YEAR IN REVIEW

CHAIRMAN'S STATEMENT

I am pleased to report on a positive financial year with great strides towards securing the sustainability of the business and its long-term success.

The progress achieved positions MC Mining to commence selling quality hard coking coal during 2020. The Company is committed to ensuring that our employees and contractors are safe and well at the end of every shift and consider any injury at our sites as unacceptable. This includes focussing on a safe working environment by enhancing hazard identification and leadership capabilities. The insourcing of underground mining operations at Uitkomst during the year presented challenges and initiatives subsequently implemented yielded positive results. I am confident that these will continue to be beneficial for our employees and contractors.

MC Mining's significant coking coal resource is a key differentiator when compared to other South African coal miners. Our strategy focusses on the development of these assets with the aim of being the country's pre-eminent producer of hard coking coal. The continued advancement of our flagship Makhado hard coking coal project is very satisfying and resulted in the Company's share price increasing, pleasingly out-performing other junior coal miners operating in the country.

There has been limited investment globally in coal exploration and mine development during the past several years and this supported robust hard coking prices during the 12 months. We anticipate that positive pricing will continue in the medium-term, with demand driven by continued growth of the global economy. Urbanisation and economic development will lead to increased per capita steel usage and will be accompanied by higher demand for coking coal, a key input in the manufacture of steel.

The period also witnessed intensifying negative sentiment towards thermal coal following climate change in parts of the world. This has a direct impact on MC Mining due to our exposure to thermal coal and we understand the potential consequential disruptive effects on our business. The pressure arising from the negative sentiment has accelerated moves toward low-carbon economies and reduced long-term forecasts for thermal coal demand.

Mining companies need to ensure that they operate according to best practice and we recognise the importance of our social licence to operate. However, the current negative narration around mining needs to be balanced and acknowledge the significant economic and employment opportunities that accompany a vibrant mining industry as well as the many uses of minerals in our daily lives.

The development of mining projects is a long-term, capital intensive decision and assessment of opportunities is influenced by regulatory or policy changes. An ever evolving political landscape is particularly evident in South Africa, where constant changes require businesses to be increasingly resilient and creative. This was observed with the publication of the third version of the Mining Charter during the year. Although not all of our concerns were adequately addressed, it is an improvement on previous versions and we hope it will provide the certainty required to make investment decisions.

The country is blessed with an abundance of natural resources and this includes both thermal and coking coal and Eskom, the state power utility, generates the majority of the country's electricity from thermal coal. The country has high rates of unemployment, particularly amongst the youth, and a key government initiative is the creation of a large number of job opportunities. The mining and industrial sectors are primary drivers of growth but both sectors are energy intensive and further expansion will require increased electricity generation, comprising both renewables and thermal coal.

I wish to welcome Sam Randazzo who was appointed as a non-executive director during the year. Sam brings a wealth of international mining expertise in various portfolios and we look forward to his contribution. On behalf of the Board I would like to thank Chief Executive Officer David Brown and Chief Financial Officer Brenda Berlin, my fellow Board members and all of our people for their role in the significant progress achieved. In particular, I want extend my gratitude to our shareholders for their patience, support and understanding as we navigate the MC Mining journey together.

Bernard Pryor

Bernard Pryor
Chairman

CEO'S REVIEW

The reduction in capital expenditure, coupled with the short construction period, means that the Makhado Project will deliver exceptional returns.

Our year in review

The financial year ended 30 June 2019 saw significant progress being made on bringing the Makhado Project closer to fruition, including the conditional approval by the Board of a phased approach to the Project. This phased approach saw a decrease in both capital expenditure required as well as further risk reduction. The reduction in capital expenditure, coupled with the short construction period, means that the Makhado Project will deliver exceptional returns. The Company signed off-take agreements for both the metallurgical and thermal coal for Makhado Phase 1 and post year-end, received notification that the Industrial Development Corporation of South Africa Limited (IDC) credit committee had approved a loan to help build-out Phase 1.

We continued to progress the regulatory approvals required for the Makhado Project and had further success with the approval for the amendment to the Environmental Authorisation (EA) allowing for the transport of coal by road rather than rail, this after it was appealed and subsequently suspended. As a result, Makhado has all the major required regulatory approvals to commence construction during CY2020. This Project is expected to have a positive impact on employment in the Limpopo province and contribute to local community upliftment. This is later than we had anticipated when writing this report last year as we had hoped to have had access to the surface rights required for the Project but were only able to finally unlock this piece of the equation in late CY2018, following the acquisition of Lukin and Salaita.

The South African mining regulatory environment remains extremely complex but despite this, the Company has been successful, primarily as a result of our strategy to work collaboratively and follow due process however frustrating.

Significant milestones were achieved during the year

The anaemic economic environment has continued for the most part of FY2019 which has an impact on the overall business environment which, in turn, impacts on investment decisions negatively. We have seen a shrinking local industrial base which reduces supply opportunities and translates into local pricing pressure.

The Uitkomst Colliery was acquired at the end of June 2017 and has for the first 18 months of ownership provided pleasing results. The Colliery saw coal prices fall significantly, and when coupled with production issues, impacted on profitability.

Safety, health and environment

Our positive safety record at Uitkomst since its acquisition in June 2017 continued for the first six months of the financial year with only one lost time injury (LTI) recorded in December 2018. Unfortunately, in the third quarter we experienced three LTIs. This quarter coincided with poor production and equipment availability issues and followed the acquisition of the mining contractor. This prompted a review of our safety practises as well as ensuring adequate retraining was provided on the key hazards associated with a semi-mechanised underground mining environment and more importantly, how to the address the hazards via safe working practises. A number of production shifts were made available for dedicated mine-wide retraining.

