



**MCMining**  
LIMITED

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**Consolidated Annual Financial Statements  
for the year ended 30 June 2022**  
(Expressed in United States Dollars unless otherwise stated)

# MC Mining Limited

Consolidated Annual Financial Statements for the year ended 30 June 2022

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# MC Mining Limited

Consolidated Annual Financial Statements for the year ended 30 June 2022

## Directors' Report

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The directors of MC Mining Limited (MC Mining or the Company) 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 2022. 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:

### 1. 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:

|                    |   |                             |  |
|--------------------|---|-----------------------------|--|
| Nhlanhla Musa Nene | Independent<br>Non -<br>Executive<br>Chairman             | Appointed:<br>11 April 2022 | Mr Nene holds a B Comm. (Hons) University of the Western Cape, Certificate in Economics (UNISA) and a Certificate in Macro and Microeconomics (University of London). He is a former Minister of Finance, in the Republic of South Africa. Previously, he served as Deputy Minister of Finance and Chairman of the Public Investment Corporation, the largest institutional investor in South Africa. During his years in public office he represented South Africa at a number of Multilateral Institutions (IMF, World Bank, G20, BRICS, Commonwealth and the AfDB). Prior to this he held senior positions in financial services at Metropolitan Life. He is currently Chairman of the Supervisory Board of Arise BV (Dutch based investment company with a focus on Africa), Non-executive Chairman of Thebe Investment Corporation & director of Access Bank. He also served as Interim Director and Head of Wits Business School as well as Honorary Adjunct Professor: Wits Business School.  |
| Godfrey Gomwe      | Managing<br>Director and<br>Chief<br>Executive<br>Officer | Appointed:<br>11 April 2022 | Mr Gomwe holds the qualifications of CA(Zimbabwe) B Acc(UZ) MBL(UNISA). He is a businessman with over 30 years' experience in metals and mining industries. He is the former Chief Executive Officer of Anglo American Plc's global Thermal Coal business, whose responsibilities included oversight over Anglo's Manganese interests in the joint venture with BHP. He served as Executive Director of Anglo American South Africa until August 2012, his career included roles as Head of Group Business Development Africa, Finance Director and Chief Operating Officer of Anglo American South Africa. Previously, Godfrey was Executive Chairman and Chief Executive of Anglo American Zimbabwe Limited. He also served on a number of Anglo American Operating Boards and Executive Committees including Kumba Iron Ore, Anglo American Platinum, Highveld Steel & Vanadium and Mondi South Africa, the latter two in the capacity of Chairman. Prior to joining Anglo American in 1999, Godfrey held many Leadership positions and directorships in listed and unlisted companies. |

# MC Mining Limited

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## Directors' Report

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### 1. Information about the directors and key management personnel (continued)

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 Chairman of Northam Platinum Limited as well as Zambezi Platinum Limited until June 2021.

# MC Mining Limited

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## Directors' Report

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### 1. Information about the directors and key management personnel (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 Pty 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.   |
| Junchao Liu              | Non-Executive Director             | Appointed:<br>14 December 2021 | Mr Junchao Liu has a Bachelor of Arts and postgraduate training in international finance and trade from Beijing Foreign Studies University. He is the Deputy Director of Business Development of Beijing Haohua Energy Resource Co. Ltd (BHE) and Deputy General Manager of Haohua Energy International (Hong Kong) Co. Ltd (HEI). Mr Liu, by invitation, has regularly attended past board meetings of the Company and is very familiar with the Company's activities. HEI is MC Mining's second largest shareholder and Mr Liu is their representative on the board.   |
| Ontiretse Mathews Senosi | Non-Executive Director             | Appointed:<br>28 April 2022    | Mr Senosi is a qualified mining engineer (University of the Witwatersrand) with over 25 years' experience in mining and project execution. He gained experience at Anglo Coal before successfully pursuing personal business interests in mining, engineering and consulting as well as civil and construction projects, and was a key contributor in the successful execution of numerous coal mining projects. Mr Senosi has extensive experience in opencast and underground coal mining and is the CEO of the Overlooked Mining Group which produces over 7.5 million tonnes per annum of thermal coal for the export and domestic markets. He represents the Senosi Group Investment Holdings (Pty) Ltd, MC Mining's largest shareholder. |
| Bernard Robert Pryor     | Independent Non-Executive Chairman | Resigned:<br>11 March 2022     | 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.   |

# MC Mining Limited

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## Directors' Report

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### 1. Information about the directors and key management personnel (continued)

|                           |   |                              |  |
|---------------------------|---|------------------------------|--|
| Sebastiano (Sam) Randazzo | Executive Director, Interim Chief Executive Officer | Resigned:<br>8 April 2022    | 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. |
| Shangren Ding             | Non-executive Director                              | Retired:<br>14 December 2021 | 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 BHE.   |

### 2. 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 |
|------------------|----------------------------------|------------------------|
| Nhlanhla Nene    | None                             |                        |
| Godfrey Gomwe    | AECI Limited                     | 2015 - Present         |
|                  | Econet Wireless Zimbabwe Limited | 2013 - Present         |
|                  | Orion Minerals Limited           | 2019 - Present         |
| An Chee Sin      | None                             |                        |
| Andrew Mifflin   | None                             |                        |
| Brian He Zhen    | None                             |                        |
| Khomotso Mosehla | Northam Platinum Limited         | 2015 – 2021            |
|                  | Zambezi Platinum Limited         | 2015 – 2021            |
| Junchao Liu      | None                             |                        |
| Mathews Senosi   | None                             |                        |

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## Directors' Report

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### 3. 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 |
|------------|-------------------|--------------------|------------------|
| N Nene     | -                 | -                  | -                |
| G Gomwe    | -                 | -                  | -                |
| A Chee Sin | -                 | -                  | -                |
| A Mifflin  | -                 | -                  | -                |
| H Zhen     | -                 | -                  | -                |
| J Liu      | -                 | -                  | -                |
| K Mosehla  | -                 | -                  | -                |
| M Senosi   | 38,363,909        | -                  | -                |
|            | <b>38,363,909</b> | -                  | -                |

### 4. 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 15 to 22. Shareholder nominee non-executive directors are not remunerated. During the reporting period, no senior management satisfy the criteria of "key management personnel".

### 5. 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 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 21.

### 6. Company secretary

Mr Tony Bevan, a 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.

### 7. Principal activities

The Company is a limited company incorporated in Australia. Its common shares are listed on the ASX, the AIM of the LSE and the JSE in South Africa. The principal activities of the Company and its subsidiaries are the acquisition, exploration, development and operation of metallurgical (coking) 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 life of mine (LOM);
- Makhado hard coking coal project (Makhado Project or Makhado);
- The Vele Colliery, a semi-soft coking and thermal coal mine, which was on care and maintenance during FY2022. Improved market conditions and construction of a new coal processing plant at Makhado creates optionality for the potential recommencement of operations at Vele. Options being evaluated, include the possible outsourcing of operations at the colliery; and
- Three exploration and development stage coking and thermal coal projects, namely Chapudi, Generaal and Mopane in the Soutpansberg Coalfield (collectively the Greater Soutpansberg Projects (GSP)).

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## Directors' Report

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### 8. Review of operations - salient features

- No fatalities (FY2021: nil) and six LTI's (FY2021: six);
- A COVID-19 vaccination programme was implemented at the high grade Uitkomst metallurgical and thermal coal mine (Uitkomst Colliery or Uitkomst) during the year resulted in over 82% of Uitkomst's employees being vaccinated;
- The Uitkomst Colliery produced 470,597 tonnes (t) (FY2021: 490,100t) of run of mine (ROM) coal during the twelve months to 30 June 2022;
- 22,169t (FY2021: 0t) of coal were at the Durban port at the end of June 2022 for export under the terms of the Coal Sales & Marketing Agreement (Marketing Agreement) with Overlooked (Proprietary) Limited (Overlooked), announced by the Company in July 2022;
- Uitkomst sold 225,096t of coal in FY2022 (FY2021: 292,261t) comprising 199,065t (FY2021: 265,879t) of premium duff and sized peas and 26,031t (FY2021: 26,382t) of high ash, coarse discard coal - generating sales revenue of \$23.5 million (FY2021: \$20.7 million);
- Thermal coal prices increased significantly during FY2022 due to the energy shortage and geopolitical events in the northern hemisphere, increasing from \$115/t in July 2021 to \$327/t at the end of the financial year 2022;
- Granting of the Integrated Water Use License (IWUL) applications by the Department of Water & Sanitation (DWS) for the Uitkomst Colliery and nearby Wykom siding;
- Payment of the final instalment of ZAR35 million (approximately \$2.3 million) for the key Lukin and Salaita properties, ensuring MC Mining owns that of the surface rights required for the Makhado Project mining area;
- Makhado Project composite debt/equity funding initiatives continued, including detailed due diligence processes by potential funders and included the completion of the Makhado Project Bankable Feasibility Study (BFS) 'Base Case' by independent mining consultancy firm, Minxcon (Pty) Ltd (Minxcon). The Base Case scenario confirms the project's robust economic fundamentals, a key input in the due diligence process for potential funders;
- Limited activities at the Company's Makhado Project, Vele Colliery and GSP during FY2022;
- The Industrial Development Corporation of South Africa Limited (IDC) agreed to extend the repayment date for the R160 million (\$9.8 million) loan plus accrued interest to 30 November 2022; and
- The terminal drawdown date of the additional R245 million (\$15.0 million) IDC term loan for the development of Makhado, was also extended to 30 November 2022, subject to the IDC re-affirming its financial due diligence;

### 9. Corporate salient features

- MC Mining entered into a Convertible Advance and Subscription Agreement (the CAS Agreement) with South African based mining group, Senosi Group Investment Holdings Proprietary Limited (SGIH) and under the terms of the CAS Agreement, received ZAR46.0 million (\$3.0 million) in FY2022. This resulted in the issue of 38,363,909 ordinary shares to SGIH;
- Appointment of shareholder representative Non-Executive Director Mr Junchao Liu, following the retirement of Mr Shangren Ding;
- Resignation of long standing non-executive Chairman Mr Bernard Pryor;



# MC Mining Limited

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### 9. Corporate salient features (continued)

- Appointment of Mr Nhlanhla Nene as Non-Executive Director and Chairman of MC Mining;
- Appointment of Mr Godfrey Gomwe as Managing Director and Chief Executive Officer (CEO) and resignation of Mr Sam Randazzo as Director and Interim CEO;
- Appointment of Mr Matthews Senosi of SGIH as a Non-Executive Director of the Company;
- Securing of a ZAR60 million (\$3.5 million) Standby Loan Facility (the Facility) from Dendocept (Pty) Ltd (Dendocept), a 1.4% shareholder in MC Mining.

### 10. Subsequent events

- MC Mining shareholders voted against the issue of a further 33,333,333 new Ordinary Shares to SGIH and the Company repaid the ZAR10 million (\$0.6 million) already advanced by SGIH, subsequent to year-end, with the balance due in October 2022;
- Marketing Agreement entered into with Overlooked, expiring on 31 December 2022 which facilitates the export of at least 20,000t of API4 (6,000k/cal) coal from Uitkomst on a monthly basis, allowing the Company to take advantage of improved international coal prices;
- Completion of a study by Minxcon assessing potential alternative development scenarios for Makhado to optimise capital expenditure and reduce operational costs. The scenarios assessed included possibly moving the Vele coal processing plant (CPP) and modifying this at Makhado or, the construction of a bespoke CPP at Makhado. Both additional development scenarios were developed to pre-feasibility level and would require additional capital expenditure but would significantly reduce the transport costs when compared to the Base Case scenario. While the BFS Base Case is feasible and economically robust, the additional two scenarios resulted in improved project economics.
- Commencement of a fully underwritten 1.012 for 1 renounceable rights issue offer (Rights Offer) of new ordinary shares of no par value in MC Mining (each, a New Share) at an issue price of A\$0.20 (\$0.14) per New Share for Eligible Shareholders in Australia (and New Zealand) and ZAR2.36 per New Share for eligible shareholders in South Africa. The rights issue will raise gross proceeds of A\$40 million (equivalent to approximately ZAR451 million/ \$27.6 million) via the issue of approximately 200,026,728 New Shares (subject to rounding). The funds raised under the Rights Issue will be used by the Company;
- to meet the Company's equity contribution required for the IDC's proposed debt funding, in relation the development of the Makhado Project;
- fund the continued development of the Makhado Project;
- repay as much as possible of the total amount outstanding (which is approximately \$3.7 million (equivalent to ZAR60 million)) under the Standby Facility; and
- for general working capital (including to pay the costs of the Rights Issue) purposes. The Rights Issue is expected to be completed in early November 2022.

# MC Mining Limited

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## Directors' Report

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### 11. Financial review

- ROM coal production at Uitkomst were impacted by challenging geological conditions during FY2022. The colliery also lost four days' of production in July 2021 due to civil unrest in KwaZulu-Natal.
- Maintenance at the Uitkomst Colliery's largest customer resulted in no orders for premium quality of coal in the final quarter of FY2022. This led to the signing of the Sales & Marketing Agreement with Overlooked in July 2022;
- Operating cash flows of \$3.6 million (FY2021: \$1.7 million) generated by the Uitkomst Colliery;
- Continued support from the IDC Facility during the year resulted in the extension of the repayment of this facility as well as an extension of the drawdown of the New Facility;
- Global geopolitical events and rising global inflation resulted in a volatile ZAR/US\$ exchange rate and gains/losses from these elements are unpredictable;
- Contributing to the net loss after tax of \$20.8 million (2021: \$11.8 million) were non-cash charges of \$19.1 million (FY2021: \$9.5 million) which includes the following:
  - Net impairment expense of \$14.9 million (FY2021: \$6.8 million)
  - Depreciation and amortisation of \$2.6 million (FY2021: \$2.6 million)
  - Share based payment expense of \$0.8 million (FY2021: \$0.2 million)
- Total unrestricted cash balances at year-end of \$3.0 million (FY2021: \$3.2 million).

### 12. Going concern

Attention is drawn to the disclosure in the annual financial statements on the going concern assumption (refer note 1), 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 financial report. In order to meet its working capital requirements, the Group is exploring and progressing 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. On 27 September 2022, the Company commenced with a fully underwritten, renounceable Rights Offer that will raise gross proceeds of A\$40 million (equivalent to approximately ZAR451 million/ \$27.6 million) (refer to 'Subsequent events' in Note 10 of this report);
- The issue of new equity for cash in the subsidiary company that owns the Makhado project;
- Further debt funding;
- Cash generated from the Company's collieries; and
- Further contractor BOOT funding arrangements.

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.

# MC Mining Limited

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## Directors' Report

### 13. Future developments

MC Mining aims to become the pre-eminent hard coking coal (HCC) producer in South Africa and will continue to build on the progress made during FY2022. The main focus for FY2023 will be to conclude the funding for the construction of Makhado and commence construction in early CY2023.

The Makhado Project is fully permitted and has 344.8 million mineable tons of coal in situ (MTIS). The Company completed the Makhado BFS during FY2022.

The salient features of the Makhado Project are:

- Coal Resources of 296 MTIS in the Measured and Indicated categories
- Coal Reserves of 69.3 million tonnes (Mt) in the Proved and Probable categories
- Overall stripping ratio over the LOM is 2.48:1.0 (bank cubic metres of waste: tonne of coal)
- 25.6Mt of saleable coal produced over the LOM comprising:
  - 3.7Mt of HCC
  - 11.9Mt of 5,500kcal thermal coal
- Approximately 22 years LOM
- Outsourcing of mining and processing operations
- Creation of an estimated 650 permanent employment positions

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

- moving the Vele CPP and modifying this at Makhado; or
- the construction of a bespoke CPP at Makhado

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

|  | Base       | Scenario 1: Move Vele CPP to Makhado | Scenario 2: Build new CPP at Makhado |
|--|------------|--------------------------------------|--------------------------------------|
| Construction capital   | ZAR625m    | ZAR1.1bn                             | ZAR1.2bn                             |
| Peak funding   | ZAR727m    | ZAR1.2bn                             | ZAR1.3bn                             |
| Construction period  | ~12 months | ~12 months                           | ~12 months <sup>1</sup>              |
| Long term ZAR:US\$ exchange rate used <sup>2</sup>                           | ZAR15.47   | ZAR15.47                             | ZAR15.47                             |
| Benchmark real long term premium HCC price/t <sup>3</sup>                    | US\$212    | US\$212                              | US\$212                              |
| Benchmark real long term API4 (6,000k/cal) thermal coal price/t <sup>4</sup> | US\$106    | US\$106                              | US\$106                              |
| Post-tax IRR   | 39.60%     | 45.20%                               | 41%                                  |
| Post-tax NPV(6.1%) <sup>5</sup>  | ZAR4.0bn   | ZAR5.9bn                             | ZAR5.8bn                             |
| Post-tax NPV(10%)  | ZAR2.5bn   | ZAR4.0bn                             | ZAR3.8bn                             |
| Average payback period (years)   | 3.8        | 3.2                                  | 3.5                                  |

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### 13. Future developments (continued)

<sup>1</sup>Timelines to be confirmed during detailed design phase

<sup>2</sup>Average of ZAR16.80:US\$1.00 for July 2022

<sup>3</sup> Average of \$254/t for July 2022

<sup>4</sup> Average of \$342/t for July 2022

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

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

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

|                                    | Base Case | Scenario 1: BOOT fund Vele CPP to Makhado | Scenario 2: BOOT fund new Makhado CPP |
|------------------------------------|-----------|---|---------------------------------------|
| Construction capital               | ZAR625m   | ZAR1.1bn                                  | ZAR1.2bn                              |
| Peak funding                       | ZAR727m   | ZAR679m                                   | ZAR653m                               |
| Modelled BOOT funding <sup>1</sup> | ZAR60m    | ZAR514m                                   | ZAR663m                               |
| Post-tax IRR                       | 39.60%    | 62.50%                                    | 61.60%                                |
| Post-tax NPV(6.1%)                 | ZAR4.0bn  | ZAR5.9bn                                  | ZAR5.8bn                              |
| Post-tax NPV(10%)                  | ZAR2.5bn  | ZAR4.0bn                                  | ZAR3.9bn                              |
| Average payback period (years)     | 3.8       | 2.8                                       | 2.8                                   |

<sup>1</sup>Not necessarily indicative of finance to be secured (assumes 100%)

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

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

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

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## Directors' Report

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### 13. Future developments (continued)

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

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

The option of building a CPP at Makhado has resulted in the assessment of potential alternative exploitative scenarios for the Vele Colliery. The previously envisaged phased approach to the development of Makhado Project would have resulted in the processing of Makhado's crushed and screened coal at the Vele CPP, requiring modifications to the Vele CPP of approximately ZAR397million.

