.

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29. ISSUED CAPITAL

During the reporting period, the Company issued, 13,331,433 fully paid ordinary shares at \$0.07 per share.

Fully paid ordinary shares

	30 June 2021 \$'000	30 June 2020 \$'000
154,419,555 (2020: 141,088,122) fully paid ordinary shares	1,041,884	1,041,080
	30 June 2021 Number	30 June 2021 \$'000
Movements in fully paid ordinary shares		
At 30 June 2020	141,088,122	1,041,080
Shares issued	13,331,433	869
Share issue cost	-	(65)
At 30 June 2021	154,419,555	1,041,884

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders meetings.

In the event of winding up of the Company ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

Share options granted

Share options granted under the Company's employee share option plan and performance rights carry no rights to dividends and no voting rights. Further details of the employee share option plan are provided in note 32.

30. ACCUMULATED DEFICIT

	30 June 2021 \$'000	30 June 2020 \$'000
Accumulated deficit at the beginning of the financial year	(895,591)	(884,297)
Net loss attributed to Owners of the Company	(11,745)	(12,048)
Transferred from share based payment reserve	134	754
Accumulated deficit at the end of the financial year	(907,202)	(895,591)

31. RESERVES

	30 June 2021 \$'000	30 June 2020 \$'000
Capital profits reserve	91	91
Share based payment reserve	1,494	1,460
Warrants reserve	1,177	1,134
Foreign currency translation reserve	(30,199)	(48,603)
	(27,437)	(45,918)

31. RESERVES (Continued)

Movements for the year can be reconciled as follows:

Share-based payments reserve

	30 June 2021	30 June 2020
	\$'000	\$'000
Opening balance	1,460	2,234
Share options issued during the year	589	769
Share options cancelled/forfeited/expired	(555)	(1,412)
Shares issued	-	(131)
Closing balance	1,494	1,460

Foreign currency translation reserve

Opening balance	(48,603)	(28,060)
Exchange differences on translating foreign operations	18,404	(20,742)
Liquidation of Freewheel	-	199
Closing balance	(30,199)	(48,603)

Warrants reserve

Opening balance	1,134	1,134
Warrants issued	43	-
Closing balance	1,177	1,134

Nature and purpose of reserves:

Capital reserve

The capital profits reserve contains capital profits derived during previous financial years.

Share-based payment reserve

Share based payment reserve represent the value of unexercised share options and performance rights to directors and employees. It also includes IFRS2 Black Economic Empowerment charges.

Foreign currency translation reserve

The foreign currency translation reserve records the foreign currency differences arising from the translation of foreign operations.

Warrants reserve

The warrants reserve relates to the warrants issued to the IDC in terms of the Loan Agreement to advance funding to Baobab. Refer note 24.

32. SHARE-BASED PAYMENTS

Employee share option plan

The Group maintains certain Employee Share Option Plans (ESOP's) for executives and senior employees of the Group as per the rules approved by shareholders on 30 November 2009. In accordance with the terms of the schemes, eligible executives and senior employees may be granted options to purchase ordinary shares.

There were no share-based payments existing at 30 June 2021.

Share options outstanding at the end of the year

The share options outstanding at the end of the year were NIL.

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32. SHARE-BASED PAYMENTS (Continued)

Performance Rights Plan

The Performance Rights factor in a hurdle rate based on the compound annual growth rate of total shareholder return across the period from the grant date. The Performance Rights were valued using a hybrid employee share option pricing model to simulate the total shareholder return of MC Mining at the expiry date using a Monte-Carlo model.

On 20 November 2020, 4,858,467 performance rights were issued to senior management. The number of rights are split between three tranches. The market based vesting conditions are to be measured over the one-year period from 20 November 2020 to 19 November 2021 for Tranche 1, the two-year period from 20 November 2021 to 19 November 2022 for Tranche 2 and the three-year period from 20 November 2022 to 19 November 2023 for Tranche 3.

Inputs into the model were as follows:

	Tranche 1	Tranche 2	Tranche 3
Number of rights	1,619,489	1,619,489	1,619,489
19 November 2020 closing price	ZAR1.56	ZAR1.56	ZAR1.56
Exercise price	Nil	Nil	Nil
Expiry date	19 November 2021	19 November 2022	19 November 2023
Performance period (years)	1	2	3
Risk free interest rate	7.42%	7.42%	7.42%

On 20 November 2020, 1,602,393 Performance Rights were issued to senior management as a special incentive. These were granted to certain employees of the company in the form of MC Mining Limited shares. The Incentive Shares will vest in full on the hot commissioning of the Vele Colliery plant. If the hot commissioning does not take place before 31 March 2022, the Incentive Shares will lapse.

Inputs into the model were as follows:

Performance rights	
19 November 2020 closing price	ZAR1.56
Exercise price	Nil
Expiry date	31 March 2022
Risk free interest rate	7.42%

On 22 November 2019, 1,143,657 performance rights were issued to senior management. The number of rights are split between three tranches. The market based vesting conditions are to be measured over the one-year period from 22 November 2019 to 21 November 2020 for Tranche 1, the two-year period from 22 November 2019 to 21 November 2021 for Tranche 2 and the three-year period from 22 November 2019 to 21 November 2022 for Tranche 3.