In addition, a 'morale' audit was undertaken to assess what other factors were impacting on our low production and poor safety record in the third quarter. Several positive and negative points were raised by staff, with the key item being a lack of communication between management and staff as well as the following significant issues:

- More training required on safety procedures
- Insufficient recognition for tasks done well
- The 12-hour shift system implemented earlier in the financial year, not a success due to fatigue and pay structure issues
- Management did not demonstrate the 'correct' values and beliefs

Management has already addressed some of the concerns and are in the process of addressing the balance. One of the key items has been to institute appropriate management changes to the senior team at the Colliery. We have reverted to a nine-

hour shift cycle to address both the fatigue and pay structure issues. In addition, communication via formal and informal structures is taking place, encouraged proactively through more visible felt leadership initiatives. Positive recognition processes are also being encouraged with regards to safety compliance. There were a number of positive areas and these are listed below:

- Problems are being addressed more quickly than in the previous six months confirming more proactive management is taking place
- More open communication is happening (more to be done as this was a major negative, but is showing signs of improvement)
- Staff have the correct tools for the job
- Staff feel like they have a future at the Company
- Responsibilities have been clearly defined
- Staff inductions have improved significantly
- Management is now more visible
- Overall the morale at the Colliery is more positive

The Group's focus continues to be on ensuring our codes of practices are up to date and in line with required practice, delivering a culture of continued adherence to the rules and regulations, including those at the Vele Colliery, which continued on care and maintenance during the period. This, coupled with the initiatives on safety retraining, resulted in no LTIs being recorded in the last quarter of the financial year.

The Group's staff complement now stands at over 650 people. Despite the increase in staff, we have concentrated on the reduction in risky behaviour through the continual reinforcement of safety standards, with risk assessments being the norm together with visible felt leadership as evidenced in the morale survey.

Our major focus with regards to health matters continues to be the prevention of TB and HIV using educational programmes. These initiatives have been implemented at Uitkomst and the Company undertakes annual as well as entry/exit medicals for personnel. Vele Colliery and the Makhado Project are located in the Limpopo province which elevates the importance of malaria prevention and treatment, particularly during the rainy reason.

Underground, we monitor four key elements – dust monitoring which includes silica and coal dust levels and these were within occupational exposure limits (OEL), particulates not otherwise classified and the air quality index level were all within OEL. Hearing matters are address through two main initiatives – firstly ensuring all staff have and use the appropriate hearing protection provided, and secondly through ensuring noise levels are reduced appropriately to within the legislated levels. Thermal conditions are measured underground and no recordings showed above the threshold OEL. The last key element monitored underground is ventilation and all workplaces are appropriately ventilated.

On the environmental front, Uitkomst has an ongoing programme monitoring and certifying compliance with regulatory requirements. On our projects, particularly the Makhado Project, we have had much success which has enabled us to get to 'permitted' state which is ready for the fund raising activities. This was amplified by the dismissal of the appeal against the Makhado Project EA amendments, facilitating the transport of coal by road rather than rail. At Vele Colliery we promote a collaborative approach with regulators and to that end, work through the Colliery's Environmental Management Committee (EMC) which continues its good work by monitoring compliance on the care and maintenance side and on ensuring the Biodiversity Offset Agreement (BOA) benefits the parties to the agreement. Post the tragic events in Brazil with regard to tailings dam failures, we initiated a review of our processes and can report all such facilities are operational and with appropriate tolerance levels and are checked periodically by competent third parties as well as our own regular checks.

Production and sales

The Uitkomst Colliery is an underground operation that still represents the single operating asset for the Group. This Colliery underwent some profound changes during FY2019. It was evident towards the back end of FY2018 that the mining contractor was experiencing some financial constraints as evidenced by the lack of expenditure on maintenance and a lack of replacement equipment being procured. When the mine was purchased in June 2017, the mining equipment and mining infrastructure were owned by the mining contractor. MC Mining made the decision to acquire these assets given the contractor's financial constraints and the lack of control over the mining assets and infrastructure.

CEO'S REVIEW CONTINUED

The Colliery is mined on a conventional drill and blast, board and pillar design in the Utrecht Coalfield of KwaZulu-Natal. The Colliery has a remaining LoM of approximately 15 years, including a potential mine extension to the north. Much work is still required to finalise costing and impacts and the authorisations for the extension are outstanding. The south mine is an easily accessible, though due to the length of time the mine has been operating, travel time to the working areas is taking longer and longer. This is reducing available operating time and therefore the extension to the north will be required. The Colliery has well-established infrastructure including power, water supply, buildings, workshops, weighbridge, water storage and management facilities.

Uitkomst is a high-grade, thermal export quality coal deposit with metallurgical applications and the Colliery sells a 0 – 40mm product into the domestic metallurgical market for use as pulverised coal, while the sized coal (peas) is supplied to local energy generation facilities.

During the year, Uitkomst processed a total of 485,113t (FY2018: 607,960t) of raw coal comprising 472,647t (FY2018: 505,130t) of ROM coal and 12,466t (FY2018: 102,830t) bought-in during the period, reducing as a result of the supply contract expiring during the period. This generated sales of 309,401t comprising 303,366t (FY2018: 329,060t) from ROM coal, nil t (FY2018: 53,689t) of slurry used for blending and 6,035t purchased ROM tonnes blended and sold (FY2018: 92,330t).

