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**REPORT FOR THE QUARTER ENDED 30 JUNE 2020**

**FUNDING PROCESSES CONTINUE DURING LOCKDOWN**

MC Mining Limited (“**MC Mining**” or the “**Company**”) which operates in South Africa, together with its subsidiaries, hereby provides its update for the three months ended 30 June 2020, the final quarter (the “**Quarter**”) of the Company’s 2020 financial year. All figures are denominated in United States dollars unless otherwise stated. Safety metrics are compared to the preceding quarter while financial and operational metrics are measured against the comparable period in the previous financial year. A copy of this report is available on the Company’s website, [www.mcmining.co.za](http://www.mcmining.co.za).

**Salient operational and corporate features**

- The safety and hygiene focus continued at the high-grade Uitkomst metallurgical and thermal coal mine (“**Uitkomst Colliery**” or “**Uitkomst**”), with one lost-time injury (“**LTI**”) recorded during the Quarter (FY2020 Q3: one LTI);
- The South African Government previously issued directives to contain the spread of the COVID-19 virus, instituting a national lockdown (the “**Lockdown**”) from 26 March 2020. This was extended to 30 April 2020 with restrictions easing during May and June 2020;
- As a result of the Lockdown, Uitkomst was placed on care and maintenance in March and did not produce run-of-mine (“**ROM**”) coal in April. The colliery was limited to 50% of labour capacity in May 2020 and normalised pre-Lockdown production levels resumed at the end of June 2020;
- Uitkomst generated 41,536 tonnes (“**t**”) (FY2019 Q4: 121,742t) of ROM coal, a 66% decline on the comparative period to end June 2019;
- The Lockdown also resulted in the majority of Uitkomst’s customers suspending operations and sales of high-grade metallurgical, thermal and high-ash middlings coal were 74% lower than for the comparative period in 2019 (FY2020 Q4: 19,429t 2020 vs. FY2019 Q4:75,643t);
- Uitkomst’s customers recommenced operations in June 2020 and following this, normalised order volumes resumed in July 2020, reducing inventory stockpiles; and
- Activities at the Company’s Makhado hard coking coal project (“**Makhado Project**” or “**Makhado**”), Vele semi-soft coking and thermal coal colliery (“**Vele Colliery**” or “**Vele**”) and Greater Soutpansberg Projects (“**GSP**”) were suspended due to the Lockdown and limited activities have recommenced.

### **Coal market and financial features**

- The COVID-19 pandemic resulted in a significant decline in API4 export thermal coal prices, reducing from \$79/t in the preceding three months to \$55/t for the Quarter. This is 16% lower than the comparative June 2019 period's \$66/t;
- Uitkomst increased its ABSA Bank Limited ("**ABSA**") primary lending facility from R20 million (\$1.2 million) to R40 million (\$2.3 million) to cover increased working capital requirements to ramp up the operations;
- Composite debt/equity funding initiatives for the Makhado Project were delayed and are expected to be completed in H2 CY2020; and
- Available cash at Quarter-end was \$0.4 million (\$1.8 million at the end of March 2020) and restricted cash of \$0.03 million.

### **Subsequent events**

- Restructuring of the loan agreement with the Industrial Development Corporation of South Africa Limited ("**IDC**") allowing for the drawdown of R40 million (\$2.4 million) of the existing facility and commitments for a collective R15.0 million (\$0.9 million) of new MC Mining equity. The equity will be issued following South African Reserve Bank approval, anticipated in early August 2020. A further announcement confirming the exact number of shares and warrants and date of admission to trading on the ASX, AIM and the JSE will be made at that point.

### **Brenda Berlin, Acting CEO commented:**

"The spread of the COVID-19 virus impacted MC Mining's Uitkomst Colliery, corporate office, Makhado, Vele and GSP sites. The virus resulted in the South African Government declaring a nationwide Lockdown in late March 2020 and we implemented measures to safeguard our people at our sites and limit the potential spread of the virus. The Company also initiated contingency programmes, with key activities continuing remotely in isolated, safe environments. The Uitkomst Colliery was placed on care and maintenance, halting coal production and processing with key customers also suspending operations in late March 2020.

The Lockdown measures were eased progressively during the Quarter, allowing Uitkomst to return to steady-state production by the end of June with orders returning to pre-COVID-19 levels in July 2020.

The adverse effects of the Lockdown on working capital requirements led to Uitkomst having to increase its ABSA primary lending facility and the Company undertook exhaustive negotiations with the IDC to restructure

the current debt facilities. The parties reached agreement during July 2020, and drawdowns will commence in August 2020.