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

The exploration and development of MC Mining's three Soutpansberg coalfield projects namely the Chapudi, Mopane and Generala project areas, is the catalyst for the long-term growth of the Company. The Department of Mineral Resources & Energy ('DMRE') has granted mining rights for all three project areas, and the GSP collectively comprises over 7.1bn tons of coal.

### 14. 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;
- 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.

### 15. Corporate Governance

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

### 16. Dividends

No dividend has been paid or proposed for the financial year ended 30 June 2022 (FY2021: nil).

# MC Mining Limited

Consolidated Annual Financial Statements for the year ended 30 June 2022

## Directors' Report

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### 17. 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<br>shares<br>under<br>performance<br>rights | Class of<br>shares | Exercise<br>price | Expiry<br>period |
|---------------------------------|---|--------------------|-------------------|------------------|
| Performance rights              | 1,545,459   | Ordinary           | Nil               | Nov-22           |
| Performance rights              | 1,602,393   | Ordinary           | Nil               | Dec-22           |
| Performance rights              | 1,164,240   | Ordinary           | Nil               | Nov-23           |
| <b>Total performance rights</b> | <b><u>4,312,092</u></b>                               |                    |                   |                  |

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.

### 18. Indemnification of officers and auditors

During the financial year, the Company paid a premium of \$0.2 million (FY2021: \$0.1 million) 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.

### 19. 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.

### 20. 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 24 to the consolidated financial statements.

### 21. Auditor's independence declaration

The auditor's independence declaration is included on page 30 of these consolidated financial statements.

# MC Mining Limited

Consolidated Annual Financial Statements for the year ended 30 June 2022

## Directors' Report

### 22. 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 fifteen unscheduled board meetings were held as well as three Nomination and Remuneration Committee, three Safety and Health Committee meetings and three 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 |
| N Nene <sup>1</sup>     | 3              | 3        | -                                 | -        | -  | -        | -   | -        |
| G Gomwe <sup>2</sup>    | 3              | 3        | -                                 | -        | -  | -        | -   | -        |
| A Chee Sin              | 19             | 17       | 5                                 | 5        | -  | -        | -   | -        |
| A Mifflin               | 19             | 18       | -                                 | -        | -  | -        | 3   | 3        |
| H Zhen <sup>3</sup>     | 19             | 8        | -                                 | -        | -  | -        | -   | -        |
| J Liu <sup>4</sup>      | 15             | 13       | -                                 | -        | -  | -        | -   | -        |
| K Mosehla               | 19             | 15       | 5                                 | 5        | 3  | 3        | -   | -        |
| M Senosi <sup>5</sup>   | 2              | 2        | -                                 | -        | -  | -        | -   | -        |
| S Ding <sup>6</sup>     | 4              | 4        | -                                 | -        | -  | -        | -   | -        |
| B Pryor <sup>7</sup>    | 14             | 14       | -                                 | -        | 3  | 3        | 3   | 3        |
| S Randazzo <sup>8</sup> | 15             | 15       | -                                 | -        | 3  | 3        | -   | -        |

<sup>1</sup> Appointed Non-Executive Director on 11 April 2022 and Chairman on 28 April 2022.

<sup>2</sup> Appointed Non-Executive Director on 11 April 2022 and Managing Director and CEO on 28 April 2022.

<sup>3</sup> Mr Zhen did not attend 10 Board meetings due to a conflict of interest. He is a related party in relation to Dendocept (Pty) Ltd.

<sup>4</sup> Appointed Non-Executive Director on 14 December 2021.

<sup>5</sup> Appointed Non-Executive Director on 28 April 2022.

<sup>6</sup> Retired as a Non-Executive Director on 14 December 2021.

<sup>7</sup> Resigned as Chairman on 11 March 2022.

<sup>8</sup> Resigned as Executive Director on 8 April 2022 and Interim CEO on 27 April 2022.

# MC Mining Limited

Consolidated Annual Financial Statements for the year ended 30 June 2022

## Directors' Report

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### 23. 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 2022. 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' 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 December 2010 General Meeting, is not to exceed AUD1,000,000 per annum (USD725,284).

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

### 24. Director and key management personnel details

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

- |                           |  |
|---------------------------|--|
| • N Nene <sup>1</sup>     | Independent Chairman                                   |
| • G Gomwe <sup>2</sup>    | Managing Director and CEO                              |
| • A Chee Sin              | Non-Executive Director                                 |
| • A Mifflin               | Independent Non-Executive Director                     |
| • H Zhen                  | Non-Executive Director                                 |
| • J Liu <sup>3</sup>      | Non-Executive Director                                 |
| • K Mosehla               | Independent Non-Executive Director                     |
| • M Senosi <sup>4</sup>   | Non-Executive Director                                 |
| • S Ding <sup>5</sup>     | Non-Executive Director                                 |
| • B Pryor <sup>6</sup>    | Independent Chairman                                   |
| • S Randazzo <sup>7</sup> | Interim Chief Executive Officer and Executive Director |

<sup>1</sup> Appointed Non-Executive Director on 11 April 2022 and Chairman on 28 April 2022.

<sup>2</sup> Appointed Non-Executive Director on 11 April 2022 and Managing Director and CEO on 28 April 2022.

<sup>3</sup> Appointed Non-Executive Director on 14 December 2021.

<sup>4</sup> Appointed Non-Executive Director on 28 April 2022.

<sup>5</sup> Retired as a Non-Executive Director on 14 December 2021.

<sup>6</sup> Resigned as Chairman on 11 March 2022.

<sup>7</sup> Resigned as Executive Director on 8 April 2022 and as Interim CEO on 27 April 2022.



# MC Mining Limited

Consolidated Annual Financial Statements for the year ended 30 June 2022

## Directors' Report

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### 24. Director and key management personnel details (continued)

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.

### 25. 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 (USD725,284).

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.

# MC Mining Limited

Consolidated Annual Financial Statements for the year ended 30 June 2022

## Directors' Report

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### 25. Remuneration policy (continued)

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, 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 December 2022, the incentive shares will lapse.

### 26. 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.

### 27. 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.

# MC Mining Limited

Consolidated Annual Financial Statements for the year ended 30 June 2022

## Directors' Report

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### 28. 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 2022.

|   | Year ended<br>30 June 2022<br>\$'000 | Year ended<br>30 June<br>2021<br>\$'000 | Year ended<br>30 June 2020<br>\$'000 | Year ended<br>30 June<br>2019<br>\$'000 | Year ended<br>30 June<br>2018<br>\$'000 |
|---|--------------------------------------|---|--------------------------------------|---|---|
| Revenue   | 23,511                               | 20,702                                  | 17,155                               | 26,403                                  | 32,693                                  |
| Net loss before tax   | 20,719*                              | 12,107*                                 | 12,850                               | 33,522*                                 | 97,043*                                 |
| Net loss after tax  | 20,835                               | 11,837                                  | 12,190                               | 33,726                                  | 103,763                                 |
| Share price at start of year <sup>1</sup>                                 | A\$0.10                              | A\$0.13                                 | A\$0.67                              | A\$0.36                                 | A\$0.05                                 |
| Share price at end of year  | A\$0.10                              | A\$0.10                                 | A\$0.13                              | A\$0.67                                 | A\$0.36                                 |
| Basic and diluted loss per share (\$<br>cents) from continuing operations | 12.65*                               | 7.76*                                   | 8.55*                                | 23.72*                                  | 73.54*                                  |

\*includes net impairment expense of \$14.9 million (2021: includes at \$6.8 million impairment expense) (2019: includes the \$23.3 million impairment of the Makhado Project consolidated exploration asset) (2018: includes the \$87.5 million impairment of the Vele Colliery assets)

<sup>1</sup>The share price at the start of the 2018 year is prior to the share consolidation that took place in December 2017.

# MC Mining Limited

Consolidated Annual Financial Statements for the year ended 30 June 2022

## Directors' Report

### 29. Remuneration of directors and key management personnel

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

| 2022                           | Short term employee benefits |       |                         | Post-employment benefits |                      | Share-based payments | Total            | Share based % of Total |
|--------------------------------|------------------------------|-------|-------------------------|--------------------------|----------------------|----------------------|------------------|------------------------|
|                                | Salary and fees              | Bonus | Non - monetary benefits | Super-annuation          | Termination benefits | Performance rights   |                  |                        |
|                                | \$                           | \$    | \$                      | \$                       | \$                   | \$                   | \$               | %                      |
| <b>Non-Executive Directors</b> |                              |       |                         |                          |                      |                      |                  |                        |
| N Nene <sup>1</sup>            | 14,060                       | -     | -                       | -                        | -                    | -                    | 14,060           | -                      |
| A Chee Sin <sup>2 3</sup>      | 18,958                       | -     | -                       | -                        | -                    | 83,211               | 102,169          | 81                     |
| A Mifflin <sup>2 3</sup>       | 46,405                       | -     | -                       | -                        | -                    | 83,211               | 129,616          | 64                     |
| H Zhen <sup>2</sup>            | -                            | -     | -                       | -                        | -                    | 83,211               | 83,211           | 100                    |
| J Liu <sup>2</sup>             | -                            | -     | -                       | -                        | -                    | 83,211               | 83,211           | 100                    |
| K Mosehla <sup>2 3</sup>       | 49,979                       | -     | -                       | -                        | -                    | 83,211               | 133,190          | 62                     |
| M Senosi                       | -                            | -     | -                       | -                        | -                    | -                    | -                | -                      |
| S Ding                         | -                            | -     | -                       | -                        | -                    | -                    | -                | -                      |
| B Pryor <sup>4</sup>           | 51,933                       | -     | -                       | -                        | -                    | 83,211               | 135,144          | 62                     |
| <b>Executive Directors</b>     |                              |       |                         |                          |                      |                      |                  |                        |
| G Gomwe <sup>5</sup>           | 67,415                       | -     | -                       | -                        | -                    | -                    | 67,415           | -                      |
| S Randazzo <sup>6</sup>        | 407,173                      | -     | -                       | -                        | -                    | 405,353              | 812,526          | 50                     |
|                                | <b>655,923</b>               | -     | -                       | -                        | -                    | <b>904,619</b>       | <b>1,560,542</b> | <b>58</b>              |

<sup>1</sup> Mr Nene was appointed Non-Executive Director on 11 April 2022 and Chairman on 28 April 2022 and all of Mr Nene's salary and fees were accrued at 30 June 2022.

<sup>2</sup> Performance rights approved by shareholders in December 2021, expired in June 2022 and were cancelled.

<sup>3</sup> All of Mr Chee Sin and Mr Mosehla's salary and fees were accrued at year-end and \$10,949 of Mr Mifflin's salary and fees were accrued at 30 June 2022.

<sup>4</sup> Mr Pryor resigned as Chairman on 11 March 2022 and the 1,000,000 Performance rights granted were forfeited.

<sup>5</sup> Mr Gomwe was appointed Non-Executive Director on 11 April 2022 and Managing Director and CEO on 28 April 2022.

<sup>6</sup> Mr Randazzo resigned as Executive Director on 8 April 2022 and Interim CEO on 27 April 2022, was deemed a 'good leaver' and all Performance Rights vested.

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

# MC Mining Limited

Consolidated Annual Financial Statements for the year ended 30 June 2022

## Directors' Report

### 29. Remuneration of directors and key management personnel (continued)

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

<sup>1</sup> The second, third and fourth quarter fees were accrued but not paid in the 2022 financial year

<sup>2</sup> Mr. Randazzo was appointed as Interim Chief Executive Officer and Executive Director on 15 February 2021

<sup>3</sup> 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.

# MC Mining Limited

Consolidated Annual Financial Statements for the year ended 30 June 2022

## Directors' Report

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

The following grants of share-based payment compensation to directors 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 | Number forfeited   | % of grant forfeited |  |
| <b>Non-Executive Directors</b> |                   |                           |                  |                   |                    |                      |  |
| A Chee Sin                     | Performance grant | 1,000,000                 | -                | -                 | (1,000,000)        | 100%                 | 0%   |
| A Mifflin                      | Performance grant | 1,000,000                 | -                | -                 | (1,000,000)        | 100%                 | 0%   |
| H Zhen                         | Performance grant | 1,000,000                 | -                | -                 | (1,000,000)        | 100%                 | 0%   |
| J Liu                          | Performance grant | 1,000,000                 | -                | -                 | (1,000,000)        | 100%                 | 0%   |
| K Mosehla                      | Performance grant | 1,000,000                 | -                | -                 | (1,000,000)        | 100%                 | 0%   |
| B Pryor                        | Performance grant | 1,000,000                 | -                | -                 | (1,000,000)        | 100%                 | 0%   |
| <b>Executive Director</b>      |                   |                           |                  |                   |                    |                      |  |
| S Randazzo <sup>1</sup>        | Performance grant | 4,871,406                 | 4,871,406        | 100%              | -                  | -                    | 63%  |
|                                |                   | <b>10,871,406</b>         | <b>4,871,407</b> | <b>-</b>          | <b>(6,000,000)</b> | <b>-</b>             | <b>(241,845)</b>                                     |

<sup>1</sup> The Board approved the vesting of Mr Randazzo's Performance Rights payments following his resignation on 8 April 2022.

No share-based payment arrangements existed during the prior financial period.

# MC Mining Limited

Consolidated Annual Financial Statements for the year ended 30 June 2022

## Directors' Report

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### 31. Key terms of employment contracts

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

Mr Gomwe was appointed as Non-Executive Director on 11 April 2022 and Managing Director and CEO on 28 April 2022. Subsequent to year-end, Mr Gomwe concluded his employment agreement (the Employment Agreement) with the Company. In terms of the Employment Agreement, Mr Gomwe will receive an annual remuneration of ZAR4.0 million (\$0.3 million) and has a six-month notice period. Mr Gomwe is also entitled to receive a short-term incentive or bonus of up to 200% of annual salary, subject to meeting performance objectives determined by the Board, with 50% paid in cash and the balance in shares. As a long-term incentive, Mr Gomwe is entitled to receive Performance Rights. The Performance Rights are intended to align the interests of shareholders and management and to conserve cash resources.

The 7.9 million Performance Rights are subject to shareholder approval and vest in three equal tranches on 30 June 2023, 30 June 2024 and 30 June 2025 if the target benchmark share price for that specific tranche is obtained. The target benchmark share prices for the respective dates are ZAR1.89, ZAR3.22 and ZAR4.55 based on the 30-day volume weighted average price on the JSE at the vesting date.

### 32. Loans from Key Management Personnel

No loans were provided to or received from Key Management Personnel during the year ended 30 June 2022.

### 33. Other Transactions

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

# MC Mining Limited

Consolidated Annual Financial Statements for the year ended 30 June 2022

## Directors' Report

### 34. Director equity holdings

Option holdings

No options exist as at 30 June 2022.

The movement during the reporting period in the number of performance grants over ordinary shares potentially vesting before 30 June 2023 subject to performance criteria, held directly, indirectly or beneficially by each director including their personally-related entities, is as follows:

|                                | Held at 1 July 2021 | Granted as remuneration | Exercised | Expired/ Other changes | Held at 30 June 2022 |
|--------------------------------|---------------------|-------------------------|-----------|------------------------|----------------------|
| <b>Non-Executive Directors</b> |                     |                         |           |                        |                      |
| N Nene                         | -                   | -                       | -         | -                      | -                    |
| A Chee Sin <sup>1</sup>        | -                   | 1,000,000               | -         | (1,000,000)            | -                    |
| A Mifflin <sup>1</sup>         | -                   | 1,000,000               | -         | (1,000,000)            | -                    |
| H Zhen <sup>1</sup>            | -                   | 1,000,000               | -         | (1,000,000)            | -                    |
| J Liu <sup>1</sup>             | -                   | 1,000,000               | -         | (1,000,000)            | -                    |
| K Mosehla <sup>1</sup>         | -                   | 1,000,000               | -         | (1,000,000)            | -                    |
| M Senosi                       | -                   | -                       | -         | -                      | -                    |
| S Ding                         | -                   | -                       | -         | -                      | -                    |
| B Pryor <sup>2</sup>           | -                   | 1,000,000               | -         | (1,000,000)            | -                    |
| <b>Executive Director</b>      |                     |                         |           |                        |                      |
| G Gomwe                        | -                   | -                       | -         | -                      | -                    |
| S Randazzo <sup>3</sup>        | -                   | 4,871,406               | -         | (4,871,406)            | -                    |
|                                | -                   | <b>10,871,406</b>       | -         | <b>(10,871,406)</b>    | -                    |

<sup>1</sup> All performance rights granted during the year expired.

<sup>2</sup> All performance rights granted to Mr Pryor were forfeited due to his resignation on 11 March 2022.