Production at Uitkomst was negatively affected by both underground equipment availability challenges and management issues. On the equipment availability challenges post the acquisition of the mining contractor, the lack of asset maintenance was without doubt the biggest impediment to achieving our ROM production targets as we experienced regular failures of mining machinery and to a lesser extent, infrastructure breakdowns. In order to respond to these issues, the Colliery invested in one new mining fleet and will continue to invest in maintenance during the current financial year in order to improve fleet availability. In addition, more focus will be on root cause analysis of issues in order to devise appropriate solutions. Senior management was changed out at the Colliery during the second half of FY2019 and into the current financial year and we changed back to the nine-hour shift system. All of these initiatives saw the beginnings of improvements during the last quarter of the year.

During the financial year, the Company commenced plant modifications to facilitate the production of additional high-ash, course discard product. This modification was completed in the second half of the financial year and generated sales of 8,315t.

Financial performance

MC Mining's FY2019 revenue of $26.4 million (FY2018 $32.7 million) from Uitkomst, together with continued balance sheet restructuring initiatives, resulted in maintaining a positive cash balance at the end of the financial year, which was further enhanced as cash of $1.2 million was received as a result of those balance sheet restructuring initiatives post year-end. The $8.8 million (FY2018: $10.9 million) cash balance at year-end coupled with the IDC and ABSA Bank Limited facilities provide access to funding. The revenue for the year reduced due to lower volume production as well as softer prices in the last six months of the year.

The sale of Mooiplaats in November 2017 for $13.1 million (R179.9 million) was settled in full in June 2019. Management felt it prudent to accelerate the payment profile given the thermal coal pricing environment and that instalment payments were due only to finish in FY2021. This transaction is now complete and the funds received are being applied to advance the Makhado Project. As a reminder, the sale of Mooiplaats yielded an estimated annual cost saving of $1.4 million.

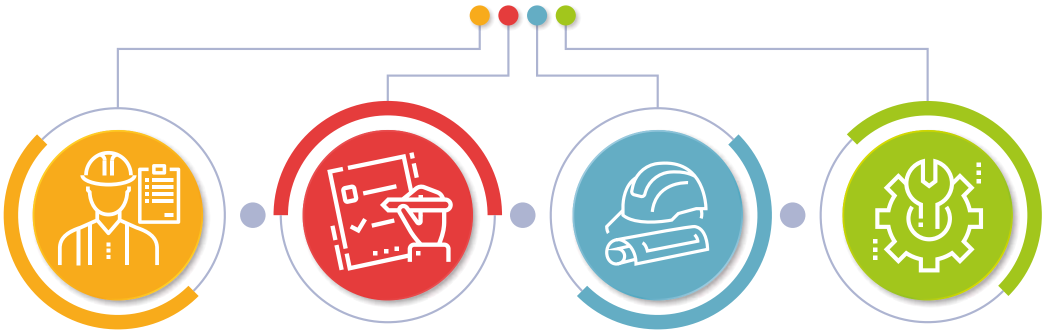
With regard to liquidity, the Company maintained access to $8.5 million of the $17.0 million IDC loan as well as the Uitkomst ABSA facility of $1.4 million.

The loss for the year decreased to $33.7 million (FY2018: $101.6 million) and contributing to the loss were non-cash charges of $28.2 million (FY2018: $96.7 million) including:

- Net impairment expense of $21.9 million, allocated mainly to historical payments for Makhado Project Prospecting Rights (FY2018: $84.4 million net impairment)
- Unrealised foreign exchange gain of $0.2 million (FY2018: loss $2.2 million, the R/$ exchange rate continues to be volatile and gains/losses from these elements are unpredictable)
- Depreciation and amortisation of $2.3 million (FY2018: $1.5 million)
- Share based payment expense of $0.9 million (FY2018: $1.3 million)

STRATEGY

To develop and mine high quality metallurgical coal projects in South Africa



Contribute through our shared value approach

Develop the Makhado Project

Enhance efficiencies at Uitkomst

Embrace operational excellence

Corporate matters and progress on strategy

The Company continues to rely on shareholder funds to survive and therefore moving forward with the Makhado Project is vital to us achieving our goal of becoming 'self-sufficient' and will enable a successful transitioning from a project development company to one of profitable producer. The cash generated by Uitkomst contributed to a portion of corporate costs but is not and never was designed to be enough to cover the full overhead structure. The majority of the overhead is in the employee cost area (accounting for about 50% of the overhead), this has been necessary in order to comply with regulatory matters as well as be sufficiently staffed up to move forward the Makhado Project and get it to its current state. Once Makhado is up and running, it will ensure sufficient cash generation to more than adequately cover full overheads.

The Company has continued during the year to evaluate opportunities for a second cash generator, but given our current focus and deciding on where best to spend the shareholders' next dollar – Makhado offers significantly more upside, so for now we will not be actively pursuing any acquisitions until Makhado is up and running.

To recap, the following criteria were required for an acquisition:

- Cash-generative
- LoM greater than 10 years
- No major capital expenditure required during the first two years after purchase
- Cost effective logistics in place
- Total investment of less than $40 million (±R500 million)

The Company did not require any additional equity raises during FY2019 and in fact have not required a 'working capital' equity raise since 2015. Given our current 'producer' status as well as making significant progress on the Makhado Project has meant that banking institutions are viewing the Company in a more positive light, which allowed the establishment of a 'normalised' banking relationship and the Company secured a $1.1 million (R15 million) revolving asset finance facility for the acquisition of additional mining equipment at the Uitkomst Colliery. In addition to this, we secured a primary lending facility for $1.4 million (R20 million) for Uitkomst. Yet another step in obtaining the necessary support to complete our corporate rehabilitation.