Inputs into the model were as follows:

	Tranche 1	Tranche 2	Tranche 3
Number of rights	1,246,487	1,246,487	1,246,487
22 November 2019 closing price	ZAR4.80	ZAR4.80	ZAR4.80
Exercise price	Nil	Nil	Nil
Expiry date	21 November 2020	21 November 2021	21 November 2022
Performance period (years)	1	2	3
Risk free interest rate	7.42%	7.42%	7.42%

1,246,487 Performance Rights issued on 22 November 2019 expired on 21 November 2020.

32. SHARE-BASED PAYMENTS (Continued)

On 23 November 2018, 3,465,558 Performance Rights were issued to senior management.

Inputs into the model were as follows:

	Performance rights
Spot 5 day VWAP	ZAR7.50
Exercise price	Nil
Expiry date	22 November 2021
Performance period	3.00
Risk free interest rate	7.28%

Performance Rights issued on 24 November 2017 expired during the current year, on 23 November 2020.

The total share based payment expense recognised in relation to the Performance Rights in the current financial year is \$168 thousand (FY2020: \$416 thousand).

Movement in Performance Rights

	30 June 2021 \$'000	30 June 2020 \$'000
Performance rights outstanding at beginning of year	4,743,472	6,270,814
Performance rights expired	(1,461,694)	(1,082,875)
Performance rights forfeited	(7,043,369)	(3,958,837)
Performance rights granted	11,945,013	3,722,907
Performance rights shares issued	-	(208,537)
Performance rights outstanding at end of year	8,183,422	4,743,472

33. NON-CONTROLLING INTEREST

Non-controlling interests comprise the following:

	30 June 2021 \$'000	30 June 2020 \$'000
Baobab non-controlling interest	(721)	(628)
	(721)	(628)

34. FINANCIAL INSTRUMENTS

34.1. Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged.

The capital structure of the Group consists of net deferred consideration and debt (as detailed in notes 23 and 24) (net of cash) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests as detailed in notes 30 to 32).

The Group is not subject to any externally imposed capital requirements.

The Group's risk management committee reviews the capital structure of the Group on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The Group maintained its target-gearing ratio, determined as the proportion of net debt to equity, at 20%. This was to enable the Company to raise the loan from the IDC.

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34. FINANCIAL INSTRUMENTS (Continued)

	30 June 2021 \$'000	30 June 2020 \$'000
Net debt (1)	22,278	15,452
Equity (2)	106,524	98,943
Debt to equity ratio	21%	16%

1. Debt is defined as long-term and short-term borrowings as described in notes 23 and 24 less unrestricted cash and cash equivalents.
2. Equity includes all capital and reserves of the Group that are managed as capital.

34.2. Categories of financial instruments

The accounting policies for financial instruments have been applied to the line items below:

	30 June 2021 \$'000	30 June 2020 \$'000
Financial assets		
Trade and other receivables	3,430	1,311
Cash and cash equivalents	3,226	2,678
Restricted cash	95	57
Other Financial Assets	4,708	3,743
Total financial assets	11,459	7,789
Financial liabilities		
Deferred consideration	2,796	2,321
Borrowings	19,482	13,595
Bank overdraft	2,203	2,214
Trade and other payables	9,394	6,463
Total financial liabilities	33,875	24,593

Fair value of financial assets and liabilities

The fair value of a financial asset or a financial liability is the amount at which the asset could be exchanged or liability settled in a current transaction between willing parties in an arm's length transaction. The fair values of the Group's financial assets and liabilities approximate their carrying values, as a result of their short maturity or because they carry floating rates of interest.

All financial assets and liabilities recorded in the consolidated financial statements approximate their respective fair values.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3, based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities. The balances classed here are financial assets comprising deposits and listed securities (note 19).

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The financial assets classed as Level 2 comprise of investments with investment firms. These investments serve as collateral for rehabilitation guarantees. The fair value has been determined by the investment firms' fund statement (note 19).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

There were no assets reclassified into / out of FVTPL during the year nor were any assets transferred between levels.

34. FINANCIAL INSTRUMENTS (Continued)

As at 30 June 2021	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	-	4,687	-	4,687

As at 30 June 2020	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	-	3,407	-	3,407

34.3. Financial risk management objectives

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Corporate Treasury function reports quarterly to the Group's risk management committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

34.4. Market risk**Foreign exchange risk**

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Australian dollar and the US dollar. Foreign exchange risk arises from future commitments, assets and liabilities that are denominated in a currency that is not the functional currency. Most of the Company's purchases are denominated in SA rand. However, certain items during the exploration, development and plant construction phase as well as long lead-capital items are denominated in US dollars, Euros or Australian dollars. These have to be acquired by the South African operating company due to the South African Reserve Bank's Foreign Exchange Control Rulings. This exposes the South African subsidiary companies to changes in the foreign exchange rates.

The Group's cash deposits are largely denominated in US dollar and SA rand. A foreign exchange risk arises from the funds deposited in US dollar which will have to be exchanged into the functional currency for working capital purposes.

The Group generally does not enter into forward sales, derivatives or other hedging arrangements to manage this risk.