<sup>3</sup> All performance rights granted to Mr Randazzo vested on his resignation on 8 April 2022.



# MC Mining Limited

Consolidated Annual Financial Statements for the year ended 30 June 2022

## Directors' Report

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### 34. Director equity holdings (continued)

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 2021 | Granted as remuneration | Exercised | Expired/ Other changes | Held at 30 June 2022 |
|--------------------------------|---------------------|-------------------------|-----------|------------------------|----------------------|
| <b>Non-Executive Directors</b> |                     |                         |           |                        |                      |
| N Nene                         | -                   | -                       | -         | -                      | -                    |
| A Chee Sin                     | -                   | -                       | -         | -                      | -                    |
| A Mifflin                      | -                   | -                       | -         | -                      | -                    |
| H Zhen                         | -                   | -                       | -         | -                      | -                    |
| J Liu                          | -                   | -                       | -         | -                      | -                    |
| K Mosehla                      | -                   | -                       | -         | -                      | -                    |
| M Senosi                       | -                   | -                       | -         | -                      | -                    |
| S Ding                         | -                   | -                       | -         | -                      | -                    |
| B Pryor <sup>1</sup>           | 7,500               | -                       | -         | (7,500)                | -                    |
| <b>Executive Director</b>      |                     |                         |           |                        |                      |
| G Gomwe                        | -                   | -                       | -         | -                      | -                    |
| S Randazzo                     | -                   | -                       | -         | -                      | -                    |

<sup>1</sup> Resigned on 11 March 2022.

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.



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**Nhlanhla Nene**  
Chairman  
30 September 2022



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**Godfrey Gomwe**  
Managing Director and Chief Executive Officer  
30 September 2022

# MC Mining Limited

Consolidated Annual Financial Statements for the year ended 30 June 2022

## Directors' declaration

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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.

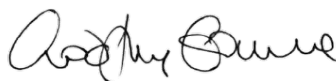
Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors



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**Nhlanhla Nene**  
Chairman  
30 September 2022



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**Godfrey Gomwe**  
Managing Director and Chief Executive Officer  
30 September 2022

# Independent Auditor's Report to the Members of MC Mining Limited

## Report on the audit of the financial report

We have audited the accompanying financial report of MC Mining Limited ("Company"), and its subsidiaries ("Group"), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of MC Mining Limited is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

## 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 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 and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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.

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

## Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which describes several matters concerning the Group's ability to continue as a going concern. The Group's ability to continue as a going concern is dependent on the deferral and settlement of debt relating existing borrowing facilities and cash inflows from capital raising or other funding arrangements. These circumstances indicate that a material inherent 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.

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

| Key audit matter  | How we addressed the key audit matter   |
|---|---|
| <b>Impairment of assets (Notes 3, 5, 6, and 7)</b>  |   |
| <p>At 30 June 2022, the Group’s consolidated statement of financial position included \$116.8 million in non-current assets, comprising primarily of property, plant and equipment, development assets, and exploration and evaluation assets.</p> <p>At the end of each reporting period, the Group exercises judgement in determining whether there is any indication of impairment of its cash-generating units (CGUs) as disclosed in Note 3 to the financial statements. If any such indicators exist, the Group estimates the recoverable amount of the non-current assets in the relevant CGU.</p> <p>During the 2022 financial year and as at 30 June 2022, the Group assessed there were:</p> <ul style="list-style-type: none"> <li>• Indicators of impairment for the Greater Soutpansberg Projects (GSP) CGU and Vele Colliery CGU; and</li> <li>• No indicators of impairment for other CGUs.</li> </ul> <p>Based on the impairment assessment performed for the Greater Soutpansberg Projects CGU and Vele Colliery CGUs, an impairment of \$14.9 million was identified at 30 June 2022.</p> <p>The nature of impairment assessments involves the use of estimates and judgements and the uncertainty associated with these estimates and judgements means that there is a significant chance of a material adjustment to the reported value of the related items in the next financial year and therefore the related items may be realised at amounts that differ from the estimates recorded at 30 June 2022. As a result, we considered the impairment testing and the related disclosures to be a key audit matter.</p> | <p>Our procedures included, but were not limited to:</p> <ol style="list-style-type: none"> <li>a) Assessed whether the Group’s determination of CGUs was in accordance with Australian Accounting Standards.</li> <li>b) Considered the Group’s process for identifying and considering external and internal information which may be an indicator of impairment and evaluated the completeness of the factors identified.</li> <li>c) Compared the Group’s market capitalisation relative to its net assets.</li> <li>d) Performing analytical procedures and obtaining explanations from management.</li> <li>e) For the Greater Soutpansberg Projects CGU and Vele Colliery CGU: <ul style="list-style-type: none"> <li>• Assessed whether the valuation methodology applied by the Group to measure the recoverable amount of the CGU met the requirements of Australian Accounting Standards.</li> <li>• Tested the mathematical accuracy of the impairment model.</li> <li>• Involved our valuation experts to assess the key cashflow forecast assumptions such as commodity price, discount rates, and foreign exchange rates with reference to external observable market data.</li> <li>• Compared future production forecasts in the impairment models to published reserves and resources estimates, and understood the Group’s reserve estimation processes, including assessing the qualifications, competence, and objectivity of the Group’s internal experts and the scope and appropriateness of their work.</li> <li>• Assessed the operating and capital expenditure included in the impairment model with reference to approved budgets and forecasts and results of the current and previous periods.</li> <li>• Performed sensitivity analysis to evaluate the effect on the CGU’s recoverable amount of reasonably possible changes in key forecast assumptions.</li> <li>• Recalculated the carrying amounts of the Greater Soutpansberg Projects CGU and Vele Colliery CGU and compared the carrying amount to the recoverable amount to determine the estimated impairment charge.</li> <li>• Assessed the adequacy of the disclosures in the financial report.</li> </ul> </li> </ol> |

## Other information

The directors are responsible for the other information. The other information comprises the information included in the Group’s annual report for the year ended 30 June 2022, but does not include the financial report and our auditor’s report thereon. 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, 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.

## 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 Group's ability 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the entity to express an opinion on the group financial report. The auditor is responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the remuneration report

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2022.

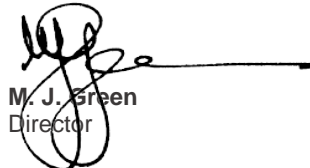
In our opinion, the Remuneration Report of MC Mining Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

### *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.

The Mazars logo is written in a large, bold, black, cursive script.

**MAZARS ASSURANCE PTY LTD**  
**AUTHORISED AUDIT COMPANY: 338599**

A handwritten signature in black ink, appearing to be 'M. J. Green', with a long horizontal line extending to the right.

M. J. Green  
Director

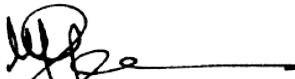
Brisbane, 30 September 2022

**Auditor's independence declaration to the Directors of  
MC Mining Limited**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2022, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

**Mazars Assurance Pty Limited**  
**Authorised Audit Company: 338599**



M. J. Green  
Director

Brisbane, 30 September 2022

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Consolidated Statement of Financial Position

| Figures in US\$ '000                                     | Notes | Group<br>2022  | Group<br>2021  |
|--|-------|----------------|----------------|
| <b>Assets</b>  |       |                |                |
| <b>Non-current assets</b>                                |       |                |                |
| Property, plant and equipment                            | 5     | 23,475         | 27,370         |
| Right-of-use assets                                      | 17    | 3,132          | 2,588          |
| Development assets                                       | 6     | 17,739         | 19,055         |
| Exploration and evaluation assets                        | 7     | 67,839         | 93,467         |
| Other financial assets                                   | 11    | 4,599          | 4,708          |
| Restricted cash  | 12    | 100            | 95             |
| <b>Total non-current assets</b>                          |       | <b>116,884</b> | <b>147,283</b> |
| <b>Current assets</b>                                    |       |                |                |
| Inventories  | 8     | 4,445          | 834            |
| Trade and other receivables                              | 9     | 1,093          | 3,430          |
| Current tax assets                                       |       | -              | 4              |
| Cash and cash equivalents                                | 12    | 2,993          | 3,226          |
| <b>Total current assets</b>                              |       | <b>8,531</b>   | <b>7,494</b>   |
| <b>Total assets</b>                                      |       | <b>125,415</b> | <b>154,777</b> |
| <b>Equity and liabilities</b>                            |       |                |                |
| <b>Equity</b>  |       |                |                |
| Issued capital   | 13    | 1,045,395      | 1,041,884      |
| Retained income / (accumulated loss)                     |       | (926,245)      | (907,202)      |
| Reserves   | 14    | (41,190)       | (27,437)       |
| <b>Total equity attributable to owners of the parent</b> |       | <b>77,960</b>  | <b>107,245</b> |
| Non-controlling interests                                |       | (824)          | (721)          |
| <b>Total equity</b>                                      |       | <b>77,136</b>  | <b>106,524</b> |
| <b>Liabilities</b>                                       |       |                |                |
| <b>Non-current liabilities</b>                           |       |                |                |
| Provisions   | 15    | 8,048          | 6,689          |
| Deferred tax liabilities                                 | 10    | 4,232          | 4,669          |
| Lease liabilities  | 17    | 2,057          | 1,557          |
| Borrowings   | 18    | -              | 251            |
| <b>Total non-current liabilities</b>                     |       | <b>14,337</b>  | <b>13,166</b>  |
| <b>Current liabilities</b>                               |       |                |                |
| Provisions   | 15    | 203            | 195            |
| Trade and other payables                                 | 16    | 9,307          | 9,394          |
| Current tax liabilities                                  |       | 362            | 413            |
| Lease liabilities  | 17    | 885            | 855            |
| Borrowings   | 18    | 21,656         | 19,231         |
| Deferred consideration                                   | 19    | -              | 2,796          |
| Bank overdraft   | 12    | 1,529          | 2,203          |
| <b>Total current liabilities</b>                         |       | <b>33,942</b>  | <b>35,087</b>  |
| <b>Total liabilities</b>                                 |       | <b>48,279</b>  | <b>48,253</b>  |
| <b>Total equity and liabilities</b>                      |       | <b>125,415</b> | <b>154,777</b> |

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



# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

| Figures in US\$ `000  | Notes | Group<br>2022   | Group<br>2021   |
|---|-------|-----------------|-----------------|
| Revenue   | 20    | 23,511          | 20,702          |
| Cost of sales   | 21    | (20,999)        | (20,302)        |
| <b>Gross profit</b>   |       | <b>2,512</b>    | <b>400</b>      |
| Other operating income  | 22    | 293             | 176             |
| Expected credit losses  | 23    | (331)           | -               |
| Administrative expenses   | 24    | (6,840)         | (5,250)         |
| Impairment expense  | 25    | (14,851)        | (6,759)         |
| Other gains and (losses)  | 26    | 63              | 757             |
| <b>Loss from operating activities</b>   |       | <b>(19,154)</b> | <b>(10,676)</b> |
| Finance income  | 27    | 147             | 187             |
| Finance costs   | 28    | (1,712)         | (1,618)         |
| <b>Loss before tax</b>  |       | <b>(20,719)</b> | <b>(12,107)</b> |
| Income tax (expense) / credit   | 29    | (116)           | 270             |
| <b>Loss for the year</b>  |       | <b>(20,835)</b> | <b>(11,837)</b> |
| <b>Loss for the year attributable to:</b>   |       |                 |                 |
| Owners of Parent  |       | (20,732)        | (11,744)        |
| Non-controlling interest  |       | (103)           | (93)            |
|   |       | <b>(20,835)</b> | <b>(11,837)</b> |
| <b>Other comprehensive income net of tax</b>  |       |                 |                 |
| <b>Components of other comprehensive income that will be reclassified to profit or loss</b> |       |                 |                 |
| (Losses) / gains on exchange differences on translation                                     |       | (12,346)        | 18,404          |
| <b>Total Exchange differences on translation</b>  |       | <b>(12,346)</b> | <b>18,404</b>   |
| <b>Comprehensive income attributable to:</b>  |       |                 |                 |
| Comprehensive income, attributable to owners of parent                                      |       | (33,078)        | 6,660           |
| Comprehensive income, attributable to non-controlling interests                             |       | (103)           | (93)            |
| <b>Total comprehensive income for the year</b>  |       | <b>(33,181)</b> | <b>6,567</b>    |
| <b>Earnings per share attributable to owners of the parent during the year</b>              |       |                 |                 |
| <b>Basic earnings per share</b>   |       |                 |                 |
| Basic loss per share  | 31    | (12.65)         | (7.76)          |
| <b>Total basic loss per share (cents)</b>   |       | <b>(12.65)</b>  | <b>(7.76)</b>   |
| <b>Diluted earnings per share</b>   |       |                 |                 |
| Diluted loss per share  | 31    | (12.65)         | (7.76)          |
| <b>Total diluted loss per share (cents)</b>   |       | <b>(12.65)</b>  | <b>(7.76)</b>   |

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

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Consolidated Statement of Changes in Equity

| Figures in US\$ '000                    | Issued capital   | Capital profit reserve | Foreign currency translation reserve | Warrant reserve | Share based payment reserve | Retained income / (accumulated loss) | Attributable to owners of the parent | Non-controlling interests | Total          |
|---|------------------|------------------------|--------------------------------------|-----------------|-----------------------------|--------------------------------------|--------------------------------------|---------------------------|----------------|
| <b>Balance at 1 July 2020</b>           | 1,041,081        | 91                     | (48,602)                             | 1,134           | 1,460                       | (895,591)                            | 99,573                               | (628)                     | 98,945         |
| <b>Changes in equity</b>                |                  |                        |                                      |                 |                             |                                      |                                      |                           |                |
| Loss for the year                       | -                | -                      | -                                    | -               | -                           | (11,744)                             | (11,744)                             | (93)                      | (11,837)       |
| Other comprehensive income              | -                | -                      | 18,404                               | -               | -                           | -                                    | 18,404                               | -                         | 18,404         |
| Total comprehensive income for the year | -                | -                      | 18,404                               | -               | -                           | (11,744)                             | 6,660                                | (93)                      | 6,567          |
| Issue of equity                         | 868              | -                      | -                                    | -               | -                           | -                                    | 868                                  | -                         | 868            |
| Warrants issued to IDC                  | -                | -                      | -                                    | 43              | -                           | -                                    | 43                                   | -                         | 43             |
| Share issue costs                       | (65)             | -                      | -                                    | -               | -                           | -                                    | (65)                                 | -                         | (65)           |
| Performance grants issued               | -                | -                      | -                                    | -               | 589                         | -                                    | 589                                  | -                         | 589            |
| Performance rights expired              | -                | -                      | -                                    | -               | (133)                       | 133                                  | -                                    | -                         | -              |
| Performance rights forfeited            | -                | -                      | -                                    | -               | (423)                       | -                                    | (423)                                | -                         | (423)          |
| <b>Balance at 30 June 2021</b>          | <b>1,041,884</b> | <b>91</b>              | <b>(30,198)</b>                      | <b>1,177</b>    | <b>1,493</b>                | <b>(907,202)</b>                     | <b>107,245</b>                       | <b>(721)</b>              | <b>106,524</b> |
| <b>Balance at 1 July 2021</b>           | 1,041,884        | 91                     | (30,198)                             | 1,177           | 1,493                       | (907,202)                            | 107,245                              | (721)                     | 106,524        |
| <b>Changes in equity</b>                |                  |                        |                                      |                 |                             |                                      |                                      |                           |                |
| Loss for the year                       | -                | -                      | -                                    | -               | -                           | (20,732)                             | (20,732)                             | (103)                     | (20,835)       |
| Other comprehensive income              | -                | -                      | (12,346)                             | -               | -                           | -                                    | (12,346)                             | -                         | (12,346)       |
| Total comprehensive income for the year | -                | -                      | (12,346)                             | -               | -                           | (20,732)                             | (33,078)                             | (103)                     | (33,181)       |
| Issue of equity                         | 3,523            | -                      | -                                    | -               | -                           | -                                    | 3,523                                | -                         | 3,523          |
| Warrants expired                        | -                | -                      | -                                    | (1,177)         | -                           | 1,177                                | -                                    | -                         | -              |
| Share issue costs                       | (12)             | -                      | -                                    | -               | -                           | -                                    | (12)                                 | -                         | (12)           |
| Performance grants issued               | -                | -                      | -                                    | -               | 1,186                       | -                                    | 1,186                                | -                         | 1,186          |
| Performance rights forfeited            | -                | -                      | -                                    | -               | (7)                         | -                                    | (7)                                  | -                         | (7)            |
| Performance rights expired <sup>1</sup> | -                | -                      | -                                    | -               | (1,016)                     | 512                                  | (504)                                | -                         | (504)          |
| Shares vested                           | -                | -                      | -                                    | -               | (393)                       | -                                    | (393)                                | -                         | (393)          |
| <b>Balance at 30 June 2022</b>          | <b>1,045,395</b> | <b>91</b>              | <b>(42,544)</b>                      | <b>-</b>        | <b>1,263</b>                | <b>(926,245)</b>                     | <b>77,960</b>                        | <b>(824)</b>              | <b>77,136</b>  |
| Notes                                   | 13               | 14                     | 14                                   | 14              | 14                          |                                      |                                      |                           |                |

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

<sup>1</sup> This amount includes the performance incentive which expired in the same financial year in which it was issued, and has been derecognised through the Statement of Profit and Loss.