The Company previously secured a $17.0 million loan from the IDC for the advancement of Makhado, reflecting government support for this vital project. As at the end of the period, MC Mining had drawn down $8.5 million (FY2018: $8.5 million) with the balance still available on demand.

The following additional corporate activities took place:

- We signed a new co-operation agreement with Haohua Energy International (Hong Kong) Resource Co, Limited (HEI), reinforcing the areas of support from HEI as well as aligning substantial shareholders threshold to appoint directors to the MC Mining Board
- Integration of Uitkomst mining contractor workforce and in-house operational focus as well acquisition of additional equipment
- The Company was granted a Mining Right for its 74% owned Chapudi coking and thermal coal project, which is one of the three projects comprising the Company's longer-term GSP Project

CEO'S REVIEW CONTINUED

Projects

The main focus of the last financial year has been the advancement of the Makhado Project. Several significant milestones were achieved during the year, including those noted below.

- The signing of a heads of agreement with China Railway International Group Co, Limited for the facilitation of a funding package of up to 85% of the engineering, procurement and construction (EPC) contract value for the Makhado Project and the negotiation for the project EPC contract and mining contract. This agreement has expired but the principles will be progressed for Phase 2.
- Agreements were signed to acquire the key Lukin and Salaita properties. These properties formed the two key remaining surface rights outstanding. This is a massive boost for the Makhado Project as this ensures that the surface rights for both Phase 1 and Phase 2 are secured.
- MC Mining Board conditionally approved the phased development of the Makhado Project with construction of Phase 1 to commence during CY2019 and expected to yield approximately 540,000t of hard coking coal a year and a similar volume of by-product export quality thermal coal.
- Completion of a large diameter borehole drilling programme which confirmed the plant front end engineering and design (FEED) criteria and completion of the FEED process for Phase 1 of the Makhado Project.
- Conclusion of a hard coking coal off-take for Phase 1 with ArcelorMittal South Africa for a minimum of 350,000t per annum but with the right to purchase another 100,000t per annum on the same terms and conditions. In addition, also concluded an off-take sales agreement to cover the Phase 1 thermal coal by-product.
- The signing of a coal purchase agreement with Huadong Coal Trading Center Co, Limited (HDCTC), a Chinese state-owned enterprise for up to 450,000t per annum of hard coking coal to be produced from Phase 2.
- Finally, subsequent to the year-end, the Company received approval by the IDC's credit committee of a loan facility of $ 17.4 million (R245 million), which is subject to finalisation of documentation.
- Vele Colliery continued on a care and maintenance basis but the existing plant will be modified in order to process for Phase 1 of Makhado. The mining aspect of Vele itself will remain on a care and maintenance programme and any recommencing of mining will be subject to timing of the SEZ.

The advancement of the Makhado Project is subject to certain factors, the major one being the raise of sufficient equity to co-fund the Project along with the IDC debt, as well as repaying the existing IDC debt. The equity process begun post year-end and, while progress has been made, there is still a delta between provisional interest and the total required. Management are working in extremely difficult market conditions but are hopeful that funding will be found as the Project boasts positive returns and upside as a potential premier hard coking coal project in South Africa.

PRO

The market

The Company's operational focus is the development and mining of high quality metallurgical coal projects in South Africa.

The metallurgical and thermal coal markets enjoyed favourable pricing during the early part of the year but in the second half of the year we saw a sharp drop in thermal coal prices. The drop in prices is attributable to plentiful supply (which includes the supply of cheaper non-coal alternative energy sources) and reduced demand. The outlook for thermal coal prices in the short term indicate no material upside. Even though thermal coal is under increasing pressure as an energy source, it is still required, particularly in South Africa in the medium term and as such we should see prices improve in that time frame.

Metallurgical coal prices remained positive with spikes in the market due to supply constraints, driven mainly by weather-associated disruptions in Australia. Post year-end the metallurgical coal prices saw a sharp drop, in response to the fears of slower global growth going forward in part exacerbated by the current trade wars. Slower global growth translates into lower steel consumption and hence lower metallurgical coal demand. However, medium- to long-term prices still look positive.

Risks

The ability to deliver on our vision depends on continued access to both the equity markets as well as the debt markets. Both these markets do however require a positive economic outlook and a stable and certain regulatory environment. The current economic climate both locally and internationally is a particularly challenging one. There are a number of risk factors influencing the economic health – coal prices which have fallen significantly during 2019 are struggling to regain any traction. When coupled with the waning confidence in South Africa as a prime investment destination, makes for a tough environment to encourage investment into South African mining projects.

Regulatory certainty and bureaucratic efficiency are the building blocks for a vibrant mining industry. Unfortunately, I have to report that neither of these areas have improved during the past financial year. These factors create a real dilemma for South Africa – keen to create jobs and grow the economy through foreign direct investment but the reality is on the ground it is very difficult to start a new mining project from scratch and much is needed to entice foreign capital.

During the next financial year, we will continue to drive our funding initiatives for Makhado Phase 1. Dependent on the ability to close out the funding, we are hopeful that the construction of this project will commence during the current calendar year.