The Company also continued to interact with potential domestic and international funders and we anticipate that the process to secure the balance of the capital required to develop Makhado Phase 1 will be completed in H2 CY2020, with construction commencing shortly thereafter.”

## **QUARTERLY COMMENTARY**

### **National Lockdown**

The health and safety of MC Mining’s employees is a prevailing priority and the Company implemented Lockdown regulations promulgated by the South African Government. This had a significant impact on the Company’s activities and resulted in the implementation of a ‘no work, no pay’ policy for non-essential staff. Only staff undertaking essential services were permitted on site and non-essential employees received a portion of their wages from the South African Government’s Temporary Employer/Employee Relief Scheme.

The Government began reducing Lockdown restrictions in May 2020, allowing Uitkomst operations to recommence but only at 50% of the mine’s labour capacity. The colliery resumed steady-state production at the end of June 2020 but Lockdown measures prevented key customers from returning to production and sales volumes only normalised in July 2020.

### **Uitkomst Colliery – Utrecht Coalfields (70% owned)**

The focus on health and safety continued at Uitkomst and the colliery recorded one LTI during the Quarter (FY2020 Q3: one LTI).

The colliery was significantly affected by the Lockdown and ROM coal production was 66% lower than for the comparative period (41,536t vs 121,742t). This also resulted in a halt in domestic steel production and sales of high-grade metallurgical and thermal coal declined to 16,707t (FY2019 Q4: 75,643t) while 2,722t of high-ash middlings coal were sold (FY2019 Q4: 0t) during the Quarter.

The global effects of COVID-19 adversely affected API4 thermal coal prices with average prices for the Quarter 16% lower than the comparative period in 2019 (\$55/t vs \$66/t). The reduced coal prices were partially offset by a 25% weakening of the ZAR:US\$ exchange rate and revenue per tonne declined by 18% (\$58/t vs. \$71/t) during the three months. A large proportion of Uitkomst’s cost base is fixed and the negative impact of the

reduced volumes was offset by the weakening of the exchange rate, resulting in production costs declining marginally to \$48/t (FY2019 Q4: \$49/t).

	Quarter to end-Jun 2020	Quarter to end-Jun 2019	%▲
<b>Production tonnages</b>			
Uitkomst ROM (t)	41 536	121 742	(66%)
<b>Sales tonnages</b>			
Own ROM (t)	16 707	75 643	(78%)
Middlings sales	2 722	-	100%
	<b>19 429</b>	<b>75 643</b>	<b>(74%)</b>
<b>Quarter financial metrics</b>			
Revenue/t (\$)	57.88	70.87	(18%)
Revenue/t (ZAR)	1 040	1 019	2%
Production cost/ROM tonnes (\$) ^	48.23	48.90	(1%)

^ costs are all South African Rand based

The Uitkomst Colliery has an estimated 15-year life-of-mine (“**LOM**”) which includes the development of a north adit (horizontal shaft). The colliery is in the process of re-assessing options regarding the design of the planned north adit.

#### **Makhado Hard Coking Coal Project – Soutpansberg Coalfield (69% owned)**

The fully permitted Makhado Project recorded no LTIs (FY2020 Q3: nil) during the Quarter.

MC Mining’s flagship Makhado Project has very favourable economics and its phased development will deliver positive returns for shareholders. Makhado has a LOM in excess of 46 years and construction of the project will position MC Mining as South Africa’s pre-eminent hard coking coal (“**HCC**”) producer.

Phase 1 of the Makhado Project comprises the development of the west pit and modifications to the existing Vele Colliery processing plant. MC Mining previously secured a conditional R245 million (\$14.4 million) term loan facility from the IDC (“**Phase 1 Loan Facility**”) for the construction of Phase 1. This is the initial step in the composite Phase 1 debt/equity funding process and during the Quarter the Company advanced various initiatives to secure the balance of the R535 million (\$30.6 million) required to construct Phase 1. Significant progress was made prior to the Lockdown and the Company anticipates that this will be finalised during H2 CY2020.

The Company has an existing R240 million (\$13.8 million) loan facility from the IDC, secured in March 2017. This facility was granted to develop Makhado and MC Mining previously utilised R120 million (\$6.9 million) of this facility, progressing the project to fully permitted status and acquiring the required surface rights. The balance remained undrawn and negotiations to restructure this commenced during the Quarter. Following this and in July 2020, the parties agreed to a conditional restructure of the existing facility, allowing the Company to drawdown R40 million (\$2.3 million) with the Phase 1 Loan Facility still available as part of the composite funding package. This drawdown is conditional upon the Company raising R15.0 million (\$0.9 million) in the form of new equity, which was also finalised during July 2020, with closing and settlement subject to South African Reserve Bank approval.