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Consolidated Statement of Cash Flows

| Figures in US\$ `000  | Notes | Group<br>2022  | Group<br>2021  |
|---|-------|----------------|----------------|
| <b>Cash flows from operating activities</b>   |       |                |                |
| Receipts from customers   |       | 21,174         | 21,983         |
| Payments to suppliers and employees   |       | (23,335)       | (23,400)       |
| <b>Net cash flows used in operations</b>  | 37    | <b>(2,161)</b> | <b>(1,417)</b> |
| Dividends received  |       | 48             | -              |
| Interest paid   |       | (254)          | (240)          |
| Interest received   |       | 9              | 122            |
| Income taxes refunded   |       | -              | 182            |
| <b>Net cash used in operating activities</b>  |       | <b>(2,358)</b> | <b>(1,353)</b> |
| <b>Cash flows (used in) / from investing activities</b>                                 |       |                |                |
| Proceeds from sales of property, plant and equipment                                    |       | -              | 487            |
| Purchase of property, plant and equipment   |       | (1,015)        | (246)          |
| Investment in development assets  | 6     | (5)            | (4)            |
| Investment in exploration assets  | 7     | (134)          | (99)           |
| Proceeds from the disposal of other financial assets                                    | 11    | 4              | 16             |
| Purchase of other financial assets  | 11    | (378)          | -              |
| <b>Cash flows (used in) / from investing activities</b>                                 |       | <b>(1,528)</b> | <b>154</b>     |
| <b>Cash flows from financing activities</b>   |       |                |                |
| Repayment of deferred consideration   | 19    | (2,670)        | -              |
| Proceeds from issuing shares  |       | 3,511          | 804            |
| Proceeds received from borrowings   |       | 4,927          | 2,347          |
| Repayments of borrowings  | 18    | (644)          | (457)          |
| Repayments of leases  | 17    | (864)          | (1,039)        |
| <b>Cash flows from financing activities</b>   |       | <b>4,260</b>   | <b>1,655</b>   |
| <b>Net increase in cash and cash equivalents before effect of exchange rate changes</b> |       |                |                |
|   |       | <b>374</b>     | <b>456</b>     |
| Effect of exchange rate changes on cash and cash equivalents                            |       | 67             | 103            |
| <b>Net increase in cash and cash equivalents</b>  |       | <b>441</b>     | <b>559</b>     |
| Cash and cash equivalents at beginning of the year                                      |       | 1,023          | 464            |
| <b>Cash and cash equivalents at end of the year</b>                                     | 12    | <b>1,464</b>   | <b>1,023</b>   |

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

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1. General information

MC Mining Limited (MC Mining or the Company) is a limited company incorporated in Australia. Its common shares are listed on the Australian Securities Exchange plc (ASX), the AIM market of the London Stock Exchange (AIM) and the Johannesburg Securities Exchange (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 (the Group or the Consolidated Entity) 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 coal project that has been granted a mining right (MR), an integrated water use licence (IWUL) and an environmental authorisation;
- 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, all of which have been granted MR's and together form the Greater Soutpansberg Project.

### Going Concern

The Consolidated Group has incurred a net loss after tax for the year ended 30 June 2022 of \$20.8 million (30 June 2021: loss of \$11.8 million). During the year ended 30 June 2022, net cash outflows from operating activities were \$2.5 million (30 June 2021 net outflow: \$1.4 million). As at 30 June 2022 the Consolidated Group had a net current liability position of \$25.4 million (30 June 2021: net current liability position of \$27.6 million).

During January 2022, the termination/ settlement date of the \$9.8 million (ZAR160 million) IDC loan facility has been extended to 30 November 2022. The IDC also agreed to extend the terminal drawdown date in respect of the conditional \$15.0 million (ZAR245.0 million) term loan agreed to partially finance the development of the Makhado Project, also to 30 November 2022, subject to the satisfaction of the outstanding conditions, including the IDC reaffirming its financial due diligence.

The Directors have prepared a cash flow forecast for the eighteen-month period ended 31 December 2023, taking into account available facilities, the fully underwritten Rights Issue that commenced on 27 September 2022, additional debt funding that although not yet concluded (is expected to be raised), and expected cash flows to be generated by Uitkomst and the potential outsourcing of the Vele Colliery. On the basis of these equity and debt funding initiatives being successfully implemented, the forecast 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 of the existing IDC loan (plus accrued interest) to when Makhado is at steady state production as opposed to being payable in November 2022 (refer note 18) and/or converting this facility to equity;
- Continued favorable coal prices and utilization of cash generated by the Company's collieries;
- A drawdown of the new IDC term facility of \$15.0 million (ZAR245.0 million);
- Contractor funding including a build, own, operate, transfer ('BOOT') arrangement of \$3.7 million (ZAR60.0 million);
- The issue of new equity for cash in the Company to current & new shareholders in terms of the fully underwritten rights offer, raising approximately \$27.6 million (approximately ZAR470 million); and
- In addition to the \$15.0 million (ZAR245.0 million) new IDC term loan facility and \$3.7 million (ZAR60.0 million) BOOT arrangement referred to above, securing additional funding of approximately \$29.9 million (ZAR428 million) required (Additional Funding) to finance the development of the Makhado Project, through either a debt or equity.

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1. General information (continued)

#### Going Concern (continued)

The Group is still in negotiations with the IDC on the deferral of the existing loan repayment, which may have an impact on its ability to draw down on 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 \$15.0 million (ZAR245.0 million) term loan is subject to successful conclusion of a due diligence exercise and credit approval.

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 via the fully underwritten Rights Issue (refer to 'Events after reporting date' in Note 34 of this report);
- The issue of new equity for cash in the subsidiary company that owns the Makhado project;
- Further debt funding;
- Cash generated by the Company's Collieries;
- 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 or debt raised 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 conditions precedent in relation to the new facility;
- The Rights Issue is fully underwritten and 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 required funding noted above, the development 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.

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1. General information (continued)

#### 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 Company. 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 2022.

#### 1.2 Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for financial instruments that are measured at fair value, 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.

#### 1.3 Fair value measurement

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.

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 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.

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:

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

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 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 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.



# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 2.2 Business combinations (continued)

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 which is South African Rand and/or Australian Dollar). 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 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 the year, 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 other comprehensive income, accumulating through the foreign exchange translation reserve.

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 2.4 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 2.10.

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.

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 2.5 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 2.10.

A development asset is transferred 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 transfer, development assets are tested for impairment.

### 2.6 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 ten 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 and unclassified reserves.

Mining property is assessed for impairment if facts and circumstances indicate that an impairment may exist. See note 2.10.

### 2.7 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 and unclassified reserves.

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

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 2.8 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 right of use asset is disclosed as part of 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.

Right of use assets 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                                | 5% - 20%                               |
| Plant and equipment                      | 10% - 50%                              |
| Motor vehicles                           | 20% – 33%                              |
| Computer equipment                       | 17% - 33%                              |
| Leased assets                            | Shorter of lease term and useful lives |

### 2.9 Intangible assets

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 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 based on the unit of production method. 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 profit or loss when the asset is derecognised.

Intangible assets are assessed for impairment if facts and circumstances indicate that an impairment may exist. See note 2.10.

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 2.10 Impairment of tangible and intangible assets

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 of disposal, 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.

### 2.11 Leasing

At inception of a contract, the group assessed whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the group uses the definition of a lease in AASB 16.

#### *As a lessee*

The group recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Generally, the group uses its incremental borrowing rate as the discount rate.

The group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

# MC Mining Limited

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### 2.11 Leasing (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the group is reasonably certain to exercise, lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee, if the group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

The Group presents right-of-use assets in 'property, plant and equipment' and lease liabilities in separately in the consolidated statement of financial position.

#### *Short-term leases and leases of low-value assets*

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases.

The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### 2.12 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.

# MC Mining Limited

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## Accounting Policies

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### 2.13 Financial instruments

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

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
- 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 the transaction price. 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.

# MC Mining Limited

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### 2.13 Financial instruments (continued)

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).

#### *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 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 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
- Restricted cash



# MC Mining Limited

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## Accounting Policies

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### 2.13 Financial instruments (continued)

#### *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:

- Bank overdraft
- Borrowings
- 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 using the effective interest method.

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, 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.

#### *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.

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 2.13 Financial instruments (continued)

#### *Trade receivables*

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. Expected credit losses are disclosed separately on the consolidated statement of profit and loss and other comprehensive income.

#### *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.

#### *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.

### 2.14 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.

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 2.14 Provisions (continued)

#### *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.

### 2.15 Taxation

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.

#### *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.

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 2.15 Taxation (continued)

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.

### 2.16 Revenue from contracts with customers

Revenue is recognised at the transaction price an entity expects to be entitled to 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 at a point in time, 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
- The customer has the significant risks and rewards of ownership of the coal sold
- The customer has accepted the coal sold

No discounts are provided for coal sales.

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 2.17 Share-based payments

#### *Equity-settled*

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value or 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 30.

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.

### 2.18 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.

### 2.19 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 32).

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 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.

#### **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 of disposal 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 judgement 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 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 profit or loss.

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.

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 3. Critical accounting estimates and key judgements (continued)

#### *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 - Vele Extension, 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)           | \$212          | (i)   |
| Thermal coal price (real US\$ per ton)                     | \$155          | (ii)  |
| Rand/US\$ exchange rate                                    | 15.80          | (iii) |
| Real discount rates  | 12.1% - 13.34% | (iv)  |
| In situ resource multiple valuation range (Rand per tonne) | ZAR4 - ZAR8    | (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 \$191 per tonne and \$240 per tonne, with a base case of \$220 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 \$140 per tonne and \$170 per tonne, with a base case of \$155 per tonne.
- (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 R15.33 and R16.75 with a base case of R15.80.
- (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 12.1% for established and producing projects and between 13% and 14% for developing and future projects.
- (v) Based on historic thermal and premium coal transactions in South Africa a weighted range of between R3 and R8 per gross tonne 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.

# MC Mining Limited

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## Accounting Policies

### 3. Critical accounting estimates and key judgements (continued)

#### Sensitivity analysis for DCF calculations

| Sensitivity              | Change | Effect on estimated recoverable amount<br>US\$ million |               |                    |       |
|--------------------------|--------|--|---------------|--------------------|-------|
|                          |        | Uitkomst<br>Colliery                                   | Vele Colliery | Makhado<br>Project |       |
| Long-term HCC prices     | +10%   | N/A  | 11            | 39                 | (i)   |
|                          | -5%    | N/A  | (5)           | (19)               |       |
| Long-term thermal prices | +7.5%  | 13   | 22            | 22                 | (ii)  |
|                          | -7.5%  | (13)   | (22)          | 22                 |       |
| Long-term exchange rate  | +6%    | 9  | 24            | 40                 | (iii) |
|                          | -3%    | (3)  | (12)          | (20)               |       |
| Discount rate            | +1%    | (1)  | (6)           | (12)               | (iv)  |
|                          | -1%    | 2  | 7             | 13                 |       |

- (i) Keeping all other inputs constant, this sensitivity scenario would not result in an impairment charge for the Makhado Project or the Vele Colliery.
- (ii) Keeping all other inputs constant, this sensitivity scenario would result in an impairment charges of \$10.4 million for the Uitkomst Colliery and no impairment charges for the Vele Colliery or the Makhado Project. However, Uitkomst will re-assess its marketing strategy if API4 prices reduced significantly.
- (iii) Keeping all other inputs constant, this sensitivity scenario would result in an impairment charge of \$0.6 million 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 no impairment charges for the Uitkomst Colliery, Vele 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)            | \$125       | (i)   |
| Thermal coal price (real US\$ per ton)                      | \$70        | (ii)  |
| Rand/US\$ exchange rate                                     | 15.06       | (iii) |
| Real discount rates   | 10% - 14%   | (iv)  |
| In situ resource multiple valuation range (SA 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.
- (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.



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## Accounting Policies

### 3. Critical accounting estimates and key judgements (continued)

- (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 (prior year)

| Sensitivity              | Change | Effect on estimated recoverable amount<br>US\$ million |               |                    |       |
|--------------------------|--------|--|---------------|--------------------|-------|
|                          |        | Uitkomst<br>Colliery                                   | Vele Colliery | Makhado<br>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 \$1,8 million.
- (ii) Keeping all other inputs constant, this sensitivity scenario would result in an impairment charges of \$1,5 million for the Uitkomst Colliery and \$6,3 million 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 \$3,6 million 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 \$2,3 million for the Vele Colliery, with no impairment charges for the Uitkomst Colliery or the Makhado Project.

#### 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.

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.

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 3. Critical accounting estimates and key judgements (continued)

#### *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 15.

#### *Taxation*

The group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the consolidated statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes and operating costs. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the consolidated statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to profit or loss.

#### *Estimating the incremental borrowing rate*

The group cannot readily determine the interest rate implicit in its leases. Therefore, it uses the relevant incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The IBR, therefore, reflects what the group would have to pay, which requires estimation when no observable rates are available and to make adjustments to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to consider certain contract and entity-specific judgements estimates.

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 3. Critical accounting estimates and key judgements (continued)

#### *Residual value and useful life of property, plant and equipment*

The group depreciates its assets over their estimated useful lives, as more fully described in the accounting policies for property, plant and equipment.

The estimation of useful lives of assets are based on historical performance as well as expectations about future use and therefore require a significant degree of judgement to be applied by management. Judgement is applied by management in determining the residual values for property, plant and equipment. When determining the residual value for property, plant and equipment, the following factors are taken into account:

- External residual value information (if available); and
- Internal technical assessments for specialised mining equipment.

### 4. New accounting standards and interpretations

#### **Standards issued but not yet effective**

At the date of approval of the financial statements of the group for the year ended 30 June 2022, the following Standards and Interpretations were issued but not yet early adopted. They will be adopted on the respective effective dates as indicated in the table below:

- AASB 2020-3 Amendments to AASB 116 – Property, Plant and Equipment: Proceeds before Intended Use
- AASB 2020-1 Amendments to AASs – Classification of Liabilities as Current or Non-current
- AASB 2021-2 Amendments to AASB 108 – Definition of Accounting Estimates
- AASB 2020-3 Amendments to AASB 137 – Onerous Contracts – Cost of Fulfilling a Contract
- AASB 2021-5 Amendments to AASs – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

All Standards and Interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the group).

AASB 2020-8 Amendments to AASs – Interest Rate Benchmark Reform – Phase 2, AASB 2020-3 Amendment to AASB 9 – Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities (Part of Annual Improvements 2018–2020 Cycle), AASB 2014-10 Amendments to AASs – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, AASB 17 Insurance Contracts, AASB 2020-5 Amendments to AASs – Insurance Contracts, AASB 2022-1 Amendments to AASs – Initial Application of AASB 17 and AASB 9 – Comparative Information, AASB 2021-3 Amendments to AASs – COVID-19-Related Rent Concessions beyond 30 June 2021, AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities, AASB 2022-2 Amendments to AASs – Extending Transition Relief under AASB 1, AASB 2020-3 Amendment to AASB 1 – Subsidiary as a First-time Adopter (Part of Annual Improvements 2018–2020 Cycle), AASB 2021-2 Amendments to AASB 7, AASB 101, AASB 134 Interim Financial Reporting and AASB Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies, AASB 2021-6 Amendments to AASs – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards, AASB 2020-3 Amendments to AASB 3 – Reference to the Conceptual Framework, AASB 2020-3 Amendment to AASB 141 – Taxation in Fair Value Measurements, AASB 2022-3 Amendments to AASs – Illustrative Examples for Not-for-Profit Entities accompanying AASB 15 and AASB 2022-4 Amendments to AASs – Disclosures in Special Purpose Financial Statements (SPFS) of Certain For-Profit Private Sector Entities are not applicable to the business of the group and will therefore have no impact on future financial statements.

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Accounting Policies

### 4. New accounting standards and interpretations (continued)

#### Standards, interpretations and amendments to published standards effective for the year ended 30 June 2022

During the financial year, no new standards or interpretations were adopted by the group.

#### Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that apply to the group's accounting period beginning on 1 July 2022 or later periods, but have not been early adopted by the group. The standards, amendments and interpretations that are relevant to the group is:

| Standard(s)<br>Amendment(s)<br>Interpretation(s)   | Nature of the change | Salient features of the changes   | Effective date* |
|--|----------------------|---|-----------------|
| AASB 2021-2<br>Amendments to<br>AASB 108 –<br>Definition of<br>Accounting<br>Estimates                             | Amendment            | <p>The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The requirements for recognising the effect of change in accounting prospectively remain unchanged.</p> <p>The impact of the amendment has been determined to not be material.</p>  | 1-Jul-22        |
| AASB 2020-3<br>Amendments to<br>AASB 116 –<br>Property, Plant<br>and Equipment:<br>Proceeds before<br>Intended Use | Amendment            | <p>The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.</p> <p>The impact of the amendment has been determined to not be material.</p>  | 1-Jul-22        |
| AASB 2020-3<br>Amendments to<br>AASB 137 –<br>Onerous<br>Contracts – Cost<br>of Fulfilling a<br>Contract           | Amendment            | <p>The amendments apply a 'direct related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g. the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g. depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.</p> <p>The impact of the amendment has been determined to not be material.</p> | 1-Jul-22        |

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Accounting Policies

### 4. New accounting standards and interpretations (continued)

#### Standards, interpretations and amendments to published standards that are not yet effective

| Standard(s)<br>Amendment(s)<br>Interpretation(s)   | Nature of the change | Salient features of the changes   | Effective date* |
|--|----------------------|---|-----------------|
| AASB 2020-1<br>Amendments to<br>AASs –<br>Classification of<br>Liabilities as<br>Current or Non-<br>current                            | Amendment            | <p>Amendment: Classification of Liabilities as Current or Non-current:</p> <ul style="list-style-type: none"> <li>• Classification to be based on whether the right to defer settlement by at least twelve months exists at the end of the reporting period;</li> <li>• Classification is unaffected by expectation of settlement;</li> <li>• Settlement refers to transfer of cash equity instruments, other assets or services; and</li> <li>• That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.</li> </ul> <p>The impact of the amendment has been determined to not be material.</p>  | 1-Jul-23        |
| AASB 2021-5<br>Amendments to<br>AASs – Deferred<br>Tax related to<br>Assets and<br>Liabilities arising<br>from a Single<br>Transaction | Amendment            | <p>The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and provisions.</p> <p>The amendments apply for annual reporting periods beginning on or after 1 July 2023. For lease liabilities and provisions, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date.</p> <p>For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.</p> <p>The amendments also apply to taxable and deductible temporary differences associated with right-of-use assets and lease liabilities, and decommissioning obligations and corresponding amounts recognised as assets at the beginning of the earliest comparative period presented.</p> <p>The group accounts for deferred tax on leases and provisions applying the 'integrally linked' approach, resulting in a similar outcome to the amendments and as a result there will be no significant impact on the group.</p> | 1-Jul-23        |

\*Effective date refers to annual period beginning on or after the said date.