Appreciation

I have been with the Company for just over seven years which has had much success in reinventing itself as it moved from a very difficult position in 2012 to being very close to starting the Makhado Project in 2019. It has been a long seven years and it would not have been possible without the support of our major shareholders – so thank you to our shareholders in particular but also thank you to all stakeholders. To the MC Mining team, thank you for the continued hard work and willingness to go the extra mile to achieve the success to date. Furthermore, thank you to our Board for their continued support and guidance.

Subject to the completion of the funding MC Mining is now in a position to execute the Makhado Project. This Project is poised to create the country's pre-eminent hard coking coal producer to supply the domestic steel industry and will change the fortunes of your Company from project junior to cash generative producer.

David Brown
Chief Executive Officer

GRESS

Outlook for the next year

Our vision remains that MC Mining becomes the premier hard coking coal producer in South Africa. The Company will continue to build on the progress made during this financial year and will seek to raise the requisite funding in FY2020 in order to start with the construction of Makhado Phase 1.

SUMMARY OF OPERATIONS AND PROJECTS

Uitkomst Colliery

Uitkomst Colliery, situated in the Utrecht Coalfield of KwaZulu-Natal, is a high-grade coal deposit which supplies domestic metallurgical and thermal markets.

Uitkomst key production and financial metrics

	FY2019 Mt	FY2018 Mt	% Mt
Production tonnages			
Uitkomst ROM (t)	472,647	505,130	(6)
Purchased ROM to blend (t)	12,466	102,830	(88)[1]
	485,113	607,960	(20)
Sales tonnages			
Own ROM (t)	295,051	329,060	(10)
Slurry used for blending (t)	–	53,689	(100)
Purchased ROM to wash or blend (t)	6,035	92,330	(93)
Coarse discard sales (t)	8,315	–	100
	309,401	475,079	(35)
Financial metrics			
Revenue/t ($)	81.39	63.52	28
Production costs/saleable tonnes ($)	46.94	50.38	(7)

[1] Contract completed during FY2018

The Colliery comprises an existing underground coal mine with approximately 15 years remaining LoM, including a planned LoM extension. Uitkomst currently mines the south adit (horizontal shaft) and has applied for an amendment of its authorisations to include an adit to the north, the LoM extension. This development is subject to receipt of the regulatory approvals, available funds and prevailing market conditions. Uitkomst has established infrastructure, including a processing plant, with all the required environmental and social permits in place. MC Mining holds a 70% interest in Uitkomst and the remaining 30% is held by broad-based Black Economic Empowerment (BEE) trusts for employees and communities and a black industrialist.

The Colliery employs approximately 555 employees (including contractors) and recorded four LTIs during FY2019 (FY2018: one LTI). A number of initiatives were launched during the year to reinforce appropriate safety awareness and these yielded positive results with no LTIs recorded during the last quarter of FY2019.

Uitkomst sells the smaller 0 – 40mm coal product into the domestic metallurgical market for use as pulverised coal, while the larger sized product (peas) are supplied to local energy generation facilities. The potential to extract an additional saleable product from Uitkomst's discard was identified during the year and will produce an estimated additional 20,000 to 30,000t of high-ash, coarse discard saleable coal per annum, increasing the overall yield from Uitkomst ROM coal. The plant modifications necessary to extract this coal were completed in H2 FY2019 and 8,315t of high-ash, coarse discard coal was subsequently sold (FY2018: nil t).

Khethekile Mining (Pty) Limited (Khethekile), the Colliery's historical underground mining contractor recorded intermittent equipment availability and funding challenges. This adversely affected operations at the Colliery and as a result, Uitkomst transitioned to an owner-operated colliery when Khethekile's operations were acquired in August 2018. This included conveyor systems, coal mining and transportation equipment and the insourcing of some 340 employees.

The acquisition of Khethekile's mining operations facilitated the reorganisation of underground activities and equipment maintenance regime. The reduced asset availability and implementation of alternative shift programmes during the integration process resulted in a reduced number of mining shifts and productivity compared to the prior year. However, the production trended positively in the second half of the reporting period when the shift structure reverted back to the original system, new equipment was acquired and management changes were implemented. This led to year-on-year ROM production only decreasing 6% to 472,647t (FY2018: 505,130t), yielding coal sales of 295,051t (FY2018: 329,060t). Prior year sales include 53,689t (FY2019: nil tonnes) of coal produced from the processing of slurry and 92,330t from purchased ROM coal. The ROM coal supply contracts expired in the prior year and sales from purchased ROM coal declined to 6,035t in FY2019.

Despite the challenges, Uitkomst was cash generative for the year, with positive operating cash flows of $2.8 million (FY2018: $5.9 million). Overall sales volumes were lower than the previous year, primarily due to reduced ROM coal purchases and slurry processing.

The Colliery benefited from the change in sales mix and higher international thermal coal prices, particularly during the first half of the financial year, with revenue per tonne improving 28% on FY2018. Despite increased engineering and operational costs during the year, the average 10% weakening of the South African rand against the US dollar resulted in production costs per saleable tonne decreasing to $46.94/t (FY2018: $50.38/t).

Makhado Project

MC Mining has a 69% interest in its flagship Makhado hard coking coal project, situated in the Soutpansberg Coalfield in the Limpopo province.