#### **Vele Semi-Soft Coking and Thermal Coal Colliery – Limpopo (Tuli) Coalfield (100% owned)**

The Vele Colliery remained on care and maintenance during the Quarter and no LTIs were recorded during the period (FY2020 Q3: nil).

There were no further developments to report during the Quarter and the Vele processing plant is expected to be refurbished and recommissioned as part of Phase 1 of the Makhado Project.

#### **Greater Soutpansberg Project – Soutpansberg Coalfield (74% owned)**

The GSP recorded no LTIs (FY2020 Q3: nil) during the Quarter.

The GSP comprises the Chapudi, Mopane and Generaal areas that are MC Mining's longer-term coking and thermal coal projects. There were no further developments to report during the Quarter.

#### **Markets**

The spread of COVID-19 globally has resulted in countries implementing an array of lockdown measures, leading to reduced demand for commodities and declines in metallurgical and thermal coal prices. Average premium HCC prices reduced to \$112/t during the Quarter, 45% lower than the \$203/t in the comparative June 2019 period. Demand for South African coal was similarly affected and the average API4 price for the Quarter was \$55/t, 16% lower than the \$66/t recorded in Q4 FY2019 (FY2020 Q3: \$79/t).

**Brenda Berlin**  
**Acting Chief Executive Officer**

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

**This announcement is inside information for the purposes of Article 7 of Regulation 596/2014.**

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Investec Bank Limited is the nominated JSE Sponsor

**About MC Mining Limited:**

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

**Forward-looking statements**

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

**Statements of intention**

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

MC Mining has ensured that the mineral resources quoted are subject to good governance arrangements and internal control. The Company has engaged external independent consultants to update the mineral resource in accordance with the JORC Code 2012 and SAMREC 2016. The units of measure in this report are metric, with Tonnes (t) = 1,000kg. Technical information that requires subsequent calculations to derive subtotals, totals and

weighted averages may involve a degree of rounding and consequently introduce an error. Where such errors occur MC Mining does not consider them to be material.

### Tenements held by MC Mining and its Controlled Entities

Project Name	Tenement Number	Location	Interest	Change during Quarter
Chapudi Project*	Albert 686 MS	Limpopo~	74%	
	Bergwater 712 MS		74%	
	Remaining Extent and Portion 2 of Bergwater 697 MS		74%	
	Blackstone Edge 705 MS		74%	
	Remaining Extent & Portion 1 of Bluebell 480 MS		74%	
	Remaining Extent & Portion 1 of Bushy Rise 702 MS		74%	
	Castle Koppies 652 MS		74%	
	Chapudi 752 MS		74%	
	Remaining Extent, Portions 1, 3 & 4 of Coniston 699 MS		74%	
	Driehoek 631 MS		74%	
	Remaining Extent of Dorps-rivier 696 MS		74%	
	Enfield 512 MS (consolidation of Remaining Extent of Enfield 474 MS, Brosdoorn 682 MS & Remaining Extent of Grootvlei 684 MS)		74%	
	Remaining Extent and Portion 1 of Grootboomen 476 MS		74%	
	Grootvlei 684 MS		74%	
	Kalkbult 709 MS		74%	
	Remaining Extent, Remaining Extent of Portion 2, Remaining Extent of Portion 3, Portions 1, 4, 5, 6, 7 & 8 of Kliprivier 692 MS		74%	
	Remaining Extent of Koodoobult 664 MS		74%	
	Koschade 657 MS (Was Mapani Kop 656 MS)		74%	
	Malapchani 659 MS		74%	
	Mapani Ridge 660 MS		74%	
	Melrose 469 MS		74%	
	Middelfontein 683 MS		74%	
	Mountain View 706 MS		74%	
	M'tamba Vlei 654 MS		74%	
	Remaining Extent & Portion 1 of Pienaar 635 MS		74%	
	Remaining Extent & Portion 1 of Prince's Hill 704 MS		74%	
	Qualipan 655 MS		74%	
	Queensdale 707 MS		74%	
	Remaining Extent & Portion 1 of Ridge End 662 MS		74%	
	Remaining Extent & Portion 1 of Rochdale 700 MS		74%	
	Sandilands 708 MS		74%	
	Portions 1 & 2 of Sandpan 687 MS		74%	
	Sandstone Edge 658 MS		74%	