At financial period end, the financial instruments exposed to foreign currency risk movements are as follows:

	Held in GBP	Held in AUD	Held in USD	Total
Balances at 30 June 2021	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash and cash equivalents ¹	-	2	3	5
Total financial assets	-	2	3	5
¹ Cash includes restricted cash				
Financial liabilities				
Trade and other payables	3	21	-	24
Total financial liabilities	3	21	-	24

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34. FINANCIAL INSTRUMENTS (Continued)

	Held in GBP	Held in AUD	Held in USD	Total
Balances at 30 June 2020	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash and cash equivalents ¹	-	7	35	42
Total financial assets	-	7	35	42
¹ Cash includes restricted cash				
Financial liabilities				
Trade and other payables	7	50	-	57
Total financial liabilities	7	50	-	57

The following table details the Group's sensitivity to a 10% increase and decrease in the US dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% change in foreign currency rates.

Impact on profit / (loss)

	30 June 2021 \$'000	30 June 2020 \$'000
Judgements on reasonable possible movements		
USD/ZAR increase by 10%	40	2
USD/ZAR decrease by 10%	(40)	(2)

34.5. Interest rate risk management

The Group's interest rate risk arises mainly from short-term borrowings, long-term borrowings, cash and bank balances and restricted cash. The Group has variable interest rate borrowings. Variable rate borrowings expose the Group to cash flow interest rate risk.

The Group has not entered into any agreements, such as hedging, to manage this risk.

The following table summarises the sensitivity of the financial instruments held at the reporting date, following a movement in variable interest rates, with all other variables held constant. The sensitivities are based on reasonably possible changes over a financial period, using the observed range of actual historical rates.

Impact on profit / (loss)

	30 June 2021 \$'000	30 June 2020 \$'000
Judgements on reasonable possible movements		
Increase of 0.2% in interest rate	5	6
Decrease of 0.2% in interest rate	(5)	(6)
Increase of 1.0% in interest rate	25	28
Decrease of 1.0% in interest rate	(25)	(28)

The impact is calculated on the net financial instruments exposed to variable interest rates as at reporting date and does not take into account any repayments of short-term borrowings.

34. FINANCIAL INSTRUMENTS (Continued)

34.6. Credit risk

Credit risk is the risk that a contracting entity will not complete its obligation under a financial instrument that will result in a financial loss to the Group. The carrying amount of financial assets represents the maximum credit exposure.

Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to credit losses not being significant.

At year-end there is no significant concentration of credit risk represented in the cash and cash equivalents, restricted cash and trade accounts receivables balance. The Group manages its credit risk by predominantly dealing with counterparties with a positive credit rating.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

34.7 Liquidity risk

The liquidity position of the Group is managed to ensure sufficient liquid funds are available to meet financial commitments in a timely and cost effective manner. The Group's Executive continually reviews the liquidity position including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels.

The concentration of cash balances on hand in geographical areas was as follows:

	United Kingdom	Australia	South Africa	Total
Balances at 30 June 2021	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents and restricted cash	-	2	3,319	3,321
	-	-	-	-
	United Kingdom	Australia	South Africa	Total
Balances at 30 June 2020	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents and restricted cash	-	7	2,728	2,735
	-	7	2,728	2,735

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

continued

34. FINANCIAL INSTRUMENTS (Continued)

The contractual maturities of the Group's financial assets and liabilities at the reporting date were as follows:

Balances at 30 June 2021	Less than 6 months \$'000	Between 6 – 12 months \$'000	Greater than 12 months \$'000	Total \$'000
Deferred consideration (1)	-	2,796	-	2,796
Borrowings (1)	251	18,980	251	19,482
Trade and other payables	9,394	-	-	9,394
	9,645	21,776	251	31,672

Balances at 30 June 2021	Less than 6 months \$'000	Between 6 – 12 months \$'000	Greater than 12 months \$'000	Total \$'000
Trade and Other Receivables	3,430	-	-	3,430
Cash and Cash Equivalents	3,226	-	-	3,226
Restricted Cash	-	-	95	95
Other financial assets	-	-	4,708	4,708
	6,656	-	4,803	11,459

1. Interest bearing at rates between 4 % and 22.2 %

Balances at 30 June 2020	Less than 6 months \$'000	Between 6 – 12 months \$'000	Greater than 12 months \$'000	Total \$'000
Deferred consideration (1)	104	-	2,217	2,475
Borrowings (1)	12,808	221	566	13,595
Trade and other payables	6,463	-	-	6,463
	19,375	221	3,034	22,630

Balances at 30 June 2020	Less than 6 months \$'000	Between 6 – 12 months \$'000	Greater than 12 months \$'000	Total \$'000
Trade and Other Receivables	1,331	-	-	1,331
Cash and Cash Equivalents	2,678	-	-	2,678
Restricted Cash	-	-	57	57
Other financial assets	-	-	3,743	3,743
	3,989	-	3,800	7,789

Interest bearing at rates between 7% and 22.2 %

35. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of cash

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	30 June 2021 \$'000	30 June 2020 \$'000
Cash and bank balances (note 22)	1,023	464

Reconciliation of loss before tax to net cash used in operations

	30 June 2021 \$'000	30 June 2020 \$'000
Loss before tax (continuing and discontinuing operations)	(12,107)	(12,850)
Add back:	-	-
Depreciation	2,622	2,608
Net impairment expense	6,760	1,257
Share-based payment	168	416
Bad debt written off	7	182
Fair value adjustment	(64)	58
Re-valuation of investments	(502)	69
Movement in provisions	(83)	(155)
Finance costs (net)	1,432	2,909
Disposal of assets	-	113
Freewheel NCI written-off	-	(575)
Foreign exchange loss/(gains) on operating activities	293	598
Changes in working capital:		
Decrease/(Increase) in inventories	352	(350)
Decrease/(Increase) in trade and other receivables	(1,753)	1,250
(Decrease)/Increase in trade and other payables	1,458	(580)
Cash used in operations	(1,417)	(5,050)

36. CONTINGENCIES AND COMMITMENTS

Contingent liabilities

The Group has no significant contingent liabilities at the reporting date.

