



ANNOUNCEMENT

15 June 2022

DESPATCH OF NOTICE OF GENERAL MEETING

MC Mining Limited (**MC Mining** or the **Company**), a coal exploration, development and mining company operating primarily in South Africa, announces that its Notice of Meeting, Explanatory Statement and accompanying Proxy Form (together, the **Notice of GM**) for a general meeting (**GM**) have today been sent to shareholders. The Notice of GM is available on the Company's website www.mcmining.co.za.

The GM will be held at 09:00 a.m. (London time) on 15 July 2022 as a virtual meeting by way of a live webcast.

The ASX record date to participate and vote at the GM is 9:00 a.m. on Wednesday, 13 July 2022. The record date to participate and vote at the GM for the JSE is 9:00 a.m. on Friday, 8 July 2022 and accordingly the last day to trade is Tuesday, 5 July 2022.

Background

On 1 February 2022, MC Mining announced that it had entered into a staged ZAR 86,036,691 (approximately US\$5.6 million/A\$7.9 million) Convertible Advance and Subscription Agreement (the **Agreement**) with South African resources investor, Senosi Group Investment Holdings Proprietary Limited (**SGIH**). In consideration for the provision of ZAR 86,036,691, and subject to the terms of the Agreement, the Company agreed to issue SGIH up to 71,697,242 new ordinary shares of no par value (**Ordinary Shares**).

First Tranche Funding

In accordance with the terms of the Agreement, SGIH initially loaned the Company ZAR 46,036,691 (approximately US\$3.0 million) (the **First Tranche Funding**), which amount subsequently converted into 38,363,909 new Ordinary Shares (the **First Tranche Shares**) at ZAR 1.20 (US\$0.08/ A\$0.11) per share (the **Issue Price**). The Issue Price equated to an 11.1% premium to the ASX quoted closing price of MC Mining on the last practicable date prior to the announcement of this funding transaction.

The First Tranche Shares were issued by the Company on 6 April 2022 and resulted in SGIH acquiring 19.9% of MC Mining's issued share capital. The First Tranche Funding was used to settle the balance owing to the vendors of the Lukin and Salaita properties, two critical properties for the Makhado hard

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Chairman Nhlanhla Nene **CEO & Managing Director** Godfrey Gomwe

Non-executive directors An Chee Sin, Andrew Mifflin, Brian He Zhen, Junchao Liu, Khomotso Mosehla, Mathews Senosi

coking coal project (**Makhado Project**) and to supplement the MC Mining group working capital requirements.

Second Tranche Funding

As part of the Agreement, SGIH also conditionally agreed to loan the Company up to a further ZAR40 million (the **Second Tranche Funding**), which amount would, subject to the receipt of all required approvals, convert into an additional 33,333,333 new Ordinary Shares (the **Second Tranche Shares**) at the Issue Price (the **Transaction**). This issue would result in SGIH holding up to approximately 31.71% of the Company's enlarged share capital (assuming no further Ordinary Shares are issued).

The issue of the Second Tranche Shares is subject to MC Mining shareholder approval¹ in accordance with Item 7 of Section 611 of the Corporations Act 2001, as the combined interest of SGIH will exceed 20% of the Company's issued share capital. Under Australian law, the Notice of GM must also include a report from an independent expert on whether the issue of the Second Tranche Shares is fair and reasonable to "non-associated" shareholders. The independent expert's report (the **Report**) has been prepared by BDO Corporate Finance (WA) Pty Ltd (**BDO**) and forms part of the Notice of GM.

The first two instalments of the Second Tranche Funding have been advanced in accordance with the agreed schedule set out below, and Second Tranche Shares will be issued to SGIH if shareholders pass Resolution 2. This approval was originally due to be sought on or before 29 June 2022 but SGIH and the Company agreed to extend this date to 15 July 2022, as well as to extend the third Second Tranche Funding payment of ZAR 10 million (\$0.6 million), from 30 June 2022 to 15 July 2022. The fourth Second Tranche funding payment date remains as previously agreed. If the shareholder approval is not obtained, as was the case with the case when the GM was required to have been held by 29 June 2022, the final two instalments of the Second Tranche Funding will not be advanced and the amount already advanced under the Second Tranche Funding is repayable by the Company within 30 days.

¹ The Notice of GM also seeks, in Resolution 1, MC Mining shareholder ratification of issuance of the First Tranche Shares under and in accordance with ASX Listing Rule 7.1 and 7.1A. The Board recommends shareholders vote in favour of Resolution 1.

