02

YEAR IN REVIEW

Significant progress on the execution of strategic initiatives prior to the emergence of the COVID-19 pandemic. South African Government-declared lockdown results in operating Uitkomst Colliery being placed on temporary care and maintenance and only essential activities continue at the Limpopo province project areas

IN THIS SECTION

CHAIRMAN'S STATEMENT

The 2020 financial year proved to be one of stark contrasts. During the first eight months, the Company made steady progress, including improving the Uitkomst Colliery production profile while also advancing the funding initiatives for Phase 1 of our flagship Makhado hard coking coal project. These initiatives were adversely affected by the emergence of the COVID-19 pandemic, and its impact on the world economy was unprecedented in both speed and scale. The spread of the virus resulted in many countries introducing lockdowns and Uitkomst was placed on care and maintenance from 26 March 2020 and only returned to full capacity at the end of June. We continued to focus on the safety and well-being of our people, and measures recommended by the South African Government and endorsed by the World Health Organisation were introduced at our sites where staff could work, while others worked remotely.

The evolving pandemic has impacted markets across the world and required a concerted response from companies and stakeholders to minimise the many social and economic effects. The spread of the virus resulted in significant declines in commodity prices and it is difficult to predict the outlook with any reasonable degree of certainty, with coking coal prices only recently showing positive signs. International thermal coal prices remain depressed, placing pressure on our Uitkomst Colliery which continues to experience challenging trading conditions that are a direct result of COVID-19.

Environmental and social governance is becoming more and more dominant in investment decision making, with fossil fuels continuing to face pressure as a result of their contribution to climate change. Many financial institutions and corporates have divested from the coal energy sector while others have committed to reducing their investments in this area. This has increased the hurdles coal mining companies face in sourcing capital, as mining projects

Significant strides were made to secure the Makhado Phase 1 funding during FY2020 despite the challenges of COVID-19

compete for a reducing pool of available funds. Fortunately, the majority of the Company's coal is sold into the ferrous industry and our strategic focus is our coking coal projects, differentiating MC Mining from the majority of South African coal mining companies that specialise in the supply of thermal coal.

Our strategy remains the development of our significant Limpopo assets with the aim of being the country's pre-eminent producer of hard coking coal. The advancement of the Makhado Phase 1 funding initiatives during the financial period is very satisfying. However, the lockdown slowed efforts to secure the remaining capital for Phase 1 and subsequent to year-end, the Company pleasingly secured a bridge loan accompanied by shareholder support. I am also pleased to report that funder interest in the Makhado Project remains and we are hopeful that the advanced discussions currently under way will yield the necessary funding and the commencement of construction in early CY2021.

South Africa continues to face a myriad of economic challenges, including high levels of unemployment and low economic growth. We are partners with stakeholders in the development of Makhado and the project will provide over 650 sustainable job opportunities as well as replace some of the imported hard coking coal used in the domestic steel industry. Pleasingly, there appears to be enhanced acceptance that public sector stakeholders partner with the private sector to grow the economy, as this will be the largest contributor to poverty alleviation.

I would like to acknowledge my Board colleagues for their wise counsel and valuable input during unprecedented conditions. Peter Cordin, the Company's longest serving Non-executive Director did not stand for re-election at the 2019 Annual General Meeting (AGM) and I would like to thank him for his contribution over the years. The Board is also grateful to Thabo Mosololi who stepped down as a Non-executive Director during the year and we recognise his involvement and wish him well with his future endeavours. David Brown resigned as CEO and Executive Director in January and I would like to thank him for his eight years of leadership. On behalf of the Board I would also like to express our gratitude to Brenda Berlin for accepting the role as Acting Chief Executive Officer (CEO) and the impact she has had since February in progressing the various funding initiatives while also ensuring Uitkomst operates on a sustainable basis. I would also like to thank our employees and shareholders for their continued support during the very challenging period.

Bernard Pryor
Chairman

CEO'S REVIEW

Our year in review

The financial year ended 30 June 2020 was a turbulent period with global economic conditions suffering from the pervasive effects of the COVID-19 pandemic. The spread of the virus has affected almost all aspects of people's daily lives and has required adaptability in a frequently changing environment. The South African Government took a pro-active decision and declared a lockdown from midnight on 26 March 2020, requiring MC Mining to limit actions at all of our sites to essential activities only. The lockdown was eased during May and activities at the operations gradually returned to previous levels by the end of June 2020.

Makhado Project

The South African mining regulatory environment remains extremely complex and the exploration and development of greenfield projects demands a significant amount of capital and takes many years. Our Makhado Project is shovel-ready, having secured the required regulatory approvals, and has access to all surface rights for the mining area. The construction of Makhado will have a positive impact on employment in the Limpopo province and contribute significantly to the upliftment of nearby communities.

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 (HCC) mine in the country. The Company has completed detailed studies on the Makhado Project, and the Phase 1 construction costs were independently assessed during a 2019 front end engineering and design (FEED) process followed by a substantially completed detailed engineering design, delivering an approximate 10% accurate capital estimate, while operational costs were obtained from a tender process during the same period.

The phased development of Makhado reduces initial capex, ensuring scalability while safeguarding the project's exceptional returns

Brenda Berlin
Acting CEO

The phased Makhado development plan reduces initial capital expenditure and shortens the construction period, lowering the execution risk and ensures continued scalability of the project. Phase 1 of Makhado incorporates the construction of the west pit and modifications to the existing Vele Colliery processing plant and is anticipated to take nine months with first coal sales in month 10. The plant modifications consist of, amongst others, a new fines circuit to capture the ultra-fine coal and will be managed by independent processing experts to annually produce approximately 1.1Mtpa of HCC and a thermal coal by-product. The Makhado Project will provide significant direct and indirect benefits to communities, creating approximately 650 permanent job opportunities when fully operational while Phase 2 will create approximately 900 jobs. Development of Phase 2 could

Safety, health and environment

The lower than anticipated production in Q1 FY2020 was accompanied by a disappointing safety record and the Uitkomst Colliery recorded five lost time injuries (LTIs) during the first three months. This prompted a review of our safety practices and re-training was provided to focus on the identification of hazards associated with a semi-mechanised underground mining environment and how to the address the hazards through safe working practices. All employees attended the safety re-training and the colliery recorded four LTIs during the remaining nine months of FY2020 (FY2019: four LTIs).