Commitments

In addition to the commitments of the parent entity as disclosed under note 42, subsidiary companies have typical financial commitments associated with their MR's granted by the South African DMR.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

continued

37. RELATED PARTY DISCLOSURES

The aggregate compensation made to directors and other members of key management personnel of the Company and the Group is set out below:

	30 June 2021	30 June 2020
	\$'000	\$'000
Short-term employee benefits	590	1,242
Post-employment benefits	-	6
Termination benefits	-	172
Share-based payments	(242)	84
	<u>348</u>	<u>1,504</u>

The Group has not provided any of its key management personnel with loans.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

38. CONTROLLED ENTITIES

Particulars in relation to controlled entities.

		30 June 2021	30 June 2020
	Country of incorporation	%	%
Bakstaar Boerdery Proprietary Limited *	South Africa	100	100
Baobab Mining & Exploration Proprietary Limited**	South Africa	95	95
Chapudi Coal Proprietary Limited ***	South Africa	74	74
Coal of Africa & ArcelorMittal Analytical Laboratories Proprietary Limited	South Africa	50	50
Cove Mining NL	Australia	100	100
Fumaria Property Holdings Proprietary Limited	South Africa	100	100
Golden Valley Services Proprietary Limited	Australia	100	100
GVM Metals Administration (South Africa) Proprietary Limited	South Africa	100	100
Harrisia Investments Holdings Proprietary Limited	South Africa	100	100
Kwezi Mining Exploration Proprietary Limited ***	South Africa	74	74
Limpopo Coal Company Proprietary Limited	South Africa	100	100
Makhado Centre of Learning NPC**	South Africa	95	95
MbeuYashu Proprietary Limited	South Africa	74	74
Nyambose Mining Proprietary Limited	South Africa	100	100
Pan African Resources Coal Holdings Proprietary Limited	South Africa	100	100
Regulus Investment Holdings Proprietary Limited	South Africa	100	100
Silkwood Trading 14 Proprietary Limited	South Africa	100	100
Uitkomst Colliery Proprietary Limited	South Africa	70	70

* Subsidiary company of Fumaria Property Holdings Proprietary Limited

** 67% on completion of the Makhado Project BBBEE transactions

*** Subsidiary companies of MbeuYashu Proprietary Limited

39. EVENTS AFTER THE REPORTING PERIOD

During July 2021 the IDC extended the repayment of the IDC Facility as well as the drawdown of the new \$17,121 thousand (ZAR245,000 thousand) New Facility, both to 31 January 2022.

Prepayment of \$2.1 million (ZAR29.7 million) from Uitkomst's largest customer for 16,500t of coal, to be amortised at 2,750t over six months from September 2021 to February 2022, improving working capital management in the near-term and forms part of the going concern assumptions assessed by the Company's auditors.

40. PARENT ENTITY FINANCIAL INFORMATION

	Parent entity	
	30 June 2021	30 June 2020
	\$'000	\$'000
Summary financial information		
Non-current assets	99,423	99,332
Current assets	17	75
Total assets	99,440	99,407
Non-current liabilities	-	-
Current liabilities	758	688
Total liabilities	758	688
Net assets	98,682	98,719
Shareholders' Equity		
Issued capital	1,041,884	1,041,080
Accumulated deficit and reserves	(943,203)	(942,361)
	98,681	98,719
Profit/(Loss) for the year	(931)	(3,632)
Total comprehensive loss	(931)	(3,632)

Contingencies and commitments

- MC Mining has subordinated all loans to subsidiary companies
- MC Mining has provided surety for the IDC borrowing facility entered into by Baobab (refer note 24)



INDEPENDENT AUDITOR'S REPORT

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of MC Mining Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended, and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2021
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information, and
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of US\$11,837,000 during the year ended 30 June 2021 and a net cash outflow from operating activities of US\$1,353,000 and, as of that date, the Group had net current liabilities of US\$27,593,000.



Note 1 indicates that the Group is dependent on the deferral and the settlement of debt tranches relating to the existing IDC term facility. The note further states that additional financing or raising additional capital is also required to enable the Group to continue its normal business activities, including the commencement of the development of Phase 1 of the Makhado project.