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Notes to the Consolidated Financial Statements

Figures in US\$ `000

### 5. Property, plant and equipment

Balances at year end and movements for the year

|   | Land and buildings | Leasehold improvements | Mining property, plant and equipment | Motor vehicles | Mining rights | Other      | Total           |
|---|--------------------|------------------------|--------------------------------------|----------------|---------------|------------|-----------------|
| <b>Reconciliation for the year ended 30 June 2022 - Group</b> |                    |                        |                                      |                |               |            |                 |
| <b>Balance at 1 July 2021</b>                                 |                    |                        |                                      |                |               |            |                 |
| At cost   | 8,681              | 117                    | 7,618                                | 1,052          | 18,481        | 1,599      | <b>37,548</b>   |
| Accumulated depreciation                                      | (1,585)            | (117)                  | (2,259)                              | (801)          | (3,842)       | (1,574)    | <b>(10,178)</b> |
| <b>Carrying amount</b>  | <b>7,096</b>       | <b>-</b>               | <b>5,359</b>                         | <b>251</b>     | <b>14,639</b> | <b>25</b>  | <b>27,370</b>   |
| <b>Movements for the year ended 30 June 2022</b>              |                    |                        |                                      |                |               |            |                 |
| Additions   | 435                | -                      | 318                                  | 131            | -             | 170        | <b>1,054</b>    |
| Depreciation  | (237)              | -                      | (674)                                | (75)           | (968)         | (29)       | <b>(1,983)</b>  |
| Rehabilitation asset  | -                  | -                      | 502                                  | -              | -             | -          | <b>502</b>      |
| Exchange differences relating to:                             | (891)              | -                      | (784)                                | (37)           | (1,745)       | (11)       | <b>(3,468)</b>  |
| - Cost  | (1,096)            | (40)                   | (1,053)                              | (126)          | (2,287)       | (440)      | <b>(5,042)</b>  |
| - Accumulated depreciation                                    | 205                | 40                     | 269                                  | 89             | 542           | 429        | <b>1,574</b>    |
| <b>Property, plant and equipment at the end of the year</b>   | <b>6,403</b>       | <b>-</b>               | <b>4,721</b>                         | <b>270</b>     | <b>11,926</b> | <b>155</b> | <b>23,475</b>   |
| <b>Closing balance at 30 June 2022</b>                        |                    |                        |                                      |                |               |            |                 |
| At cost   | 8,020              | 77                     | 7,386                                | 1,058          | 16,194        | 1,330      | <b>34,065</b>   |
| Accumulated depreciation                                      | (1,617)            | (77)                   | (2,665)                              | (788)          | (4,268)       | (1,175)    | <b>(10,590)</b> |
| <b>Carrying amount</b>  | <b>6,403</b>       | <b>-</b>               | <b>4,721</b>                         | <b>270</b>     | <b>11,926</b> | <b>155</b> | <b>23,475</b>   |

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Notes to the Consolidated Financial Statements

Figures in US\$ '000

| Reconciliation for the year ended 30 June 2021 - Group      | Land and buildings | Leasehold improvements | Mining property, plant and equipment | Motor vehicles | Mining rights | Other     | Total           |
|---|--------------------|------------------------|--------------------------------------|----------------|---------------|-----------|-----------------|
| <b>Balance at 1 July 2020</b>                               |                    |                        |                                      |                |               |           |                 |
| At cost   | 7,511              | 100                    | 6,050                                | 830            | 15,257        | 1,323     | <b>31,071</b>   |
| Accumulated depreciation                                    | (1,127)            | (100)                  | (1,297)                              | (579)          | (2,291)       | (1,281)   | <b>(6,675)</b>  |
| <b>Carrying amount</b>                                      | <b>6,384</b>       | <b>-</b>               | <b>4,753</b>                         | <b>251</b>     | <b>12,966</b> | <b>42</b> | <b>24,396</b>   |
| <b>Movements for the year ended 30 June 2021</b>            |                    |                        |                                      |                |               |           |                 |
| Additions   | 68                 | -                      | 136                                  | 43             | -             | -         | <b>247</b>      |
| Depreciation  | (219)              | -                      | (637)                                | (93)           | (991)         | (23)      | <b>(1,963)</b>  |
| Rehabilitation asset  | -                  | -                      | 133                                  | -              | -             | -         | <b>133</b>      |
| Impairment  | (421)              | -                      | -                                    | -              | -             | -         | <b>(421)</b>    |
| Exchange differences relating to:                           | 1,304              | -                      | 974                                  | 50             | 2,664         | 6         | <b>4,998</b>    |
| - Cost  | 1,557              | 17                     | 1,299                                | 179            | 3,224         | 277       | <b>6,553</b>    |
| - Accumulated depreciation                                  | (253)              | (17)                   | (325)                                | (129)          | (560)         | (271)     | <b>(1,555)</b>  |
| Disposals   | (20)               | -                      | -                                    | -              | -             | -         | <b>(20)</b>     |
| <b>Property, plant and equipment at the end of the year</b> | <b>7,096</b>       | <b>-</b>               | <b>5,359</b>                         | <b>251</b>     | <b>14,639</b> | <b>25</b> | <b>27,370</b>   |
| <b>Closing balance at 30 June 2021</b>                      |                    |                        |                                      |                |               |           |                 |
| At cost   | 8,681              | 117                    | 7,618                                | 1,052          | 18,481        | 1,599     | <b>37,548</b>   |
| Accumulated depreciation                                    | (1,585)            | (117)                  | (2,259)                              | (801)          | (3,842)       | (1,574)   | <b>(10,178)</b> |
| <b>Carrying amount</b>                                      | <b>7,096</b>       | <b>-</b>               | <b>5,359</b>                         | <b>251</b>     | <b>14,639</b> | <b>25</b> | <b>27,370</b>   |

No impairment charge was required for property, plant and equipment during the 2022 financial year.

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Notes to the Consolidated Financial Statements

| Figures in US\$ `000                                       | Group<br>2022 | Group<br>2021 |
|--|---------------|---------------|
| <b>6. Development assets</b>                               |               |               |
| <b>6.1 Balances at year end and movements for the year</b> |               |               |
| <b>Reconciliation for the year</b>                         |               |               |
| Balance at the beginning of the year                       | 19,055        | 20,720        |
| <b>Movements for the year</b>                              |               |               |
| Additions  | 5             | 4             |
| Disposals  | -             | (466)         |
| Movement in Rehabilitation asset                           | 1,115         | 36            |
| Reversal of impairment                                     | -             | 158           |
| Impairment   | -             | (6,497)       |
| Foreign exchange differences                               | (2,436)       | 5,100         |
| <b>Development assets at the end of the year</b>           | <b>17,739</b> | <b>19,055</b> |

The discount between the Group's market capitalisation and net asset value at 30 June 2022, prompted management to perform an impairment assessment. Details of the key assumptions used in the impairment assessment are set out in note 3.

The Vele Project was impaired by \$6.5 million in FY2021. The redevelopment of the Vele Colliery is aligned with the potential outsourcing of operations at the colliery as well as the timing of the Musina-Makhado SEZ in Limpopo and the forecast production date for the colliery is expected to commence in FY2028. In terms of AASB 136 – Impairment of Assets, management identified this as an indicator that the Vele assets may be impaired.

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 \$6.5 million was recognised during the year ended 30 June 2021. An assessment was performed for the 2022 financial year and no impairment was recognised for the year ended 30 June 2022.

### FY2021 impairment assessment

In calculating the fair value less costs of disposal, management forecasted the cash flows associated with the project over its expected life of 18 years until 2040 based on the current life of mine model. The cash flows are estimated for 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 in 6.2 below.



# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Notes to the Consolidated Financial Statements

Figures in US\$ '000

### 6. Development assets (continued)

#### 6.2 FY2021 Assumptions

|   | Long-term<br>(real) |
|---|---------------------|
| Thermal coal price (USD per tonne) <sup>1</sup>     | 70                  |
| Hard coking coal price (USD per tonne) <sup>2</sup> | 125                 |
| Exchange rate (USD:ZAR)                             | 15.06               |
| Discount rate <sup>3</sup>                          | 14%                 |
| Production start date <sup>4</sup>                  | FY2030              |

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

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

<sup>3</sup>Management prepared a real Rand-denominated, post-tax discount rate, which was calculated with reference to the Capital Asset Pricing Model

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

#### 6.2 FY2021 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     |

#### 6.3 FY2021 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  |

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Notes to the Consolidated Financial Statements

Figures in US\$ '000

### 7. Exploration and evaluation assets

#### Reconciliation of changes in exploration and evaluation assets

|   | Exploration<br>and evaluation<br>assets | Total         |
|---|---|---------------|
| <b>Reconciliation for the year ended 30 June 2022 - Group</b>   |   |               |
| <b>Balance at 1 July 2021</b>                                   |   |               |
| At cost   | 93,467                                  | 93,467        |
| Accumulated amortisation and impairment losses                  | -                                       | -             |
| <b>Carrying amount</b>  | <b>93,467</b>                           | <b>93,467</b> |
| <b>Movements for the year ended 30 June 2022</b>                |   |               |
| Additions   | 134                                     | 134           |
| Increase (decrease) through net exchange differences            | (11,000)                                | (11,000)      |
| Movement in rehabilitation asset                                | 88                                      | 88            |
| Impairment  | (14,850)                                | (14,850)      |
| <b>Exploration and evaluation assets at the end of the year</b> | <b>67,839</b>                           | <b>67,839</b> |
| <b>Closing balance at 30 June 2022</b>                          |   |               |
| At cost   | 82,689                                  | 82,689        |
| Accumulated amortisation and impairment losses                  | (14,850)                                | (14,850)      |
| <b>Carrying amount</b>  | <b>67,839</b>                           | <b>67,839</b> |
| <b>Reconciliation for the year ended 30 June 2021 - Group</b>   |   |               |
| <b>Balance at 1 July 2020</b>                                   |   |               |
| At cost   | 78,714                                  | 78,714        |
| Accumulated amortisation and impairment losses                  | -                                       | -             |
| <b>Carrying amount</b>  | <b>78,714</b>                           | <b>78,714</b> |
| <b>Movements for the year ended 30 June 2021</b>                |   |               |
| Additions   | 451                                     | 451           |
| Increase (decrease) through net exchange differences            | 14,285                                  | 14,285        |
| Movement in rehabilitation asset                                | 17                                      | 17            |
| <b>Exploration and evaluation assets at the end of the year</b> | <b>93,467</b>                           | <b>93,467</b> |
| <b>Closing balance at 30 June 2021</b>                          |   |               |
| At cost   | 93,467                                  | 93,467        |
| Accumulated amortisation and impairment losses                  | -                                       | -             |
| <b>Carrying amount</b>  | <b>93,467</b>                           | <b>93,467</b> |

The Company impaired various exploration assets during FY2022 that it does not expect to develop in the foreseeable future. The charge for FY2022 included:

- \$4.3 million relating to Exploration assets situated to the west of the Vele Colliery that have a low probability of being developed;
- The impairment of historical exploration costs of \$0.2 million incurred on prospecting rights to the east of the Makhado Project that expired; and
- An impairment expense of \$10.3 million for specific prospects that form part of the GSP that MC Mining with uncertainty over their development in the foreseeable future, but the MRs remain intact.

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Notes to the Consolidated Financial Statements

| Figures in US\$ `000             | Group<br>2022 | Group<br>2021 |
|----------------------------------|---------------|---------------|
| <b>8. Inventories</b>            |               |               |
| <b>Inventories comprise:</b>     |               |               |
| Consumable stores                | 580           | 508           |
| Finished goods                   | 3,910         | 385           |
| Other                            | 8             | 3             |
| Provision for obsolete inventory | (53)          | (62)          |
|                                  | <u>4,445</u>  | <u>834</u>    |

The cost of inventories recognised as an expense during the year was \$3.8 million (2021 expense: \$0.3 million).

## 9. Trade and other receivables

### Trade and other receivables comprise:

|                                 |              |              |
|---------------------------------|--------------|--------------|
| Trade receivables               | 941          | 3,098        |
| Expected credit loss allowances | (616)        | (351)        |
| Trade receivables - net balance | <u>325</u>   | <u>2,747</u> |
| Other receivables               | 768          | 683          |
|                                 | <u>1,093</u> | <u>3,430</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. Trade receivables are pledged as security for the bank overdraft as disclosed in note 12.

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 are continuously monitored.

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 30 days past due. Based on the year-end ECL assessment performed, a provision of \$0.6 million was required at the end of the financial year.

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

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Notes to the Consolidated Financial Statements

Figures in US\$ '000

|  | Group<br>2022 | Group<br>2021 |
|--|---------------|---------------|
|--|---------------|---------------|

### 10. Deferred tax

#### 10.1 The analysis of deferred tax assets and deferred tax liabilities is as follows:

|                                     |                |                |
|-------------------------------------|----------------|----------------|
| Deferred tax liability              | (4,232)        | (4,669)        |
| <b>Net deferred tax liabilities</b> | <b>(4,232)</b> | <b>(4,669)</b> |

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

|                               |            |            |
|-------------------------------|------------|------------|
| Provision                     | 893        | 373        |
| <b>Balance at end of year</b> | <b>893</b> | <b>373</b> |

|  |                |                |
|--|----------------|----------------|
| Capital allowances on property plant and equipment | (5,082)        | (5,042)        |
| Prepayments  | (43)           | -              |
| <b>Balance at end of year</b>                      | <b>(5,125)</b> | <b>(5,042)</b> |

#### 10.2 Reconciliation of deferred tax movements

|  | Deferred tax   | Total          |
|--|----------------|----------------|
| <b>Group</b>                           |                |                |
| <b>Opening balance at 1 July 2021</b>  | (4,669)        | (4,669)        |
| Provisions                             | 388            | 388            |
| Capital allowances                     | (2,219)        | (2,219)        |
| Prepayments                            | (46)           | (46)           |
| Foreign Exchange                       | 2,314          | 2,314          |
| <b>Closing balance at 30 June 2022</b> | <b>(4,232)</b> | <b>(4,232)</b> |
| <b>Opening balance at 1 July 2020</b>  | (4,079)        | (4,079)        |
| Provisions                             | 14             | 14             |
| Capital allowances                     | 183            | 183            |
| Prior year adjustment                  | 27             | 27             |
| Foreign Exchange                       | (814)          | (814)          |
| <b>Closing balance at 30 June 2021</b> | <b>(4,669)</b> | <b>(4,669)</b> |

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 Group did not recognise deferred tax assets of \$21.5 million (2021: \$45.6 million) in respect of losses amounting to \$4.5 million (2021: \$13.2 million) and unredeemed capital expenditure of \$21.5 million (2021: \$45.6 million) that can be carried forward against future taxable income.

#### *Change in South African Corporate Income Tax rate*

On 23 February 2022, the South African Minister of Finance announced a change in the corporate tax rate from 28% to 27% for the years of assessment ending on or after 31 March 2023.

Linked to the corporate tax rate change certain measures were put in place by the Minister to broaden the tax base to ensure the rate change is fiscally neutral. The measures that were promulgated on 19 January 2022 relate to limiting the assessed losses that are set off against taxable income to the higher of R1 million or 80% of the taxable income and further limiting of interest deductions in respect of debts owed to persons not subject to tax.

The impact of the 1% decrease in the corporate tax rate (and limiting assessed losses and interest deductions) is expected to have an impact on the unrecognised deferred tax balance recognised as at 30 June 2022. The group is in the process of estimating the financial effect.

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Notes to the Consolidated Financial Statements

Figures in US\$ `000

|  | Group<br>2022 | Group<br>2021 |
|--|---------------|---------------|
|--|---------------|---------------|

### 11. Other financial assets

#### 11.1 Other financial assets incorporates the following balances:

|  |              |              |
|--|--------------|--------------|
| Unlisted securities                      |              |              |
| - Equity securities in investment funds* | 4,580        | 4,687        |
| Deposits**                               | 19           | 21           |
|  | <u>4,599</u> | <u>4,708</u> |

Fair value movements in other financial assets are recognised in other (losses)/gains in the consolidated statement of profit or loss. Refer to note 26.

\* 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 Eskom payment guarantees.