During 2015, the Company agreed to sell 20% of the Project to the Makhado Colliery Community Development Trust, comprising seven beneficiary communities. An agreement was also signed with a black industrialist enabling the acquisition of a 6% interest in Makhado and the IDC acquired a 5% shareholding in terms of its $17.0 million loan facility to assist with the development of the Project. The Makhado Project has the regulatory permits required to commence mining operations and no LTIs were recorded during the period (FY2018: nil).

South Africa produces significant quantities of thermal coal but has a very limited domestic supply of high-quality metallurgical coal and once developed, Makhado will be the only significant hard coking coal mine in the country. The Project will also provide direct and indirect benefits to communities located in an area, which currently has high unemployment levels, and is expected to create approximately 650 permanent job opportunities when fully operational.

The Makhado mining area stretches across four farms and the development of the Project was historically delayed due to lack of access to two key properties where the east and central pits, processing and other infrastructure will be located. A significant hurdle to the development was overcome in FY2019 when these two properties were acquired, and the Company now owns all of the surface rights required for the Makhado mining area and related infrastructure.

As a result of delays in access, management assessed potential alternative project development plans. This included the phased development of the Project, and this was approved by the Company's Board in H2 FY2019. The development of Makhado in phases accelerates the time to market compared to previous plans that envisaged initial development occurring on the eastern side of the Project, achieving MC Mining's stated strategy of self-sufficiency while ensuring continued scalability. Phase 1 includes the construction of the west pit and modifications to the existing Vele processing plant while Phase 2 incorporates development of the Makhado processing plant and related infrastructure as well as mining of the east and central pits.

The construction of the Phase 1 pit, plant and infrastructure will take nine months, with first coal sales in month ten. The west pit will generate approximately 3.0 million tonnes per annum (Mtpa) of ROM coal that will be crushed, screened and scalped at Makhado and the residual *circa* 2.0Mtpa of scalped ROM coal will be trucked to the Vele Colliery for final processing. Phase 1 will produce approximately 0.54Mtpa of hard coking coal and 0.57Mtpa of a thermal coal by-product that will be trucked to Musina siding for sale to domestic and export customers, utilising previously tested road and rail logistics infrastructure.

The limited production of high-quality metallurgical (coking) coal in South Africa results in ArcelorMittal South Africa and other coke producers having to import hard coking coal for the manufacture of metallurgical coke, a key ingredient in the production of steel. Hard coking coal typically attracts significantly higher sales prices compared to thermal coal and the Company signed an off-take agreement with ArcelorMittal South Africa during FY2019. This off-take will result in ArcelorMittal South Africa purchasing between 350,000t and 450,000t of Phase 1 hard coking coal annually, reaffirming the quality of Makhado's coal with sales prices linked to a published, international US dollar denominated index. The Company has also secured an off-take agreement for the Phase 1 thermal coal by-product, with prices linked to US dollar export prices.

The conclusion of the two off-take agreements allowed the Company to progress the Phase 1 composite debt/equity funding initiatives and resulted in the IDC credit committee approval of a \$17.4 million (R245 million) term loan facility in July 2019 to fund the construction of the Project. The equity portion of the funding package is expected to be completed in H2 CY2019.

The Phase 2 east and central pits will be developed in *circa* CY2022 and the entire Makhado Project has a minimum LoM of 46 years. Phase 2 will produce approximately 4.0Mtpa of ROM coal that will yield some 1.7Mtpa of saleable hard coking coal and thermal coal. During the reporting period, the Company also secured a three-year off-take agreement for hard coking coal to be produced by this phase. The off-take with HDCTC, a Chinese state-owned enterprise with logistics and bulk commodity trading interests, is for up to 450,000t of hard coking coal, also at index-linked prices, affirming international appetite for Makhado's hard coking coal.

Vele Colliery

The 100% owned Vele Colliery is in the Tuli Coalfield of the Limpopo province. Vele has been on care and maintenance since October 2013 and recorded no LTIs during the 12 months (FY2018: nil). The Colliery processing plant will be modified as part of Phase 1 of the Makhado Project and the Vele Integrated Water Use License (IWUL) accommodates the requirements of the modifications.

The recommencement of mining at the Vele Colliery is aligned with the timing of the government gazetted Musina-Makhado SEZ. Compliance with regulatory and licensing requirements at the Colliery is monitored through internal inspections, external audits conducted by the Department of Water and Sanitation (DWS), as well as audits conducted by the Environmental Compliance Officer.
Vele also participates in the Project Steering Committee in line with the historic October 2014 BOA between the Company, the Department of Environmental Affairs (DEA) and the South African National Parks (SANParks).

The Colliery also participates in the EMC, established as an oversight committee in terms of the Colliery's EA. The EMC comprises various stakeholders from regulatory authorities, relevant organs of state, municipal representatives, civic society and stakeholders identified during the initial public process. The EMC's mandate is to monitor Vele's compliance in respect of the EA and IWUL. The EMC meets quarterly, with one meeting per year held at Vele, at which time site visits are conducted.

Greater Soutpansberg Project

The GSP, situated in the Soutpansberg Coalfield in the Limpopo province, is located within close proximity to the SEZ. The GSP comprises the Mopane, Generaal and Chapudi Project areas. The GSP is jointly owned by MC Mining (74%) and its BEE partner, Rothe Investments (Pty) Limited (26%). GSP recorded no LTIs in FY2019 (FY2018: nil).