These conditions, along with other matters set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality	Audit scope
- For the purpose of our audit we used overall Group materiality of US\$1.547 million, which represents approximately 1% of the Group's consolidated total assets. - We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. - We chose the Group's consolidated total assets as the benchmark, because in our view, it is the benchmark which reflects the key focus of the users of the financial report, and is a generally accepted benchmark. This is because the Group is still in the exploration and development phase and as such users are interested in determining if the Group is achieving its strategy of becoming a sustainable mid-tier coal producer. - We chose 1% which is consistent with quantitative materiality thresholds used for companies that are in the exploration and development phase.	Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of exploration and evaluation assets, development assets and property, plant and equipment Refer to the following notes to the financial report for details: • Note 3.1: Asset carrying values and impairment charges; • Note 14: Exploration and evaluation assets; • Note 15: Development assets; and • Note 16: Property plant and equipment. At 30 June 2021, the Group held exploration and evaluation assets with a carrying amount of US\$93,467,000, development assets of US\$19,055,000, and property, plant and equipment of US\$27,370,000, respectively. At each reporting date, the Group evaluates whether there are events and conditions specific to the Group that could be indicative of impairment triggers. In the current year, the Group has concluded that there were indicators of impairment as a result of the discount between the Group's market capitalisation and net asset value. The recoverable amounts for the Group's cash-generating units (CGUs) are assessed using fair value less costs to sell calculations, which incorporate various key assumptions such as future coal prices, future operating & capital expenditure costs, discount rates, foreign exchange rates and coal reserves. For CGUs classified as development assets and property, plant and equipment, the values are based on estimates of future discounted cash flows per the latest board-approved business forecasts regarding production volumes, costs of production, capital expenditure, coal prices and market forecasts for foreign exchange rates.	Our audit addressed the key audit matter as follows: Through discussions with management, we obtained an understanding of their impairment assessments and the methodologies and models used in determining the recoverable amounts of the CGUs. We obtained the Group's assessments and evaluated the reasonableness of the recoverable amount for the CGUs by performing the following procedures: • Making use of our valuation expertise, we assessed these methodologies and models applied by the Group and found these to be in line with industry norms. • We tested the mathematical accuracy of the discounted cash flow models. • We assessed the impairment models against the requirements of Australian Accounting Standards and generally accepted methodologies. • We assessed the appropriateness of the indicators identified by the Group in their assessment by comparing the Group's consolidated net asset value with its market capitalisation. • Using our knowledge of the Group's operations and internal Group reporting structure, we evaluated whether the CGUs identified by the Group in their assessment represent the smallest identifiable groups of assets that can generate largely independent cash inflows. Based on our work performed, we accepted the Group's identification of CGUs as being consistent with the Group's operations and internal Group reporting. • Through inspection and enquiry from management we evaluated whether the CGUs included assets, liabilities and cash flows directly attributable to each CGU and a reasonable allocation of corporate assets and overheads.



Key audit matter

For exploration and evaluation asset CGUs the values are determined based on *in situ* resource multiple based values (fair value less costs to sell).

Further detail of the key financial assumptions and methodologies used in the determination of the recoverable amounts of the CGUs are disclosed in note 3.1 to the financial report.

As described in note 9 to the financial statements, an impairment of US\$6,759,000 was recognised in respect of development assets. No impairment was recognised for the exploration and evaluation assets and property, plant and equipment for the year ended 30 June 2021.

We considered the impairment assessment of exploration and evaluation assets, development assets and property, plant and equipment to be a matter of most significance to the current year audit due to the significant judgements applied by the Group in determining the recoverable amounts of the CGUs to which these assets belong.

How our audit addressed the key audit matter

- Making use of our valuations expertise, we assessed the reasonableness of the key financial assumptions used in the Group's calculations by performing the following procedures:
 - We assessed the reasonableness of the thermal, hard coking coal prices and Rand/US dollar exchange rates by comparing these key financial assumptions to a range of observable external forecasts issued by market analysts.
 - We evaluated the real discount rates by assessing relevant comparable third-party sources and market data such as the cost of debt, risk-free rates, market risk premiums, debt to equity ratios and betas of comparable companies.
- We considered whether the Group's assumptions relating to production volumes and operating cash outflows used in the discounted cash flow models are consistent with the Group's mine plans, resource statements prepared by the competent person and operating budgets, mining contractor rates (where applicable) as well as actual performance outcomes achieved to date (where applicable), by performing the following procedures:
 - We agreed the cost to the approved budgets.
 - We assessed the approved budgets against prior period actual results for consistency.
 - We agreed the life-of-mine to the approved mine plan received from the competent person.
 - We assessed the assumptions used by the Group against market related rates.
 - We evaluated the competence, experience, objectivity and qualifications of the Group's competent person.
- We considered the reasonableness of the Group's sensitivity analysis in relation to the key financial assumptions used in the impairment model by performing an independent calculation to assess under which assumptions an impairment would occur.
- We evaluated the adequacy of the disclosures made in note 3.1 to the financial report against the requirements of Australian Accounting Standards.



Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Directors' Report. We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.



Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 10 to 17 of the directors' report for the year ended 30 June 2021.

In our opinion, the remuneration report of MC Mining Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

Douglas Craig

Douglas Craig
Partner

Perth
30 September 2021

05

ADMINISTRATION

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IBC Corporate information

Our flagship Makhado Project remains development ready. All regulatory approvals are in place and surface rights over the mining and processing areas have been secured.