The timing and amount of the Second Tranche Funding is set out below:

Date	ZAR
30 April 2022	10,000,000
31 May 2022	10,000,000
15 July 2022	10,000,000
31 July 2022	10,000,000
Total	40,000,000

The Second Tranche Funding will be used to advance development of the Makhado Project and to supplement MC Mining's group working capital requirements. If shareholder approval is not obtained to permit the issue of the Second Tranche Shares, the ZAR20 million loan already advanced by SGIH will be repaid using part of the ZAR60 million standby loan facility with Dendocept (Proprietary) Limited, announced by the Company on 6 June 2022. If the funds provided under the standby loan facility are applied to repayment of the Second Tranche Funding, and based on, inter alia, prevailing forward API4 coal prices and management of group facilities including the new standby facility, the Company's cash runway is expected to extend to beyond November 2022. In addition, MC Mining is also pursuing several alternative options to secure the necessary funding for the construction of the Makhado Project.

Summary of BDO findings

BDO considered the Transaction the subject of Resolution 2 in accordance with Item 7 of Section 611 of the Australian Corporations Act and concluded that the Transaction is "not fair but reasonable" to "non-associated" shareholders (being shareholders other than SGIH and those associated with SGIH). In BDO's opinion, the Transaction is not fair because the value of an Ordinary Share prior to the Transaction (on a control basis as defined in BDO's report) is greater than the value of an Ordinary Share following the Transaction (on a minority interest basis as defined in BDO's report). It is noted that BDO's assessment of the value of an MC Mining Ordinary Share was made through valuation methodologies based on MC Mining's asset base, which it deemed to be materially higher than the current equity market value of MC Mining. However, BDO considered the Transaction to be "reasonable" because the advantages of the Transaction to shareholders are greater than the disadvantages.

The Report also includes an independent technical assessment and valuation report prepared by SRK Consulting (Australasia) Pty Ltd (**SRK (Technical Specialist Report)**). BDO relied on the Technical Specialist Report when valuing MC Mining’s mineral assets. The Technical Specialist Report was prepared in accordance with the Australasian Code for Public Reporting of Technical Assessments and Valuation of Mineral Assets (2015 Edition) and the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition). The valuation methodologies used by SRK (and which are referred to in the Report) are set out in detail in the Technical Specialist Report. Under the BDO valuation, the value of an MC Mining share prior to the Transaction, and the value of an MC Mining share following the Transaction, per the Report, are compared below:

	Low US\$	Preferred² US\$	High US\$
Value of a MC Mining Ordinary Share prior to the Transaction on a control basis	0.427	0.620	0.878
Value of a MC Mining Ordinary Share following the Transaction on a minority basis	0.303	0.454	0.659

Further information on the value of MC Mining

For reference, as at 14 June 2022, being the last practicable date prior to this announcement, the price per MC Mining Ordinary Share was US\$0.096 on the Australian Stock Exchange (converted at A\$1.45:US\$1.00).

SRK Technical Specialist Report

SRK reviewed the project technical assumptions and provided an assessment on the reasonableness of the techno-economic assumptions in the Uitkomst Colliery and Makhado Project cash flow models that consider the life of mine plans developed by MC Mining, including the Coal Resource and Coal Reserve Estimates, the mining methods, the processing assumptions, infrastructure requirements, the operating costs, the capital expenditure and the environmental and permitting provisions. On this basis, SRK estimates the current market value to be between ZAR3,202 million and ZAR4,932 million,

² Preferred values are the midpoint of the range unless otherwise stated.

with a preferred value of ZAR4,067 million for the attributable residual Coal Resources held by MC Mining³.

Shareholders are advised to read the Notice of Meeting, including the Report, in its entirety.

Related Party Transaction

The amendment to the timing for SGIH's advancement of the third instalment of the Second Tranche Funding to the Company (the **Timetable Revision**), as set out above, is deemed a related party transaction under the AIM Rules for Companies. The independent directors of the Board, being those directors other than Mr Senosi, having consulted with Strand Hanson Limited, the Company's Nominated Adviser, consider the Timetable Revision to be fair and reasonable insofar as the Company's shareholders are concerned.

Board recommendation

Shareholders are directed to carefully consider the Notice of GM (including the Report and the Technical Specialist Report) for the purposes of deciding how to vote on Resolution 1 and 2. The MC Mining Board is not aware of any other information that shareholders might reasonably require to make a decision whether it is in the best interest of the Company to vote in favour or against Resolution 1 and 2. The Board, other than Mr M. Senosi, who is interested in the Resolutions, recommends shareholders vote in favour of Resolution 1. However, and because of BDO's conclusion, the Board of MC Mining has decided not to make a recommendation in relation to Resolution 2.

Authorised by
Godfrey Gomwe
Chief Executive Officer

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

This announcement contains inside information for the purposes of Article 7 of EU Regulation No. 596/2014, which forms part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended).

All amounts are in US dollars or South African rand unless stated differently.

³ The full Technical Specialist Report forms part of the Notice of GM.

For more information contact:

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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 and thermal coal), Makhado Project (hard coking coal), Vele Colliery (semi-soft coking and thermal coal), and the Greater Soutpansberg Projects (coking and thermal coal).

Statements of intention

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