During the reporting period the Department of Mineral Resources (DMR) granted a Mining Right for the Chapudi Project, one of the three GSP Mining Right applications submitted during 2013. The Chapudi Project contains over 6.3 billion gross tonnes *in situ* of inferred coal resources and the granting of the Mining Right is a key step to unlocking value from MC Mining's significant coal assets. This positions the GSP to be a potential long-term coal supplier to the planned SEZ, as well as other markets. The Mopane and Generaal Project Mining Right applications are at an advanced stage and the Company anticipates that these will be granted in the near future, resulting in the commencement of the various studies required for the outstanding water and environmental regulatory approvals.

REGULATORY COMPLIANCE UPDATE

Colliery and project regulatory status

Colliery/ Project	Mining Right granted by the DMR			IWUL granted by the DWS			EA granted by the environmental departments			Access to surface rights secured
	Granted	Duration	Status	Granted	Duration	Status	Granted	Duration	Status	
Uitkomst Colliery (KwaZulu-Natal)	✓	Until 2023	See below [1]	✓	10 years (granted in 2011)	Fully compliant	✓	LoM	Application to include planned north adit submitted	✓
Makhado Project (Limpopo)	✓	30 years	Received May 2015	✓	20 years	See below [2]	✓	LoM	Amended and validity period extended by five years	✓
Vele Colliery (Limpopo)	✓	30 years	Fully compliant	✓			✓	LoM	Fully compliant See below [3]	✓
GSP (Limpopo)	DMR accepted MR applications for various component projects in 2013 – Chapudi Mining Right granted in December 2018, Mopane and Generaal Mining Right approvals outstanding			No applications for IWUL submitted – will apply after granting of the Mining Right			No EA applications submitted – will apply after granting of the Mining Right			✗

Notes:

1 Extension application will be submitted in CY2020 to extend the New Order Mining Right for LoM i.e. to 2034

2 Appeal lifted in FY2017 and expected to be assessed by Water Tribunal in CY2019

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

MINERAL RESOURCES AND MINERAL RESERVES STATEMENT

as at 30 June 2019

Introduction

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

Uitkomst Colliery was mined continuously for the entire year, with an associated reduction in Resources. Other projects in the Group have been continuously evaluated with no addition or reduction in the Resources or Reserves required.

The following summary of the Resource and Reserve statement for MC Mining's operations and projects is compliant with the Committee for the Mineral Reserves International Reporting Standards (CRIRSCO) of November 2013, which is a requirement due to the fact that MC Mining has its primary listing on the ASX (ASX: MCM:AU) with secondary listings on United Kingdom AIM (AIM: MCM:LN) and the JSE (JSE: MCZ:SJ).

Under the auspices of CRIRSCO, the reporting is required to be compliant to the relevant National Reporting Organisations and to be founded on the central principles of transparency, materiality and competence and provided on an "if not, why not" basis.

The various projects are the subject of Competent Persons Reports (CPRs) that are all JORC, 2012 and South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC), 2016 compliant. The CPRs used in this report are:

- Makhado Project was evaluated by The MSA Group and an independent report dated 29 January 2016 was prepared
- Uitkomst Colliery was evaluated by Minxcon Consulting and an independent report dated 28 February 2017 was presented
- Vele Colliery was evaluated by VBKom engineering consultancy and an independent report dated 1 March 2017 was presented
- GSP were evaluated by Venmyn Deloitte consultants and their report dated 1 February 2017 was prepared

By whom is this statement prepared

The principle Competent Persons involved in this declaration are Mr Sparrow and Ms Masunyane in terms of the Resource declaration and Mr Bronn and Mr Archer in terms of the Reserve declaration. Mr Bronn, Mr Sparrow and Ms Masunyane are in full time employ of MC Mining, Mr Bronn as Project and Operational Manager, Mr Sparrow as the Group Geologist and Ms Masunyane as the Principle Geological Modeller. Mr Archer is a consultant to MC Mining in terms of the Uitkomst Colliery.

Mr Bronn is a qualified mining engineer and registered member of good standing with the SAIMM (South African Institute of Mining and Metallurgy) (704125).

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

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

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

All parties have consented to the inclusion of the Resources and Reserves in the FY2019 Annual Report.

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

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

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

Background

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

Operating colliery

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

Operation on care and maintenance

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

Projects at various stages of development

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

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

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

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

Makhado Extension Project, Vhembe Magisterial District, Limpopo province, Republic of South Africa (GPS coordinates Lat: 22°45'33.18"S and Long: 30°4'10.34"E). This Project is currently under a Prospecting Right application.

MINERAL RESOURCES AND MINERAL RESERVES STATEMENT CONTINUED

as at 30 June 2019

Summary of the MC Mining Limited Resources and Reserves

Extract from the Resource and Reserve statement

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

The Resources and Reserves are at 30 June 2019 for all assets. The statement below is relevant to the mineral assets under MC Mining's control on this date. They have been based on reliable exploration and mining results, where appropriate and accurately estimated using industry best practice standards of modelling. The Resources and Reserves have been correctly classified according to the JORC Code, 2012. The relevant Competent Persons in the employ of the Company: Mr Bronn, Mr Sparrow, Ms Masunyane and Mr Archer consent to the inclusion of this extract of the Resources and Reserves into the 2019 MC Mining Annual Report.