#### 11.2 Movements in other financial assets

|                               |                     |                     |
|-------------------------------|---------------------|---------------------|
| At the beginning of the year  | 4,708               | 3,743               |
| Revaluations                  | 71                  | 502                 |
| Interest received             | 131                 | 104                 |
| Disposal of investment        | (4)                 | (837)               |
| Acquisition of investments    | 378                 | 393                 |
| Foreign exchange differences  | (685)               | 803                 |
| <b>At the end of the year</b> | <b><u>4,599</u></b> | <b><u>4,708</u></b> |

### 12. Cash and cash equivalents

#### Cash and cash equivalents consist of:

|                     |              |              |
|---------------------|--------------|--------------|
| Balances with banks | 2,993        | 3,226        |
| Bank overdrafts     | (1,529)      | (2,203)      |
|                     | <u>1,464</u> | <u>1,023</u> |
| Restricted cash     | 100          | 95           |
|                     | <u>100</u>   | <u>95</u>    |

The bank overdraft relates to an ABSA facility that was secured during the 2020 financial year, from ABSA Bank for \$1.5 million (ZAR 24.9 million). 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 9.75% per annum) plus 3.0%, with the operating mine, Uitkomst Colliery, trade receivables ceded as security. The facility is subject to annual review.

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Notes to the Consolidated Financial Statements

| Figures in US\$ `000 | Group<br>2022 | Group<br>2021 |
|----------------------|---------------|---------------|
|----------------------|---------------|---------------|

### 12. Cash and cash equivalents (continued)

The short-term working facility was increased by an additional \$1.4 million (ZAR20 million) in May 2020 to alleviate the financial challenges during the COVID-19 period. Repayment of the facility commenced and the balance outstanding at year-end was \$0.8 million. The same interest rate applies and the balance was payable by 30 June 2022 and the Company awaits the bank's payment instruction. The additional facility is secured by a general notarial bond over Uitkomst assets.

The restricted cash balance of \$0.1 million (FY2021: \$0.1 million) 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 \$5.8 million (FY2021: \$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 and the Republic of South Africa.

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

### 13. Issued capital

#### 13.1 Authorised and issued share capital

##### Issued

|  |           |           |
|--|-----------|-----------|
| 197,654,870 (2021: 154,419,555) fully paid ordinary shares | 1,045,395 | 1,041,884 |
|--|-----------|-----------|

##### Share reconciliation

|  |                    |                    |
|--|--------------------|--------------------|
| Shares outstanding - beginning of the period | 154,419,555        | 141,088,122        |
| Issued                                       | 43,235,315         | 13,331,433         |
| Shares outstanding - closing                 | <b>197,654,870</b> | <b>154,419,555</b> |

#### 13.2 Additional disclosures

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 30.

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Notes to the Consolidated Financial Statements

| Figures in US\$ `000                   | Group<br>2022   | Group<br>2021   |
|--|-----------------|-----------------|
| <b>14. Reserves</b>                    |                 |                 |
| <b>14.1 Classification of reserves</b> |                 |                 |
| Capital profit reserves                | 91              | 91              |
| Share based payment reserve            | 1,263           | 1,493           |
| Warrant reserve                        | -               | 1,177           |
| Foreign currency translation reverse   | (42,544)        | (30,198)        |
| <b>Total reserves</b>                  | <b>(41,190)</b> | <b>(27,437)</b> |

### 14.2 Detailed analysis of reserves

|  | Capital profit<br>reserve | Foreign<br>currency<br>translation<br>reserve | Share based<br>payment<br>reserve | Warrant<br>reserve | Total           |
|--|---------------------------|---|-----------------------------------|--------------------|-----------------|
| <b>2022</b>  |                           |   |                                   |                    |                 |
| Opening balance  | 91                        | (30,198)                                      | 1,493                             | 1,177              | (27,437)        |
| Performance grants issued                                | -                         | -   | 1,186                             | -                  | 1,186           |
| Performance rights forfeited                             | -                         | -   | (7)                               | -                  | (7)             |
| Shares vested  | -                         | -   | (393)                             | -                  | (393)           |
| Exchange differences on<br>translating foreign operation | -                         | (12,346)                                      | -                                 | -                  | (12,346)        |
| Performance rights expired                               | -                         | -   | (1,016)                           | -                  | (1,016)         |
| Warrants expired   | -                         | -   | -                                 | (1,177)            | (1,177)         |
| <b>Total reserves for the year</b>                       | <b>91</b>                 | <b>(42,544)</b>                               | <b>1,263</b>                      | <b>-</b>           | <b>(41,190)</b> |
| <b>2021</b>  |                           |   |                                   |                    |                 |
| Opening balance  | 91                        | (48,602)                                      | 1,460                             | 1,134              | (45,917)        |
| Performance grants issued                                | -                         | -   | 589                               | -                  | 589             |
| Performance rights expired                               | -                         | -   | (133)                             | -                  | (133)           |
| Performance rights forfeited                             | -                         | -   | (423)                             | -                  | (423)           |
| Exchange differences on<br>translating foreign operation | -                         | 18,404  | -                                 | -                  | 18,404          |
| Warrants issued  | -                         | -   | -                                 | 43                 | 43              |
| <b>Total reserves for the year</b>                       | <b>91</b>                 | <b>(30,198)</b>                               | <b>1,493</b>                      | <b>1,177</b>       | <b>(27,437)</b> |

### 14.3 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.

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Notes to the Consolidated Financial Statements

| Figures in US\$ `000 | Group<br>2022 | Group<br>2021 |
|----------------------|---------------|---------------|
|----------------------|---------------|---------------|

### 14. Reserves (continued)

#### 14.3 Nature and purpose of reserves (continued)

##### 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 18.

### 15. Provisions

#### 15.1 Provisions comprise:

|                                  |              |              |
|----------------------------------|--------------|--------------|
| Provisions for employee benefits | 203          | 195          |
| Other provisions                 | 8,048        | 6,689        |
|                                  | <b>8,251</b> | <b>6,884</b> |
| Other provisions                 | 8,048        | 6,689        |
| <b>Non-current portion</b>       | <b>8,048</b> | <b>6,689</b> |
| Provisions for employee benefits | 203          | 195          |
| <b>Current portion</b>           | <b>203</b>   | <b>195</b>   |
|                                  | <b>8,251</b> | <b>6,884</b> |

#### 15.2 Other provisions

|  | Biodiversity<br>offset<br>provision | Rehabilitation<br>provision | Total        |
|--|-------------------------------------|-----------------------------|--------------|
| <b>Balance at 1 July 2021</b>                      | <b>2,357</b>                        | <b>4,332</b>                | <b>6,689</b> |
| Unwinding of discount                              | 135                                 | 402                         | 537          |
| Change in assumptions on rehabilitation provisions | -                                   | 1,257                       | 1,257        |
| Foreign Exchange                                   | (301)                               | (688)                       | (989)        |
| Additions  | -                                   | 554                         | 554          |
| <b>Balance at 30 June 2022</b>                     | <b>2,191</b>                        | <b>5,857</b>                | <b>8,048</b> |
| <b>Balance at 1 July 2020</b>                      | <b>1,834</b>                        | <b>3,163</b>                | <b>4,997</b> |
| Unwinding of discount                              | 126                                 | 345                         | 471          |
| Change in assumptions on rehabilitation provisions | -                                   | 120                         | 120          |
| Foreign Exchange                                   | 397                                 | 704                         | 1,101        |
| <b>Balance at 30 June 2021</b>                     | <b>2,357</b>                        | <b>4,332</b>                | <b>6,689</b> |



# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Notes to the Consolidated Financial Statements

Figures in US\$ `000

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### 15. Provisions (continued)

#### 15.3 Details of other provisions

##### Employee provisions

The provision for employees represents unused annual leave entitlements.

##### Biodiversity offset provision

The Biodiversity offset agreement (BOA) was signed by the Department of Environmental Affairs (DEA), South African National Parks Board and the Company to the value of \$3,4 million (ZAR55 million) over a 25 year period. The BOA commits the Company to pay \$3,4 million (ZAR55 million) to the South African National Parks Board over a period of 25 years. The following payment arrangement has been agreed:

Phase 1 – ZAR2 million paid in 2015

Phase 2 – ZAR15 million from year 2016 to 2021 (\*ZAR2,5 million annually)

Phase 3 – ZAR13 million from year 2022 to 2028 (\*ZAR1,8 million annually)

Phase 4 – ZAR13 million from 2029 to 2033 (\*ZAR2,6 million annually)

Phase 5 – ZAR12 million from 2034 to 2038 (\*ZAR2,4 million annually)

\*For the purpose of the present value calculation, these payments per phase has been estimated as annual payments and discounted at a rate of 6%.

##### Rehabilitation provision

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).

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 license 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 7.4% annually and the discount rates applied to establish the current obligations are the annual 10 year South Africa government bond rate at 30 June 2022 of 10.50% (2021: 8.91%) and 2 year South Africa government bond rate at 30 June 2022 of 5.9% for the new provision raised during the year.

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

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

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Notes to the Consolidated Financial Statements

| Figures in US\$ '000                      | Group<br>2022 | Group<br>2021 |
|---|---------------|---------------|
| <b>16. Trade and other payables</b>       |               |               |
| <b>Trade and other payables comprise:</b> |               |               |
| Trade creditors                           | 2,788         | 2,412         |
| Accrued liabilities                       | 4,233         | 5,110         |
| Other payables                            | 2,286         | 1,872         |
| <b>Total trade and other payables</b>     | <b>9,307</b>  | <b>9,394</b>  |

The average credit period is 30 days.

### 17. Lease liabilities

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 9.75% per annum) plus 0.5% to 2.75% and is secured by the mining equipment purchased.

#### 17.1 Lease liabilities comprise:

|                         |              |              |
|-------------------------|--------------|--------------|
| Lease obligation        | 2,942        | 2,412        |
| Non-current liabilities | 2,057        | 1,557        |
| Current liabilities     | 885          | 855          |
|                         | <b>2,942</b> | <b>2,412</b> |

#### The movement in the lease liabilities is as follows:

|                                  |              |              |
|----------------------------------|--------------|--------------|
| Balance at beginning of the year | 2,412        | 1,835        |
| Modification                     | 1,339        | 858          |
| Additions                        | 119          | 102          |
| Interest                         | 281          | 202          |
| Repayments                       | (864)        | (1,038)      |
| Foreign exchange differences     | (345)        | 453          |
| Balance at end of year           | <b>2,942</b> | <b>2,412</b> |

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

|   |              |              |
|---|--------------|--------------|
| Not later than one year                           | 885          | 855          |
| Later than one year and not later than five years | 2,707        | 2,068        |
| Later than five years                             | 332          | 113          |
|   | <b>3,924</b> | <b>3,036</b> |
| Less future finance charges                       | (982)        | (624)        |
| Present value of minimum lease payments           | <b>2,942</b> | <b>2,412</b> |

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Notes to the Consolidated Financial Statements

| Figures in US\$ `000  | Group<br>2022 | Group<br>2021 |
|---|---------------|---------------|
| <b>17. Lease liabilities (continued)</b>  |               |               |
| <b>17.2 Amounts recognised in the consolidated statement of financial position</b>  |               |               |
| The Group leases various assets including land, buildings, plant and machinery and vehicles.  |               |               |
| <b>Right-of-use assets</b>  |               |               |
| Land  | 89            | 183           |
| Buildings   | 149           | 96            |
| Machinery   | 1,144         | 1,042         |
| Motor vehicles  | 1,750         | 1,267         |
|   | <b>3,132</b>  | <b>2,588</b>  |
| The movement in the right-of-use assets is as follows:  |               |               |
| Balance at beginning of the year  | 2,588         | 1,819         |
| Additions   | 119           | 95            |
| Depreciation  | (637)         | (660)         |
| Modification  | 1,462         | 922           |
| Foreign exchange differences  | (400)         | 412           |
| Balance at end of the year  | <b>3,132</b>  | <b>2,588</b>  |
| <b>18. Borrowings</b>   |               |               |
| <b>18.1 Borrowings comprise:</b>  |               |               |
| Pan African Resources Management Services (Pty) Ltd   | 270           | 935           |
| Industrial Development Corporation of South Africa Limited  | 16,796        | 18,547        |
| Dendocept (Pty) Ltd   | 3,368         | -             |
| Senosi Group Investment Holdings (Pty) Ltd  | 1,222         | -             |
|   | <b>21,656</b> | <b>19,482</b> |
| Balance at beginning of the year  | 19,482        | 13,595        |
| IDC Loan acquired during the year   | -             | 2,347         |
| Loans acquired during the year  | 7,953         | -             |
| Transfer to share capital   | (3,024)       | -             |
| Repayments - PARMS  | (644)         | (340)         |
| Interest accrued  | 537           | 617           |
| Warrant issued to IDC   | -             | (43)          |
| Foreign exchange differences  | (2,648)       | 3,306         |
| Balance at end of year  | <b>21,656</b> | <b>19,482</b> |
| Non-current portion of borrowings   | -             | 251           |
| Current portion of borrowings   | 21,656        | 19,231        |
|   | <b>21,656</b> | <b>19,482</b> |
| <b>18.2 Additional disclosures</b>  |               |               |
| <b>Senosi Group Investment Holdings (Pty) Ltd</b>   |               |               |
| During February 2022, MC Mining's and its subsidiary, Limpopo Coal, entered into a staged ZAR86 million Convertible Advance and Subscription Agreement (the SGIH Agreement) with Senosi Group Investment Holdings Proprietary Limited (SGIH). In terms of the Agreement, SGIH paid ZAR46 million (\$3.0 million) and 38.3 million new MC Mining shares were issued to SGIH on 6 April 2022. |               |               |

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Notes to the Consolidated Financial Statements

Figures in US\$ '000

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### 18. Borrowings (continued)

#### 18.2 Additional disclosures (continued)

##### **Senosi Group Investment Holdings (Pty) Ltd (continued)**

SGIH also conditionally agreed to subscribe for a further 33.3 million new MC Mining shares, raising an additional ZAR40.0million, conditional on shareholder approval. The Company's shareholders declined to approve the issue of the shares to SGIH at a meeting on 15 July 2022. As a result, the two tranches of R10.0 million paid by SGIH during April and May 2022, plus interest, are due to be repaid. This ZAR20.0 million (\$1.2 million) loan from SGIH attracts interest at the South African prime interest rate (currently 9.75%) and the loan and outstanding interest will be repaid in two tranches during September and October 2022.

##### **Industrial Development Corporation of South Africa Limited**

The IDC has provided longstanding financial support for the development of the Makhado Project and in March 2017 granted MC Mining a facility of which ZAR160.0 million (\$9.8 million) was drawn to progress Makhado to its fully-permitted status and to partially fund the acquisition of the surface rights over the project area. The Company is required to repay the loan amount plus an amount equal to the after tax internal rate of return equal to 16% of the amount of each advance. This resulted in IDC becoming a 6.7% shareholder in MC Mining subsidiary, Baobab, the owner of the Makhado Project. The IDC has extended the date for repayment date for the ZAR160.0 million (plus accrued interest) to 30 November 2022.

The IDC also agreed to extend the terminal draw down date in respect of the conditional July 2019 ZAR245.0 million (\$15.0 million) new facility for the development of the Makhado Project, to 30 November 2022, which facility is still subject to successful conclusion of a due diligence exercise and credit approval. The ZAR245.0 million new facility remains part of the composite Makhado funding package, subject to the repayment of the March 2017 facility, along with accrued interest thereon.

MC Mining is required to issue warrants, in respect of MC Mining shares, to the IDC on the drawdown of the March 2017 facility. The warrants for the first \$7.3 million (ZAR120 million) 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 was entitled to purchase the MC Mining shares was 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 was entitled to exercise the warrants for a period of five years from the date of issue and these warrants expired on 16 June 2022. The warrants for the second draw down of ZAR40 million equate to 0.833% of the entire share capital of MC Mining as at 1 October 2020, and it is not known if or precisely when these warrants will be issued. Furthermore, upon each advance, Baobab is required to issue new ordinary shares in Baobab to the IDC equivalent to 5% of the entire issued share capital of Baobab if the drawdown was ZAR120.0 million. Following the total drawdowns of ZAR160.0 million, the IDC is a 6.7% shareholder in Baobab.

##### **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 \$1.4 million (ZAR21.0 million) 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 \$0.1 million (ZAR1.0 million) per month.

##### **Dendocept (Pty) Ltd**

The standby loan facility obtained from Dendocept (Pty) Ltd is unsecured and bears interest at the South African Prime interest rate plus 3% with a maturity date of June 2023. The outstanding balance on the final maturity date is payable in cash or convertible to MC Mining equity at a price per share calculated as the prevailing 30-day Volume Weighted Average Price minus 15% on the date of conversion. Payment in MC Mining equity is at the sole discretion of MC Mining and is subject to all required shareholder and regulatory approvals, including South African exchange control approval.

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Notes to the Consolidated Financial Statements

| Figures in US\$ `000                         | Group<br>2022 | Group<br>2021 |
|--|---------------|---------------|
| <b>19. Deferred consideration</b>            |               |               |
| <b>19.1 Deferred consideration comprise:</b> |               |               |
| Deferred consideration                       | -             | 2,796         |
| Balance at beginning of year                 | 2,796         | 2,321         |
| Repaid during the year                       | (2,670)       | (117)         |
| Interest accrued                             | 39            | 103           |
| Foreign exchange differences                 | (165)         | 489           |
| Balance at end of year                       | -             | <b>2,796</b>  |
| Current liabilities                          | -             | 2,796         |
|  | -             | <b>2,796</b>  |

### 19.2 Details of deferred consideration

During FY2019, the company's subsidiary, 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 \$4,9 million (ZAR70 million). \$2.4 million (ZAR35 million) of the acquisition price has been deferred to the earlier of:

- 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 accrued interest at the South African prime interest rate (currently 9.75%) less 3.0%. Due to the deferred consideration not being fully paid on 10 January 2022 when it became due, interest was charged at \$986 (R15 000) per day from 10 January until 1 March 2022 when the deferred consideration was paid in full.