TENEMENT SCHEDULE

Tenements held by MC Mining and its Controlled Entities

Project Name	Tenement Number	Location	Interest (%)
Chapudi Project*	Albert 686 MS--	Limpopo~	74
	Bergwater 712 MS--		74
	Remaining Extent and Portion 2 of Bergwater 697 MS--		74
	Blackstone Edge 705 MS--		74
	Remaining Extent & Portion 1 of Bluebell 480 MS--		74
	Remaining Extent & Portion 1 of Bushy Rise 702 MS--		74
	Castle Koppies 652 MS--		74
	Chapudi 752 MS--		74
	Remaining Extent, Portions 1, 3 & 4 of Coniston 699 MS--		74
	Driehoek 631 MS--		74
	Remaining Extent of Dorps-rivier 696 MS--		74
	Enfield 512 MS (consolidation of Remaining Extent of Enfield 474 MS, Brosdoorn 682 MS & Remaining Extent of Grootvlei 684 MS)--		74
	Remaining Extent and Portion 1 of		74
	Grootboomen 476 MS--		74
	Grootvlei 684 MS--		74
	Kalkbult 709 MS--		74
	Remaining Extent, Remaining Extent of --Portion 2, Remaining Extent of Portion 3, Portions 1, 4, 5, 6, 7 & 8 of Kliprivier 692 MS--		74
	Remaining Extent of Koodoobult 664 MS--		74
	Koschade 657 MS (Was Mapani Kop 656 MS)--		74
	Malapchani 659 MS--		74
	Mapani Ridge 660 MS--		74
	Melrose 469 MS--		74
	Middelfontein 683 MS--		74
	Mountain View 706 MS--		74
	M'tamba Vlei 654 MS--		74
	Remaining Extent & Portion 1 of Pienaar 635 MS--		74
	Remaining Extent & Portion 1 of Prince's Hill 704 MS--		74
	Qualipan 655 MS--		74
	Queensdale 707 MS--		74
	Remaining Extent & Portion 1 of Ridge End 662 MS--		74
	Remaining Extent & Portion 1 of Rochdale 700 MS--		74
	Sandilands 708 MS--		74
	Portions 1 & 2 of Sandpan 687 MS--		74
	Sandstone Edge 658 MS--		74
	Remaining Extent of Portions 2 & 3 of --Sterkstroom 689 MS--		74
	Sutherland 693 MS--		74
	Remaining Extent & Portion 1 of-- Varkfontein 671 MS--		74
	Remaining Extent, Portion 2, Remaining --Extent of Portion 1 of Vastval 477 MS--		74
	Vleifontein 691 MS--		74
	Ptn 3, 4, 5 & 6 of Waterpoort 695 MS--		74
	Wildebeesthoek 661 MS--		74
	Woodlands 701 MS--		74

TENEMENT SCHEDULE continued

Project Name	Tenement Number	Location	Interest (%)
Kanowna West and Kalbara	M27/41	Coolgardie^	Royalty<>
	M27/47		Royalty<>
	M27/59		Royalty<>
	M27/72,27/73		Royalty<>
	M27/114		Royalty<>
	M27/181		6.79
	M27/196		Royalty<>
	M27/414,27/415		Royalty<>
	P27/1826-1829		Royalty<>
	P27/1830-1842		Royalty<>
	P27/1887		Royalty<>
Abbotshall Royalty	ML63/409,410	Norseman^	Royalty
Kookynie Royalty	ML40/061	Leonora^	Royalty
	ML40/135,136		Royalty
Makhado Project	Fripp 645 MS	Limpopo~	67#
	Lukin 643 MS		67#
	Mutamba 668 MS		67#
	Salaita 188 MT		67#
	Tanga 849 MS		67#
	Daru 848 MS		67#
	Windhoek 847 MS		67#
Generaal Project*	Beck 568 MS--	Limpopo~	74
	Bekaf 650 MS--		74
	Remaining Extent & Portion 1 of Boas 642 MS-		74
	Chase 576 MS--		74
	Coen Britz 646 MS--		74
	Fanie 578 MS--		74
	Portions 1, 2 and Remaining Extent of Generaal 587 MS--		74
	Joffre 584 MS--		74
	Juliana 647 MS		74
	Kleinenberg 636 MS--		74
	Remaining Extent of Maseri Pan 520 MS--		74
	Remaining Extent and Portion 2 of Mount Stuart 153 MT--		100
	Nakab 184 MT--		100
	Phantom 640 MS--		74
	Riet 182 MT--		100
	Rissik 637 MS-		100
	Schuitdrift 179 MT--		100
	Septimus 156 MT--		100
	Solitude 111 MT--		74
	Stayt 183 MT--		100
	Remaining Extent & Portion 1 of Terblanche 155 MT--		100
	Van Deventer 641 MS--		74
	Wildgoose 577 MS--		74