Project Name	Tenement Number	Location	Interest	Change during Quarter
	Remaining Extent of Portions 2 & 3 of Sterkstroom 689 MS		74%	
	Sutherland 693 MS		74%	
	Remaining Extent & Portion 1 of Varkfontein 671 MS		74%	
	Remaining Extent, Portion 2, Remaining Extent of Portion 1 of Vastval 477 MS		74%	
	Vleifontein 691 MS		74%	
	Ptn 3, 4, 5 & 6 of Waterpoort 695 MS		74%	
	Wilbebeesthoek 661 MS		74%	
	Woodlands 701 MS		74%	
Kanowna	M27/41	Coolgardie^	2.99%	
West and	M27/47		2.99%	
Kalbara	M27/59		2.99%	
	M27/72,27/73		2.99%	
	M27/114		2.99%	
	M27/181		7.24%	
	M27/196		2.99%	
	M27/414,27/415		2.99%	
	P27/1826-1829		2.99%	
	P27/1830-1842		2.99%	
	P27/1887		2.99%	
Abbotshall Royalty	ML63/409,410	Norseman^	Royalty	
Kookynie Royalty	ML40/061	Leonora^	Royalty	
	ML40/135,136		Royalty	
Makhado Project	Fripp 645 MS	Limpopo~	69%#	
	Lukin 643 MS		69%#	
	Mutamba 668 MS		69%#	
	Salaita 188 MT		69%#	
	Tanga 849 MS		69%#	
	Daru 848 MS		69%#	
	Windhoek 847 MS		69%#	
Generaal Project*	Beck 568 MS--	Limpopo~	74%	
	Bekaf 650 MS-		74%	
	Remaining Extent & Portion 1 of Boas 642 MS-		74%	
	Chase 576 MS-		74%	
	Coen Britz 646 MS-		74%	
	Fanie 578 MS-		74%	
	Portions 1, 2 and Remaining Extent of Generaal 587 MS-		74%	
	Joffre 584 MS-		74%	
	Juliana 647 MS		74%	
	Kleinenberg 636 MS-		74%	
	Remaining Extent of Maseri Pan 520 MS-		74%	

Project Name	Tenement Number	Location	Interest	Change during Quarter
	Remaining Extent and Portion 2 of Mount Stuart 153 MT--		100%	
	Nakab 184 MT--		100%	
	Phantom 640 MS--		74%	
	Riet 182 MT--		100%	
	Rissik 637 MS-		100%	
	Schuitdrift 179 MT-		100%	
	Septimus 156 MT--		100%	
	Solitude 111 MT-		74%	
	Stayt 183 MT--		100%	
	Remaining Extent & Portion 1 of Terblanche 155 MT--		100%	
	Van Deventer 641 MS-		74%	
	Wildgoose 577 MS-		74%	
Mopane Project*	Ancaster 501 MS--	Limpopo~	100%	
	Banff 502 MS-		74%	
	Bierman 599 MS-		74%	
	Cavan 508 MS		100%	
	Cohen 591 MS--		100%	
	Remaining Extent, Portions 1 & 2 of Delft 499 MS-		74%	
	Dreyer 526 MS--		74%	
	Remaining Extent of Du Toit 563 MS-		74%	
	Faure 562 MS		74%	
	Remaining Extent and Portion 1 of Goosen 530 MS --		74%	
	Hermanus 533 MS-		74%	
	Jutland 536 MS--		100%	
	Krige 495 MS-		74%	
	Mons 557 MS-		100%	
	Remaining Extent of Otto 560 MS (Now Honeymoon)-		74%	
	Remaining Extent & Portion 1 of Pretorius 531 MS-		74%	
	Schalk 542 MS-		74%	
	Stubbs 558 MS-		100%	
	Ursa Minor 551 MS--		74%	
	Van Heerden 519 MS--		74%	
	Portions 1, 3, 4, 5, 6, 7, 8, 9, Remaining Extent of Portion 10, Portions 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 26, 27, 29, 30, 35, 36, 37, 38, 39, 40, 41, 44, 45, 46, 48, 49, 50, 51, 52 & 54 of Vera 815 MS		74%	
	Remaining Extent of Verdun 535 MS-		74%	
	Voorburg 503 MS—		100%	
	Scheveningen 500 MS-		74%	
	Portion 3 (of 2) of Kweekspruit No. 22		70%	