### 20. 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.

#### 20.1 Revenue comprises:

|                      |               |               |
|----------------------|---------------|---------------|
| Sale of coal         | 23,511        | 20,525        |
| Transport and other  | -             | 177           |
| <b>Total revenue</b> | <b>23,511</b> | <b>20,702</b> |

#### 20.2 Disaggregation of revenue from contracts with customers

|  | Sale of coal | Transport and<br>other | Total         |
|--|--------------|------------------------|---------------|
| <b>Revenue per geographical region</b> |              |                        |               |
| 2022 - South Africa                    | 23,511       | -                      | <b>23,511</b> |
| 2021 - South Africa                    | 20,525       | 177                    | <b>20,702</b> |

# MC Mining Limited

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## Notes to the Consolidated Financial Statements

| Figures in US\$ `000                        | Group<br>2022 | Group<br>2021 |
|---|---------------|---------------|
| <b>21. Cost of sales</b>                    |               |               |
| <b>Cost of sales comprise:</b>              |               |               |
| Employee costs                              | 9,161         | 7,936         |
| Security                                    | 311           | 275           |
| Inventory                                   | (3,820)       | 308           |
| Underground mining                          | 4,657         | 3,637         |
| Human Resources                             | 1,105         | 886           |
| Training                                    | 204           | 41            |
| Wash plant                                  | 337           | 288           |
| Administration                              | 1,974         | 1,101         |
| Environmental                               | 177           | 4             |
| Logistics                                   | 858           | 266           |
| Utilities                                   | 877           | 748           |
| Engineering                                 | 2,186         | 1,870         |
| Safety                                      | 308           | 269           |
| Depreciation                                | 2,511         | 2,533         |
| Royalties                                   | 153           | 140           |
| <b>Total cost of sales</b>                  | <b>20,999</b> | <b>20,302</b> |
| <b>22. Other income</b>                     |               |               |
| <b>Other income comprises:</b>              |               |               |
| Rental income                               | -             | 4             |
| Scrap sales                                 | 22            | 33            |
| Sundry income                               | 271           | 139           |
| <b>Total other income</b>                   | <b>293</b>    | <b>176</b>    |
| <b>23. Expected credit losses</b>           |               |               |
| <b>Expected credit losses comprise:</b>     |               |               |
| Expected credit losses on trade receivables | 331           | -             |

The expected credit loss amounting to \$0.3 million relates to trade receivables. Refer to note 9 for further detail.

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Notes to the Consolidated Financial Statements

| Figures in US\$ `000  | Group<br>2022 | Group<br>2021 |
|---|---------------|---------------|
| <b>24. Administrative expenses</b>  |               |               |
| <b>Administrative expenses comprise:</b>  |               |               |
| Employee expense  | 2,698         | 2,315         |
| Professional fees   | 1,082         | 208           |
| Legal expenses  | 256           | 166           |
| Other overheads   | 2,718         | 2,472         |
| Depreciation  | 86            | 89            |
| <b>Total administrative expenses</b>  | <b>6,840</b>  | <b>5,250</b>  |
| Included in administrative expenses is auditors' remuneration as follows:   |               |               |
| Remuneration for audit and review of the financial report:  |               |               |
| Mazars (2021: PWC – Australia)  | -             | 72            |
| Mazars (2021: PWC – South Africa))  | 156           | 283           |
|   | <b>156</b>    | <b>355</b>    |
| <b>25. Impairment expense</b>   |               |               |
| <b>The net impairment expense includes</b>  |               |               |
| Impairment of assets  | 14,851        | 6,759         |
| The impairment of assets in the 2022 year arose from the impairment of identified areas of the GSP and Vele prospecting rights amounting to \$14.9 million. Refer to note 7 for further detail.   |               |               |
| The impairment in the 2021 year arose from the impairment of the Vele Colliery of \$6.5 million and \$0.5 million 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 a gain on disposal of \$0.2 million relating to the sale of a property held by Harrisia Investment Holdings (Pty) Ltd that was previously impaired. |               |               |
| <b>26. Other gains and (losses)</b>   |               |               |
| <b>Other gains and (losses) comprise:</b>   |               |               |
| Foreign exchange (loss)/gain  |               |               |
| - Unrealised  | (103)         | 255           |
| - Realised  | (26)          | (65)          |
| Fair value adjustments  | 71            | 502           |
| Other   | 121           | 65            |
| <b>Total other gains and (losses)</b>   | <b>63</b>     | <b>757</b>    |
| <b>27. Finance income</b>   |               |               |
| <b>Finance income comprises:</b>  |               |               |
| Investment income   | 147           | 187           |

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Notes to the Consolidated Financial Statements

| Figures in US\$ `000  | Group<br>2022 | Group<br>2021 |
|---|---------------|---------------|
| <b>28. Finance costs</b>  |               |               |
| <b>Finance costs included in profit or loss:</b>  |               |               |
| Interest on borrowings  | 638           | 621           |
| Unwinding of discount from provisions   | 537           | 470           |
| Interest on leases  | 281           | 188           |
| Other   | 256           | 339           |
| <b>Total finance costs</b>  | <b>1,712</b>  | <b>1,618</b>  |
| <b>29. Income tax expense / (credit)</b>  |               |               |
| <b>29.1 Income tax recognised in profit or loss:</b>  |               |               |
| <b>Deferred tax</b>   |               |               |
| Current year deferred tax   | 116           | (234)         |
| Prior year deferred tax   | -             | (36)          |
| <b>Total deferred tax</b>   | <b>116</b>    | <b>(270)</b>  |
| <b>Total income tax expense / (credit)</b>  | <b>116</b>    | <b>(270)</b>  |
| <p>The Group's effective tax rate for the year was 0.6% (2021: 5.1%). The tax rate used for the 2022 and 2021 reconciliations below is the corporate tax rate of 30% for Australian companies.</p>  |               |               |
| <b>29.2 The income tax for the year can be reconciled to the accounting loss as follows:</b>  |               |               |
| Loss before tax from operations   | (20,719)      | (12,107)      |
| Income tax calculated at 30.0%  | (6,216)       | (3,632)       |
| Tax effect of   |               |               |
| - Expenses that are not deductible for tax purposes   | 2,325         | 3,044         |
| - Differences in tax rates  | 87            | 109           |
| - Income not taxable  | (660)         | (228)         |
| - Other temporary differences not recognized  | 4,531         | 603           |
| - Other   | (150)         | (130)         |
| - Prior year adjustments  | 199           | (36)          |
| <b>Tax charge</b>   | <b>116</b>    | <b>(270)</b>  |
| <b>30. Share-based payments</b>   |               |               |
| <b>Employee share option plan</b>   |               |               |
| <p>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.</p> |               |               |
| <p>There were no share-based payments existing at 30 June 2022.</p>   |               |               |



# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Notes to the Consolidated Financial Statements

Figures in US\$ `000

### 30. 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.

#### 2019 Performance rights

On 22 November 2019, 1,143,660 performance rights were issued to senior management. The number of rights are split into 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. Tranche 1 and Tranche 2 did not attain and the performance criteria were cancelled.

Inputs into the model were as follows:

|                                | <b>Tranche 1</b> | <b>Tranche 2</b> | <b>Tranche 3</b> |
|--------------------------------|------------------|------------------|------------------|
| Number of rights               | 381,220          | 381,220          | 381,220          |
| 22 November 2019 closing price | ZAR3.20          | ZAR3.68          | ZAR3.93          |
| Exercise price                 | Nil              | Nil              | Nil              |
| Vesting date                   | 21-Nov-20        | 21-Nov-21        | 21-Nov-22        |
| Performance period (years)     | 1                | 2                | 3                |
| Risk free interest rate        | 7.42%            | 7.42%            | 7.42%            |

381,220 (Tranche 1) of Performance Rights issued on 22 November 2019 expired on 21 November 2020.

#### 2020 Performance rights

On 20 November 2020, 3,492,720 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. Tranche 1 performance rights did not vest and were cancelled.

Inputs into the model were as follows:

|                                | <b>Tranche 1</b> | <b>Tranche 2</b> | <b>Tranche 3</b> |
|--------------------------------|------------------|------------------|------------------|
| Number of rights               | 1,164,240        | 1,164,240        | 1,164,240        |
| 19 November 2020 closing price | ZAR2.20          | ZAR2.20          | ZAR2.20          |
| Exercise price                 | Nil              | Nil              | Nil              |
| Vesting date                   | 19-Nov-21        | 19-Nov-22        | 19-Nov-23        |
| Performance period (years)     | 1                | 2                | 3                |
| Risk free interest rate        | 6.94%            | 6.94%            | 6.94%            |

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Notes to the Consolidated Financial Statements

| Figures in US\$ '000 | Group<br>2022 | Group<br>2021 |
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### 30. Share-based payments (continued)

#### Performance Rights Plan (continued)

##### *Special incentive performance rights*

On 24 September 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 December 2022, the Incentive Shares will lapse. As at 31 March 2022, the commissioning of the Vele plant did not occur. A directors resolution was passed on 22 March 2022 to extend the expiry date of the special incentive to 31 December 2022.

Inputs into the model were as follows:

|                                      | Performance<br>rights |
|--------------------------------------|-----------------------|
| 24 September 2020 closing price      | ZAR1.47               |
| Exercise price                       | Nil                   |
| Vesting date                         | 31-Mar-22             |
| Risk free interest rate              | 6.94%                 |
| Expiry date per directors resolution | 31-Dec-22             |

The total share based payment expense recognised in relation to the Performance Rights in the current financial year is \$0.1 million (FY2021: \$0.1 million).

#### Movement in performance rights

|   |                  |                  |
|---|------------------|------------------|
| Performance rights outstanding at beginning of the year | 8,183,422        | 4,743,472        |
| Performance rights expired                              | (6,545,459)      | (1,461,694)      |
| Performance rights forfeited                            | (3,325,871)      | (7,043,369)      |
| Performance rights granted                              | 10,871,406       | 11,945,013       |
| Performance rights shares issued                        | (4,871,406)      | -                |
| <b>Outstanding at the end of the period</b>             | <b>4,312,092</b> | <b>8,183,422</b> |

### 31. Earnings per share

#### 31.1 Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

|   |                 |                 |
|---|-----------------|-----------------|
| Basic loss per share (cents)  | 12.65           | 7.76            |
| Loss for the year attributable to owners of the company             | (20,732)        | (11,744)        |
| <b>Earnings used in the calculation of basic earnings per share</b> | <b>(20,732)</b> | <b>(11,744)</b> |

|   |             |             |
|---|-------------|-------------|
| <b>Weighted number of ordinary shares</b> | <b>'000</b> | <b>'000</b> |
|---|-------------|-------------|

|  |         |         |
|--|---------|---------|
| Weighted average number of ordinary shares used in the calculation of basic earnings per share | 163,928 | 152,630 |
|--|---------|---------|

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Notes to the Consolidated Financial Statements

| Figures in US\$ `000 | Group<br>2022 | Group<br>2021 |
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|----------------------|---------------|---------------|

### 31. Earnings per share (continued)

#### 31.2 Diluted earnings 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 were excluded from the computation of the loss per share as their impact is anti-dilutive. These warrants expired in June 2022.

#### 31.2 Headline earnings per share (in line with JSE requirements)

The calculation of headline loss per share at 30 June 2022 was based on the headline loss attributable to ordinary equity holders of the Company of \$5.9 million (2021: \$4.9 million) and a weighted average number of ordinary shares outstanding during the period ended 30 June 2022 of 163,927,508 (2021:152,629,856)

**The earnings and weighted average number of ordinary shares used in the calculation of headline earnings per share are as follows:**

|  |                |                |
|--|----------------|----------------|
| Loss for the year attributable to owners of the company                | (20,732)       | (11,744)       |
| Impairment expense (refer note 25)                                     | 14,851         | 6,931          |
| Impairment reversal (refer note 25)                                    | -              | (172)          |
| <b>Earnings used in the calculation of headline earnings per share</b> | <b>(5,881)</b> | <b>(4,985)</b> |
| <b>Total headline earnings per share (cents)</b>                       | <b>(3.59)</b>  | <b>(3.33)</b>  |

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Notes to the Consolidated Financial Statements

Figures in US\$ '000

### 32. Segment information

#### 32.1 General information

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).

#### 32.2 Segments

|   | Exploration     | Development    | Mining       | Total           |
|---|-----------------|----------------|--------------|-----------------|
| <b>Year ended 30 June 2022</b>                          |                 |                |              |                 |
| Revenue   | -               | -              | 23,511       | <b>23,511</b>   |
| Cost of sales   | -               | -              | (20,996)     | <b>(20,996)</b> |
| <b>Gross profit</b>                                     | <b>-</b>        | <b>-</b>       | <b>2,515</b> | <b>2,515</b>    |
| Other income  | -               | 47             | 174          | <b>221</b>      |
| Expected credit losses                                  | -               | -              | (331)        | <b>(331)</b>    |
| Other operating (losses)/gains                          | (6)             | (2)            | 122          | <b>114</b>      |
| Net Impairment expense                                  | (10,530)        | -              | -            | <b>(10,530)</b> |
| Administrative expenses                                 | (876)           | (666)          | (349)        | <b>(1,891)</b>  |
| <b>Operating (loss)/profit</b>                          | <b>(11,412)</b> | <b>(621)</b>   | <b>2,131</b> | <b>(9,902)</b>  |
| Interest income   | 22              | 3              | 26           | <b>51</b>       |
| Finance costs   | (689)           | (431)          | (577)        | <b>(1,697)</b>  |
| <b>Loss before tax</b>                                  | <b>(12,079)</b> | <b>(1,049)</b> | <b>1,580</b> | <b>(11,548)</b> |
| Income tax charge                                       | -               | -              | (160)        | <b>(160)</b>    |
| <b>Segment net (loss)/ profit after tax</b>             | <b>(12,079)</b> | <b>(1,049)</b> | <b>1,420</b> | <b>(11,708)</b> |
| <b>Segment assets</b>                                   | 67,917          | 18,065         | 30,017       | 115,999         |
| Items included in the Group's measure of segment assets |                 |                |              |                 |
| - Addition to non-current assets                        | 158             | 229            | 1,297        | 1,684           |
| <b>Segment liabilities</b>                              | (21,480)        | (7,631)        | (14,958)     | (44,069)        |

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Notes to the Consolidated Financial Statements

Figures in US\$ '000

Group  
2022

Group  
2021

### 32. Segment information (continued)

#### 32.2 Segments (continued)

|   | Exploration    | Development    | Mining      | Total           |
|---|----------------|----------------|-------------|-----------------|
| <b>Year ended 30 June 2021</b>                          |                |                |             |                 |
| Revenue   | -              | -              | 20,702      | <b>20,702</b>   |
| Cost of sales   | -              | -              | (20,302)    | <b>(20,302)</b> |
| <b>Gross profit</b>                                     | <b>-</b>       | <b>-</b>       | <b>400</b>  | <b>400</b>      |
| Other income  | 21             | 74             | 63          | <b>158</b>      |
| Other operating (losses)/gains                          | (7)            | -              | 64          | <b>57</b>       |
| Net Impairment expense                                  | (434)          | (6,325)        | -           | <b>(6,759)</b>  |
| Administrative expenses                                 | (650)          | (609)          | (109)       | <b>(1,368)</b>  |
| <b>Operating (loss)/profit</b>                          | <b>(1,070)</b> | <b>(6,860)</b> | <b>418</b>  | <b>(7,512)</b>  |
| Interest income   | 26             | -              | 38          | <b>64</b>       |
| Finance costs   | (656)          | (384)          | (553)       | <b>(1,593)</b>  |
| <b>Loss before tax</b>                                  | <b>(1,700)</b> | <b>(7,244)</b> | <b>(97)</b> | <b>(9,041)</b>  |
| Income tax charge                                       | -              | -              | 270         | <b>270</b>      |
| <b>Segment net (loss)/ profit after tax</b>             | <b>(1,700)</b> | <b>(7,244)</b> | <b>173</b>  | <b>(8,771)</b>  |
| <b>Segment assets</b>                                   | 86,031         | 31,337         | 31,418      | 148,786         |
| Items included in the Group's measure of segment assets |                |                |             |                 |
| - Addition to non-current assets                        | 484            | 4              | 332         | 784             |
| <b>Segment liabilities</b>                              | (26,513)       | (5,626)        | (14,976)    | (47,115)        |

#### 32.3 Reconciliations

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

##### 32.3.1 Total loss for reportable segment

|                                    |                 |                 |
|------------------------------------|-----------------|-----------------|
| Segment profit or loss as reported | (11,708)        | (8,871)         |
| Other operating income             | 70              | 18              |
| Other operating gains/(losses)     | (49)            | 700             |
| Administrative expenses            | (4,953)         | (3,782)         |
| Interest income                    | 97              | 123             |
| Finance costs                      | (16)            | (25)            |
| Net impairment expense             | (4,320)         | -               |
| Taxation                           | 44              | -               |
| <b>Group loss after tax</b>        | <b>(20,835)</b> | <b>(11,837)</b> |

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Notes to the Consolidated Financial Statements

Figures in US\$ '000

|  | Group<br>2022 | Group<br>2021 |
|--|---------------|---------------|
|--|---------------|---------------|

### 32. Segment information (continued)

#### 32.3.2 Total segment assets

|   |                |                |
|---|----------------|----------------|
| Segment total assets as reported              | 115,999        | 148,786        |
| Unallocated property, plant and equipment     | 4,964          | 1,201          |
| Other financial assets                        | 4,037          | 4,469          |
| Other receivables                             | 100            | -              |
| Unallocated current assets                    | 314            | 321            |
| Unallocated exploration and evaluation assets | 1              | -              |
| <b>Group total assets</b>                     | <b>125,415</b> | <b>154,777</b> |

#### 32.3.3 Total liabilities

|                                       |                 |                 |
|---------------------------------------|-----------------|-----------------|
| Segment total liabilities as reported | (44,069)        | (47,115)        |
| Unallocated liabilities               | (4,214)         | (1,138)         |
| <b>Group total liabilities</b>        | <b>(48,283)</b> | <b>(48,253)</b> |

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

#### 32.3.4 Revenue by location of operations

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.

|  |               |               |
|--|---------------|---------------|
| South Africa                                   | 23,511        | 20,702        |
| <b>Group revenue by location of operations</b> | <b>23,511</b> | <b>20,702</b> |

#### 32.3.5 Non-current assets by location of operations

|                                 |                |                |
|---------------------------------|----------------|----------------|
| South Africa                    | 107,781        | 147,283        |
| <b>Total non-current assets</b> | <b>107,781</b> | <b>147,283</b> |

### 33. Related parties

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

|                              |              |            |
|------------------------------|--------------|------------|
| Short-term employee benefits | 655          | 590        |
| Share-based payments         | 821          | (242)      |
|                              | <b>1,476</b> | <b>348</b> |

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.