Project Name	Tenement Number	Location	Interest (%)
Mopane Project*	Ancaster 501 MS--	Limpopo~	100
	Banff 502 MS--		74
	Bierman 599 MS--		74
	Cavan 508 MS--		100
	Cohen 591 MS--		100
	Remaining Extent, Portions 1 & 2 of Delft 499 MS--		74
	Dreyer 526 MS--		74
	Remaining Extent of Du Toit 563 MS--		74
	Faure 562 MS--		74
	Remaining Extent and Portion 1 of Goosen 530 MS --		74
	Hermanus 533 MS--		74
	Jutland 536 MS--		100
	Krige 495 MS--		74
	Mons 557 MS--		100
	Remaining Extent of Otto 560 MS (Now Honeymoon)--		74
	Remaining Extent & Portion 1 of Pretorius 531 MS--		74
	Schalk 542 MS--		74
	Stubbs 558 MS--		100
	Ursa Minor 551 MS--		74
	Van Heerden 519 MS--		74
	Portions 1, 3, 4, 5, 6, 7, 8, 9, Remaining Extent of Portion 10, Portions 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 26, 27, 29, 30, 35, 36, 37, 38, 39, 40, 41, 44, 45, 46, 48, 49, 50, 51, 52 & 54 of Vera 815 MS		74
	Remaining Extent of Verdun 535 MS-		74
	Voorburg 503 MS--		100
	Scheveningen 500 MS--		74
Uitkomst Colliery	Portion 3 (of 2) of Kweekspruit No. 22	KwaZulu-Natal~	70
	Portion 8 (of 1) of Kweekspruit No. 22		70
	Remainder of Portion 1 of Uitkomst No. 95		70
	Portion 5 (of 2) of Uitkomst No. 95		70
	Remainder Portion1 of Vaalbank No. 103		70
	Portion 4 (of 1) of Vaalbank No. 103		70
	Portion 5 (of 1) of Vaalbank No. 103		70
	Remainder of Portion 1 of Rustverwacht No. 151		70
	Remainder of Portion 2 of Rustverwacht No. 151		70
	Remainder of Portion 3 (of 1) of Rustverwacht No. 151		70
	Portion 4 (of 1) Rustverwacht No.151		70
	Portion 5 (of 1) Rustverwacht No. 151		70
	Remainder of Portion 6 (of 1) of Rustverwacht No. 151		70
	Portion 7 (of 1) of Rustverwacht No. 151		70
	Portion 8 (of 2) of Rustverwacht No. 151		70
	Remainder of Portion 9 (of 2) of Rustverwacht No. 151		70
	Portion 11 (of 6) of Rustverwacht No. 151		70
	Portion 12 (of 9) of Rustverwacht No. 151		70
	Portion 13 (of 2) of Rustverwacht No. 151		70

TENEMENT SCHEDULE continued

Project Name	Tenement Number	Location	Interest (%)
Uitkomst Colliery	Portion 14 (of 2) of Rustverwacht No. 151		70
	Portion 15 (of 3) of Rustverwacht No. 151		70
	Portion 16 (of 3) of Rustverwacht No. 151		70
	Portion 17 (of 2) of Rustverwacht No. 151		70
	Portion 18 (of 3) of Waterval No. 157		70
	Remainder of Portion 1 of Klipspruit No. 178		70
	Remainder of Portion 4 of Klipspruit No. 178		70
	Remainder of Portion 5 of Klipspruit No. 178		70
	Portion 6 of Klipspruit No. 178		70
	Portion 7 (of 1) of Klipspruit No. 178		70
	Portion 8 (of 1) of Klipspruit No. 178		70
	Portion 9 of Klipspruit No. 178		70
	Remainder of Portion 10 (of 5) of Klipspruit No. 178		70
	Portion 11 (of 5) of Klipspruit No. 178		70
	Portion 13 (of 4) of Klipspruit No. 178		70
	Remainder of Portion 14 of Klipspruit No. 178		70
	Portion 16 (of 14) of Klipspruit No. 178		70
	Portion 18 of Klipspruit No. 178		70
	Portion 23 of Klipspruit No. 178		70
	Remainder of Portion 1 of Jackalsdraai No. 299		70
	Remainder of Jericho B No. 400		70
	Portion 1 of Jericho B No. 400		70
	Portion 2 of Jericho B No. 400		70
	Portion 3 of Jericho B No. 400		70
	Remainder of Jericho C No. 413		70
	Portion 1 of Jericho C No. 413		70
	Remainder of Portion 1 of Jericho A No. 414		70
	Remainder of Portion 2 (of 1) of Jericho A No. 414		70
	Portion 3 (of 1) of Jericho A No. 414		70
	Portion 4 (of 1) of Jericho A No. 414		70
	Portion 5 (of 2) of Jericho A No. 414		70
	Portion 6 (of 1) of Jericho A No. 414		70
	Margin No. 420		70
Vele Colliery and prospects	Portions of Overvlakte 125 MS (Remaining Extent, 3, 4, 5, 6, 13, 14)	Limpopo~	100
	Bergen Op Zoom 124 MS		100
	Simple 155 MS		100
	Voorspoed 836 MS		100
	Alyth 837 MS		100
Tshikunda	Certain portions of Unsurveyed State Land known as Mutale	Limpopo~	60

* Form part of the Greater Soutpansberg Projects

-- Mining Right Application Granted

~ Tenement located in the Republic of South Africa

^ Tenement located in Australia

MC Mining's interest will reduce to 67% on completion of the 26% Broad Based Black Economic Empowerment (BBBEE) transaction