Governance arrangement and internal controls

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

MC Mining Resources [1]

Project/operation [2]	Resource category [3]	GTIS	TTIS	MTIS	MCM attributable interest	MCM attributable MTIS Resources
		Mt	Mt	Mt	%	Mt
Vele Colliery		148.166	133.349	86.112	100	86.112
Uitkomst Colliery		16.830	15.990	15.150	70	10.605
Mopane Project [4]	Measured	109.435	98.492	94.916	97	92.012
Makhado Project		402.781	362.503	265.025	69	182.867
Makhado Extension Project [5]		42.245	38.020	36.241	100	36.241
Total Measured Resources		**719.457**	**648.354**	**497.444**		**407.837**
Vele Colliery		426.854	362.826	200.303	100	200.303
Uitkomst Colliery		4.900	4.410	4.209	70	2.946
Mopane Project [4]	Indicated	125.034	106.279	100.507	96	96.444
Makhado Project		298.595	253.806	76.743	69	52.953
Makhado Extension Project [5]		29.581	25.144	23.226	100	23.226
Total Indicated Resources		**884.964**	**752.465**	**404.988**		**375.872**
Vele Colliery		218.932	175.145	75.154	100	75.154
Uitkomst Colliery		6.800	5.780	5.400	70	3.780
Mopane Project [4]		36.239	28.991	24.001	88	21.130
Makhado Project	Inferred	94.232	75.386	2.998	69	2.069
Generaal Project [6]		407.163	325.730	55.511	100	55.511
Chapudi Project [7]		6,399.023	5,119.219	1,318.481	74	975.676
Makhado Extension Project [5]		12.301	9.841	7.346	100	7.346
Total Inferred Resources		**7,174.690**	**5,740.092**	**1,488.891**		**1,140.665**
Grand total Resources		**8,779.111**	**7,140.911**	**2,391.323**		**1,924.375**

GTIS: Gross tonnes *in situ* TTIS: Total tonnes *in situ* MTIS: Mineable tonnes *in situ*

1 http://www.mcmining.co.za/investors-and-media/technical-reports
2 MC Mining does not own the surface rights to all farms over which it has rights
3 The JORC and SAMREC compliant coal Resource is at 30 June 2019 and is inclusive of Reserves
4 Mopane Project consists of the Voorburg and Jutland sections
5 Makhado Extension Project is reported under a Prospecting Right application
6 Generaal Project consists of Generaal and Mount Stuart sections
7 Chapudi Project consists of Chapudi, Chapudi West and Wildebeesthoek sections

MC Mining Reserves [1, 5]

Operation	Reserve category	MTIS Reserve	ROM tonnes [3]	Saleable primary product tonnes	Saleable secondary product tonnes	MCM attributable interest
		Mt	Mt	Mt	Mt	%
Vele Colliery	Proven	23.806	25.280	4.666	9.682	100
Uitkomst Colliery		11.865	7.314	4.546		70
Total Proven		**35.671**	**32.595**	**9.212**	**9.682**	
Vele Colliery	Probable	301.371	266.115	47.848	117.751	100
Makhado Project [2]		188.250	172.757	25.637	44.536	69
Uitkomst Colliery [4]		2.497	1.447	0.922		
Total Probable		**492.118**	**440.319**	**74.407**	**162.287**	
Grand total Reserves		**527.790**	**472.914**	**83.618**	**171.969**	

1 www.mcmining.co.za/investors-and-media/technical-reports
2 The Makhado Project is based on the published feasibility study and a current FEED
3 The declared coal Reserves are based upon the Measured and Indicated coal Resource only
4 Uitkomst Colliery Reserves are based on a detailed LoM layout
5 Tonnages reported in millions of tonnes and rounding of weighted averages may have occurred

Resource and Reserve statement comparison

The only operation that has undergone any change is Uitkomst Colliery and a depletion calculation considered the production for the 2018/2019 financial year.

MC Mining Resources [1, 2, 3]

Operation	Resource category	GTIS	TTIS	MTIS	MCM attributable interest	MCM attributable MTIS Resources
		Mt	Mt	Mt	%	Mt
Uitkomst Colliery	Measured	1.207	1.147	1.126	70	0.788
Total Measured Resources		**1.207**	**1.147**	**1.126**		**0.788**
Uitkomst Colliery	Indicated	0.240	0.216	0.250	70	0.175
Total Indicated Resources		**0.240**	**0.216**	**0.250**		**0.175**
Uitkomst Colliery	Inferred	1.900	1.615	1.400	70	0.980
Total Inferred Resources		**1.900**	**1.615**	**1.400**		**0.980**
Grand total Resources		**3.347**	**2.978**	**2.776**		**1.943**

1 www.mcmining.co.za/investors-and-media/technical-reports
2 The declared Reserves are based upon the Measured and Indicated coal Resources only
3 Tonnages reported in millions of tonnes and round of weighted averages may have occurred

MC Mining Reserves [1, 2, 3]

Operation	Reserve category	MTIS	ROM tonnes	Saleable primary product tonnes	Saleable secondary product tonnes	MCM attributable interest
		Mt	Mt	Mt	Mt	%
Uitkomst Colliery	Proven	2.916	0.890	0.364	0.000	70
Total Proven Resources		**2.916**	**0.890**	**0.364**	**0.000**	
Uitkomst Colliery	Probable	(0.010)	(0.353)	(0.233)	0.000	70
Total Probable Reserves		**(0.010)**	**(0.353)**	**(0.233)**	**0.000**	
Grand total Reserves		**2.906**	**0.537**	**0.130**	**0.000**	

1 www.mcmining.co.za/investors-and-media/technical-reports
2 The declared Reserves are based upon the Measured and Indicated coal Resources only
3 Tonnages reported in millions of tonnes and round of weighted averages may have occurred