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Notes to the Consolidated Financial Statements

Figures in US\$ '000

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### 33. Related parties (continued)

Mathews Senosi is a non-executive director of MC Mining and owns 38.4 million ordinary shares (19.4%) in the Company. Mr Senosi acquired his interest in April 2022 following his investment of R46.0 million (\$2.8 million) in the Company. The investment was made following signature of the SGIH Agreement between MC Mining and SGIH.

In terms of the SGIH Agreement, SGIH also lent R20.0 million (\$1.2 million) to Limpopo Coal Company (Pty) Ltd, a wholly owned subsidiary of MC Mining. The loan incurs interest at the South African prime interest rate (currently 9.75%) and R10.5 million (\$0.6 million) of the loan was repaid in September 2022 with the balance expected to be paid in October 2022.

During FY2022, the Uitkomst Colliery sold 23,772t (FY2021: 0t) of coal to Overlooked Colliery (Pty) Ltd (Overlooked) at market related prices prior to Overlooked being a related party. The sales generated revenue of \$2.1 million (FY2021: \$nil). Mr Senosi is Overlooked's CEO and controlling shareholder.

### 34. Events after the reporting date

On 15 July 2022, the shareholders voted against the issue of the 33,333,333 new Ordinary Shares to SGIH and the Company will repay the ZAR20 million (\$1.2 million) already advanced by SGIH, subsequent to year-end (Refer to note 18.2 for details on the loan);

On 28 July 2022, the Group's Uitkomst Colliery entered into a Coal Sales Marketing Agreement with Overlooked, expiring on 31 December 2022, facilitating the export of at least 20,000t of API4 (6,000k/cal) coal from Uitkomst on a monthly basis, allowing the Company to take advantage of international coal prices;

On 30 August 2022, a study by Minxcon assessing potential alternative development scenarios for Makhado to optimise capex and reduce operational costs at the Makhado Project. The scenarios assessed included possibly moving the Vele coal processing plant (CPP) and modifying this at Makhado or, the construction of a bespoke CPP at Makhado. Both additional development scenarios were completed at pre-feasibility level, resulting in additional capital expenditure to develop Makhado but would significantly reduce the operating costs when compared to the Base Case scenario. While the BFS Base Case is feasible and economically robust, the additional two scenarios resulted in improved project economics.

On 27 September 2022, a fully underwritten 1.012 for 1 renounceable rights issue offer (Rights Offer) of new ordinary shares of no par value in MC Mining (each, a New Share) at an issue price of A\$0.20 (\$0.14) per New Share for Eligible Shareholders in Australia (and New Zealand) and ZAR2.36 per New Share for eligible shareholders in South Africa. The rights issue will raise gross proceeds of A\$40 million (equivalent to approximately ZAR451 million/ 27.6 million) via the issue of approximately 200,026,728 New Shares (subject to rounding). The funds raised under the Rights Issue will be used by the Company:

- to meet the Company's equity contribution required for the IDC's proposed debt funding, in relation the development of the Makhado Project;
- fund the continued development of the Makhado Project;
- repay as much as possible of the total amount outstanding (which is approximately \$3.7 million (equivalent to ZAR60 million)) under the Standby Facility; and
- for general working capital (including to pay the costs of the Rights Issue) purposes.

The Rights Issue is expected to be completed in early November 2022.

# MC Mining Limited

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## Notes to the Consolidated Financial Statements

| Figures in US\$ `000 | Group<br>2022 | Group<br>2021 |
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### 34. Events after the reporting date (continued)

#### Impact of Ukraine-Russia conflict

Towards the end of February 2022, a conflict arose between Russia and Ukraine which has continued to escalate into a protracted war by Russia within Ukraine. Russia is the world's third largest oil producer, as well as a major coal producer. Should the war continue, we could foresee some changes to the oil and coal commodity prices in the short to medium term; the effects of such changes (if any) on the group's business are not yet known or predictable at the signing date of these consolidated financial statements.

### 35. Financial instruments

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 forms part of the Finance function and reports quarterly to the Group's audit and risk committee, that monitors risks and policies implemented to mitigate risk exposures.

#### 35.1 Categories of financial instruments

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

| Financial assets                         | Note |               |               |
|--|------|---------------|---------------|
| Trade and other receivables <sup>1</sup> | 9    | 1,093         | 3,430         |
| Cash and cash equivalents <sup>1</sup>   | 12   | 2,993         | 3,226         |
| Restricted cash <sup>2</sup>             | 12   | 100           | 95            |
| Other Financial Assets <sup>2</sup>      | 11   | 4,599         | 4,708         |
| <b>Total financial assets</b>            |      | <b>8,785</b>  | <b>11,459</b> |
| <b>Financial liabilities</b>             |      |               |               |
| Deferred consideration <sup>1</sup>      | 19   | -             | 2,796         |
| Borrowings <sup>1</sup>                  | 18   | 21,656        | 19,482        |
| Bank overdraft <sup>1</sup>              | 12   | 1,529         | 2,203         |
| Trade and other payables <sup>1</sup>    | 16   | 9,307         | 9,394         |
| Leases <sup>1</sup>                      | 17   | 2,942         | 2,412         |
| <b>Total financial liabilities</b>       |      | <b>35,434</b> | <b>36,287</b> |

<sup>1</sup> Financial instrument classified at amortised cost.

<sup>2</sup> Financial instrument classified at fair value through profit or loss



# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Notes to the Consolidated Financial Statements

Figures in US\$ `000

### 35. Financial instruments (continued)

#### 35.2 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 11)

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 11).

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 (Fair Value Through Profit and Loss) during the year nor were any assets transferred between levels.

| As at 30 June 2022        | Level 1 | Level 2 | Level 3 | Total |
|---------------------------|---------|---------|---------|-------|
| Financial assets at FVTPL | -       | 4,580   | -       | 4,580 |

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

#### 35.3 Market risk

##### 35.3.1 Foreign exchange risk

###### Exposure

The Group 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 the US dollar, Australian dollar and the SA rand. A foreign exchange risk arises from the funds deposited in US dollars and Australian dollars which will have to be exchanged into the functional currency for working capital purposes.

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Notes to the Consolidated Financial Statements

Figures in US\$ `000

### 35. Financial instruments (continued)

#### 35.3 Market risk (continued)

##### 35.3.1 Foreign exchange risk (continued)

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

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

| <b>30 June 2022</b>                      | <b>Held in<br/>GBP \$'000</b> | <b>Held in<br/>AUD\$'000</b> | <b>Held in<br/>USD \$'000</b> | <b>Total</b> |
|--|-------------------------------|------------------------------|-------------------------------|--------------|
| <b>Financial assets</b>                  |                               |                              |                               |              |
| - Cash and cash equivalents <sup>1</sup> | -                             | 15                           | 1                             | 16           |
| Total financial assets                   | <u>-</u>                      | <u>15</u>                    | <u>1</u>                      | <u>16</u>    |
| <b>Financial liabilities</b>             |                               |                              |                               |              |
| - Trade and other payables               | (32)                          | (109)                        | -                             | (141)        |
| Total financial liabilities              | <u>(32)</u>                   | <u>(109)</u>                 | <u>-</u>                      | <u>(141)</u> |
| <b>30 June 2021</b>                      |                               |                              |                               |              |
|  | <b>Held in<br/>GBP \$'000</b> | <b>Held in<br/>AUD\$'000</b> | <b>Held in<br/>USD \$'000</b> | <b>Total</b> |
| <b>Financial assets</b>                  |                               |                              |                               |              |
| - Cash and cash equivalents <sup>1</sup> | -                             | 2                            | 3                             | 5            |
| Total financial assets                   | <u>-</u>                      | <u>2</u>                     | <u>3</u>                      | <u>5</u>     |
| <b>Financial liabilities</b>             |                               |                              |                               |              |
| - Trade and other payables               | (3)                           | (21)                         | -                             | (24)         |
| Total financial liabilities              | <u>(3)</u>                    | <u>(21)</u>                  | <u>-</u>                      | <u>(24)</u>  |

<sup>1</sup>Cash includes restricted cash

#### Sensitivity

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.

| <b>Judgements on reasonable possible movements</b> | <b>Impact on post tax profit</b> |             |
|--|----------------------------------|-------------|
|  | <b>2022</b>                      | <b>2021</b> |
| USD increase by 10%                                | 28                               | 40          |
| USD decrease by 10%                                | (28)                             | (40)        |

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Notes to the Consolidated Financial Statements

Figures in US\$ `000

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### 35. Financial instruments (continued)

#### 35.3 Market risk (continued)

##### 35.3.2 Interest rate risk management

###### Exposure

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 Group's borrowings and receivables are carried at amortised cost. The borrowings are periodically contractually repriced (see below) and to that extent are also exposed to the risk of future changes in market interest rates.

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.

###### Sensitivity

| Judgements on reasonable possible movements    | Impact on post tax profit |      |
|--|---------------------------|------|
|  | 2022                      | 2021 |
| Increase of 2% (2021: 0.2%) in interest rate   | (187)                     | 5    |
| Decrease of 2% (2021: 0.2%) in interest rate   | 187                       | (5)  |
| Increase of 5.0% (2021: 1.0%) in interest rate | (467)                     | 25   |
| Decrease of 5.0% (2021: 1.0%) in interest rate | 467                       | (25) |

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.

#### 35.4 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 are limited because the counterparties are banks with high credit-ratings assigned of BB- by international credit-rating agencies.

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Notes to the Consolidated Financial Statements

| Figures in US\$ `000 | Group<br>2022 | Group<br>2021 |
|----------------------|---------------|---------------|
|----------------------|---------------|---------------|

### 35. Financial instruments (continued)

#### 35.4 Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

|                             |              |               |
|-----------------------------|--------------|---------------|
| Other financial assets      | 4,599        | 4,708         |
| Restricted cash             | 100          | 95            |
| Trade and other receivables | 1,093        | 3,430         |
| Cash and cash equivalents   | 2,993        | 3,226         |
|                             | <b>8,785</b> | <b>11,459</b> |

#### 35.5 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.

#### Maturities of financial liabilities

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

|                                    | Less than 12<br>months | Between 2 and<br>5 years | Over 5 years | Total         |
|------------------------------------|------------------------|--------------------------|--------------|---------------|
| <b>Year ended 30 June 2022</b>     |                        |                          |              |               |
| <b>Financial liabilities</b>       |                        |                          |              |               |
| Trade and other payables (Note 16) | 9,311                  | -                        | -            | 9,311         |
| Lease liabilities (Note 17)        | 885                    | 2,707                    | 332          | 3,924         |
| Bank overdraft (Note 12)           | 1,529                  | -                        | -            | 1,529         |
| Borrowings (Note 18)               | 18,288                 | 3,368                    | -            | 21,656        |
|                                    | <b>30,013</b>          | <b>6,075</b>             | <b>332</b>   | <b>36,420</b> |

|                                    | Less than 12<br>months | Between 2 and<br>5 years | Over 5 years | Total         |
|------------------------------------|------------------------|--------------------------|--------------|---------------|
| <b>Year ended 30 June 2021</b>     |                        |                          |              |               |
| <b>Financial liabilities</b>       |                        |                          |              |               |
| Trade and other payables (Note 16) | 9,394                  | -                        | -            | 9,394         |
| Bank overdraft (Note 12)           | 2,203                  | -                        | -            | 2,203         |
| Lease liabilities (Note 17)        | 855                    | 2,068                    | 113          | 3,036         |
| Deferred consideration (Note 19)   | -                      | 2,796                    | -            | 2,796         |
| Borrowings (Note 18)               | -                      | 19,231                   | 251          | 19,482        |
|                                    | <b>12,452</b>          | <b>24,095</b>            | <b>364</b>   | <b>36,911</b> |

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Notes to the Consolidated Financial Statements

| Figures in US\$ `000 | Group<br>2022 | Group<br>2021 |
|----------------------|---------------|---------------|
|----------------------|---------------|---------------|

### 36. 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 18 and 19) (net of cash) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests).

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

The Group's Board reviews the capital structure of the Group on a quarterly basis. As part of this review, the Board 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%.

#### Balances of managed capital

|              |        |         |
|--------------|--------|---------|
| Net debt (1) | 18,664 | 22,278  |
| Equity (2)   | 77,136 | 106,524 |

|                             |     |     |
|-----------------------------|-----|-----|
| <b>Debt to equity ratio</b> | 24% | 21% |
|-----------------------------|-----|-----|

1. Debt is defined as long-term and short-term borrowings as described in notes 18 and 19 less unrestricted cash and cash equivalents.

2. Equity includes all capital and reserves of the Group that are managed as capital.

### 37. Reconciliation of loss before tax to net cash used in operations

|  |                 |                 |
|--|-----------------|-----------------|
| <b>Loss before tax</b>   | <b>(20,719)</b> | <b>(12,107)</b> |
| <b>Adjustments for:</b>  |                 |                 |
| Finance income   | (147)           | -               |
| Finance costs  | 1,714           | 1,432           |
| Depreciation   | 2,620           | 2,622           |
| Net impairment expense   | 14,850          | 6,760           |
| Revaluation on property, plant and equipment                       | (39)            | -               |
| Share-based payments   | 792             | 168             |
| Fair value gains and losses  | 129             | (64)            |
| Expected credit losses   | 331             | 7               |
| Re-valuation of investments  | (71)            | (502)           |
| Rehabilitation adjustment  | 142             | 293             |
| Reclassification on loans  | (82)            | -               |
| Movement in provisions   | (1)             | (83)            |
| <b>Change in operating assets and liabilities:</b>                 |                 |                 |
| Adjustments for (increase) / decrease in inventories               | (3,603)         | 352             |
| Adjustments for decrease / (increase) in trade accounts receivable | 2,006           | (1,753)         |
| Adjustments for (decrease) / increase in other operating payables  | (83)            | 1,458           |
| <b>Net cash flows from operations</b>                              | <b>(2,161)</b>  | <b>(1,417)</b>  |

# MC Mining Limited

Consolidated Financial Statements for the year ended 30 June 2022

## Notes to the Consolidated Financial Statements

Figures in US\$ `000

### 38. 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 40, subsidiary companies have typical financial commitments associated with their MR's granted by the South African DMRE.

As at 30 June 2022, the group had a \$0.2 million commitment which relate to its social and labour plan at Uitkomst Colliery. In addition to the amount provided for in the consolidated statement of financial position.

### 39. Controlled entities

Particulars in relation to controlled entities

|  | Country of<br>incorporation | 30 June 2022<br>% | 30 June 2021<br>% |
|--|-----------------------------|-------------------|-------------------|
| Tshikunda Mining Proprietary Limited   | South Africa                | 60                | 60                |
| Bakstaan Boerdery Proprietary Limited *  | South Africa                | 100               | 100               |
| Baobab Mining & Exploration Proprietary Limited**                              | South Africa                | 93                | 93                |
| Chapudi Coal Proprietary Limited ***   | South Africa                | 100               | 100               |
| 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                | 100               | 100               |
| Limpopo Coal Company Proprietary Limited                                       | South Africa                | 100               | 100               |
| Makhado Centre of Learning NPC**   | South Africa                | 100               | 100               |
| 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                | 100               | 100               |
| MC Mining South Africa Proprietary Limited                                     | South Africa                | 100               | 100               |

\* Subsidiary company of Fumaria Property Holdings Proprietary Limited

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

\*\*\* Subsidiary companies of MbeuYashu Proprietary Limited

\*\*\*\* The group have rights to the asset, liabilities, revenue and expenses of Coal of Africa & ArcelorMittal Analytical Laboratories (Pty) Ltd, its direct share is jointly held and accounted for as a joint operation.

# MC Mining Limited

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## Notes to the Consolidated Financial Statements

| Figures in US\$ `000                           | Group<br>2022  | Group<br>2021 |
|--|----------------|---------------|
| <b>40. Parent entity financial information</b> |                |               |
| <b>Summary financial information</b>           |                |               |
| Non-current assets                             | 280,871        | 99,423        |
| Current assets                                 | 146            | 17            |
| Total assets                                   | <u>281,017</u> | <u>99,440</u> |
| Non-current liabilities                        | -              | -             |
| Current liabilities                            | 3,381          | 758           |
| Total liabilities                              | <u>3,381</u>   | <u>758</u>    |
| Net assets                                     | <u>277,636</u> | <u>98,682</u> |
| Shareholders' Equity                           |                |               |
| Issued capital                                 | 1,045,396      | 1,041,884     |
| Accumulated deficit and reserves               | (765,564)      | (943,203)     |
|  | <u>279,832</u> | <u>98,681</u> |
| Loss for the year                              | (2,283)        | (931)         |
| Total comprehensive loss                       | <u>(2,283)</u> | <u>(931)</u>  |

### 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 18)
- MC Mining has provided surety for the standby facility from Dendocept