<b>Project Name</b>	<b>Tenement Number</b>	<b>Location</b>	<b>Interest</b>	<b>Change during Quarter</b>
Uitkomst Colliery and prospects	Portion 8 (of 1) of Kweekspruit No. 22	KwaZulu-Natal~	70%	
	Remainder of Portion 1 of Uitkomst No. 95		70%	
	Portion 5 (of 2) of Uitkomst No. 95		70%	
	Remainder Portion1 of Vaalbank No. 103		70%	
	Portion 4 (of 1) of Vaalbank No. 103		70%	
	Portion 5 (of 1) of Vaalbank No. 103		70%	
	Remainder of Portion 1 of Rustverwacht No. 151		70%	
	Remainder of Portion 2 of Rustverwacht No. 151		70%	
	Remainder of Portion 3 (of 1) of Rustverwacht No. 151		70%	
	Portion 4 (of 1) Rustverwacht No.151		70%	
	Portion 5 (of 1) Rustverwacht No. 151		70%	
	Remainder of Portion 6 (of 1) of Rustverwacht No. 151		70%	
	Portion 7 (of 1) of Rustverwacht No. 151		70%	
	Portion 8 (of 2) of Rustverwacht No. 151		70%	
	Remainder of Portion 9 (of 2) of Rustverwacht No. 151		70%	
	Portion 11 (of 6) of Rustverwacht No. 151		70%	
	Portion 12 (of 9) of Rustverwacht No. 151		70%	
	Portion 13 (of 2) of Rustverwacht No. 151		70%	
	Portion 14 (of 2) of Rustverwacht No. 151		70%	
	Portion 15 (of 3) of Rustverwacht No. 151		70%	
	Portion 16 (of 3) of Rustverwacht No. 151		70%	
	Portion 17 (of 2) of Rustverwacht No. 151		70%	
	Portion 18 (of 3) of Waterval No. 157		70%	
	Remainder of Portion 1 of Klipspruit No. 178		70%	
	Remainder of Portion 4 of Klipspruit No. 178		70%	
	Remainder of Portion 5 of Klipspruit No. 178		70%	
	Portion 6 of Klipspruit No. 178		70%	
	Portion 7 (of 1) of Klipspruit No. 178		70%	
	Portion 8 (of 1 )of Klipspruit No. 178		70%	
	Portion 9 of Klipspruit No. 178		70%	
	Remainder of Portion 10 (of 5) of Klipspruit No. 178		70%	
	Portion 11 (of 5) of Klipspruit No. 178		70%	
	Portion 13 (of 4) of Klipspruit No. 178		70%	
Remainder of Portion 14 of Klipspruit No. 178		70%		
Portion 16 (of 14) of Klipspruit No. 178		70%		
Portion 18 of Klipspruit No. 178		70%		
Portion 23 of Klipspruit No. 178		70%		
Remainder of Portion 1 of Jackalsdraai No. 299		70%		
Remainder of Jericho B No. 400		70%		

Project Name	Tenement Number	Location	Interest	Change during Quarter
	Portion 1 of Jericho B No. 400		70%	
	Portion 2 of Jericho B No. 400		70%	
	Portion 3 of Jericho B No. 400		70%	
	Remainder of Jericho C No. 413		70%	
	Portion 1 of Jericho C No. 413		70%	
	Remainder of Portion 1 of Jericho A No. 414		70%	
	Remainder of Portion 2 (of 1) of Jericho A No. 414		70%	
	Portion 3 (of 1) of Jericho A No. 414		70%	
	Portion 4 (of 1) of Jericho A No. 414		70%	
	Portion 5 (of 2) of Jericho A No. 414		70%	
	Portion 6 (of 1) of Jericho A No. 414		70%	
	Margin No. 420		70%	
Vele Colliery and prospects	Portions of Overvlakte 125 MS (Remaining Extent, 3, 4, 5, 6, 13, 14)	Limpopo~	100%	
	Bergen Op Zoom 124 MS		100%	
	Semple 155 MS		100%	
	Voorspoed 836 MS		100%	
	Alyth 837 MS		100%	
Tshikunda	Certain portions of Unsurveyed State Land known as Mutale	Limpopo~	60%	

- \* Form part of the Greater Soutpansberg Projects  
- Lapsed – Mining Right Application Lodged  
-- Valid – Mining Right Application Lodged  
~ Tenement located in the Republic of South Africa  
^ Tenement located in Australia  
# MC Mining’s interest will reduce to 69% on completion of the 26% Broad Based Black Economic Empowerment (BBBEE) transaction