<> net smelter royalty of 0.50%

SHAREHOLDER INFORMATION

Top 20 shareholders as at 30 September 2021

	Shareholder	Number of shares	%
1	Haohua Energy International (Hong Kong) Resource Co., Ltd.	23,120,879	14.97
2	Ying He Yuan Investment (S) Pte Ltd	21,413,462	13.87
3	Pan African Resources, Plc.	15,432,581	9.99
4	M & G Investment Management Ltd.	13,900,000	9.00
5	Summer Trees Pte Ltd	12,894,230	8.35
6	ArcelorMittal S.A.	6,306,672	4.08
7	MSP Capital (Pty) Limited	4,736,397	3.07
8	Y He	4,306,498	2.79
9	Jun Liu	3,347,535	2.17
10	Barclays Wealth	3,167,598	2.05
11	Dendocept Proprietary Limited	2,841,838	1.84
12	Justin Collen	2,208,700	1.43
13	Vitol Energy (Bermuda), Ltd.	1,217,330	0.79
14	Mark Lee	959,990	0.62
15	Minto Global Ltd	800,000	0.52
16	Shinning Capital Holdings II LP	706,750	0.46
17	Roderick Howie	700,750	0.45
18	Interactive Investor Share Dealing Services	648,577	0.41
19	Emil Keyser	620,396	0.40
20	Roger Graham	500,000	0.32

Substantial shareholders

1	Haohua Energy International (Hong Kong) Resource Co., Ltd.	23,120,879	14.97
2	Ying He Yuan Investment (S) Pte Ltd	21,413,462	13.87
3	Pan African Resources, Plc.	15,432,581	9.99
4	M & G Investment Management Ltd.	13,900,000	9.00
5	Summer Trees Pte Ltd	12,894,230	8.35

GLOSSARY OF TERMS AND ACRONYMS

\$	United States dollar	IGF	Integrated Government Forum
AGM	Annual General Meeting	IWUL	Integrated Water Use License
AIM	Alternative Investment Market	JORC	JORC Australasian Joint Ore Reserves Committee
AMSA	ArcelorMittal South Africa Limited	JORC Code	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
ASAPA	Association of Southern African Professional Archaeologists	JSE	Johannesburg Stock Exchange
ASX	Australian Securities Exchange	KPI	Key performance indicators
BEE	Black economic empowerment	LEDET	Limpopo Department of Economic Development, Environment and Tourism
BBBEE	Broad-based black economic empowerment	LOM	Life-of-mine
BFS	Bankable Feasibility Study	LSE	London Stock Exchange
BOA	Biodiversity Offset Agreement	LTi	Lost time injury
Baobab	Baobab Mining and Exploration (Pty) Limited	LTIFR	Lost time injury frequency rate
BOOT	Build, own, operate, transfer	MC Mining	MC Mining Limited
CEO	Chief Executive Officer	MCoL	Makhado Centre of Learning
CFO	Chief Financial Officer	merSETA	Manufacturing, Engineering and Related Services Sector Education and Training Authority
CGU	Cash generating units	MR	Mining right
CPR	Competent Persons Report	Mtpa	Million tonnes per annum
CRIRSCO	Committee for Mineral Reserves International Reporting Standards	MTIS	Mineable tonnes in situ
DAFF	Department of Agriculture, Forestry and Fisheries (provincial)	NAEIS	National Atmospheric Emission Inventory System
DCF	Discounted cash flows	NDP	National Development Plan
DFFE	Department of Forestry, Fisheries and Environment (national)	NGO	Non-Governmental Organisations
DMRE	Department of Mineral Resources and Energy	NRO	National Reporting Organisations
DoA	Department of Agriculture	OEL	Occupational exposure limits
DHSWS	Department of Human Settlements, Water and Sanitation	PMS	Plant moisture stress
EA	Environmental Authorisation	RSIP	Rehabilitation Strategy and Implementation Programme
EE	Employment equity	ROM	Run-of-mine
ECLs	Expected Credit Losses	SACNASP	South African Council for Natural Scientific Professions
EIA	Environmental Impact Assessment	SAIMM	South African Institute of Mining and Metallurgy
Eskom	State power utility in South Africa	SAHRA	South African Heritage Resources Agency
EMC	Environmental Management Committee	SAMREC	South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves
EMP	Environmental Management Plan	SANParks	South African National Parks
EMPr	Environmental Management Programme	SDG	Sustainable Development Goals
EMS	Environmental Management Strategy & Systems	SEZ	Special Economic Zone
ESOP	Employee Share Option Plan	SLP	Social and Labour Plan
GHG	Green house gases	SVM	Sustainable Value Model
GRI	Global Reporting Initiatives	t	Tonnes
GSP	Greater Soutpansberg Project	TOPS	Threatened or Protected Species
GTIS	Gross tonnes in situ	tpa	Tonnes per annum
HCC	Hard coking coal	TSR	Total shareholder return
HDSA	Historical Disadvantaged South African/s	TTIS	Total tonnes in situ
HIA	Heritage Impact Assessments	Uitkomst	Uitkomst Colliery (Pty) Limited
ICMM	International Council on Mining and Metals	VWAP	Volume weighted average price
IDC	Industrial Development Corporation of South Africa Limited	WCA	World Coal Association
IFRS	International Financial Reporting Standards	WCD	Water conservation and demand

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Perth WA6000, Australia

AIM (Secondary listing)

London Stock Exchange
10 Paternoster Square
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United Kingdom

JSE Limited (Secondary listing)

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