The Group's focus continues to be on ensuring our codes of practice 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. No LTIs were recorded at the Vele Colliery, Makhado Project or GSP during the financial year.

Activities at MC Mining's Uitkomst Colliery and Limpopo project sites were limited to essential services only on commencement of the lockdown with measures taken at the various sites taking direction provided by the South African Government. In line with these measures, Uitkomst was placed on care and maintenance until 4 May 2020.

The scaled back operations were monitored and managed according to procedures enacted to protect the health and safety of all people and included employee communication and training, hygiene response, security controls, health monitoring, resilience and contingency plans.

Activities gradually resumed at Uitkomst and Limpopo project sites during May and June 2020 as the South African Government eased the lockdown conditions. On the environmental front, Uitkomst and Makhado have ongoing monitoring programmes certifying compliance with regulatory requirements.

MC Mining promotes a collaborative approach with regulators and to that end the Vele Colliery works 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.

Our tailings dams are inspected periodically by competent third parties and we have our own regular checks. The Company can report all such facilities are operational and with appropriate tolerance levels.

commence in CY2023, coal market and funding dependent, and includes construction of the Makhado processing plant and related infrastructure as well as mining of the east and central pits.

We progressed the various workstreams for Phase 1 of the Makhado Project which has robust fundamentals and will deliver exceptional returns for shareholders. This included the conclusion of a R245 million ($17 million using a conservative exchange rate of R14.50:$; $14.1 million using the year-end exchange rate) loan facility from the Industrial Development Corporation of South Africa Limited (IDC), the initial step in the composite debt/equity Makhado Phase 1 funding package. The completion of the fund raising has been delayed by the COVID-19 lockdown but the Company has secured in-principle agreements for a further $14 million in funding that is subject to agreement of final documentation. MC Mining is also in significantly advanced discussions with potential equity funders for the remaining balance of $9 million and we anticipate finalising the composite debt/equity funding process in H2 CY2020 with construction commencing in Q1 CY2021.

Uitkomst Colliery

The Uitkomst Colliery is mined on a conventional drill and blast, bord and pillar design and has a remaining LoM of approximately 18 years, including a potential mine extension to the north. The colliery has well-established infrastructure including power, water supply, buildings, workshops, weighbridge, water storage and management facilities. The adit currently being mined (south adit) is easily accessible but due to the length of time the mine has been operating, travel time to the working areas is taking longer. The development of the north adit requires detailed costing and impact studies as well as regulatory authorisations for the extension.

Uitkomst Colliery's first quarter of FY2020 was challenging with a change of senior management combined with depressed international thermal coal prices. However, cost control and production enhancement initiatives implemented during the first half of FY2020 led to improvements in volumes of ROM coal mined as well as a more stable production profile. These improvements were accompanied by increases in average API4 coal prices from $59/t in September 2019 to a peak of $87/t in January 2020. The spread of COVID-19 globally and the resultant slowdown in global economic activity was accompanied by decreased demand for coal. This led to a significant decline in API4 coal prices which averaged $63/t for the remaining five months of FY2020.

In compliance with the government-declared lockdown, the Uitkomst Colliery was placed on care and maintenance on 27 March 2020 with limited activities recommencing from 4 May 2020 and production only normalising at the end of June 2020. The colliery's customers were also adversely affected by the lockdown and orders only started returning to pre-lockdown levels during Q1 FY2021.

Financial performance

MC Mining's revenue for FY2020 was adversely affected by average API4 coal prices being 22% lower than FY2019, as well as the lower production and sales volumes, due to the lockdown, which declined to $17.2 million (FY2019: $26.4 million).

CEO'S REVIEW continued

At 30 June 2020, the $0.4 million (FY2019: $8.8 million) net cash balance, coupled with access to $8.5 million of the $17.0 million IDC loan and the Uitkomst ABSA facility of $1.4 million, provided access to funding. The lower revenue for FY2020 contributed to the loss from continuing operations for the year of $12.0 million (FY2019: $33.7 million):

- Lower coal volumes, cost savings initiatives and a weaker ZAR:US$ exchange rate resulted in cost of sales decreasing from FY2019's $25.4 million to $18.2 million, yielding a gross loss of $1.1 million (FY2019: gross profit of $1.0 million).
- Contributing to the loss were non-cash charges of $4.7 million (FY2019: $28.2 million) that included impairment of the carrying value of non-core subsidiaries, resulting in a non-cash net impairment expense of $1.3 million (FY2019: $21.9 million).
- A reduction in the number of employees, particularly corporate staff, as well as the 'no work, no pay' policy implemented due to the lockdown, resulted in administrative employee expenses declining 20% to $3.9 million (FY2019: $4.9 million).
- The ZAR:US$ exchange rate was increasingly volatile during the period and the Company recorded a net foreign exchange loss of $0.4 million (FY2019: gain of $0.2 million) due to borrowings and payment of the final Pan African Resources deferred consideration. The Company also changed its functional currency from Australian dollars to South African rands from 1 July 2019 and the translation of inter-group loan balances also contributed.
- Net interest expense arising from borrowings and finance leases reduced to $2.9 million (FY2019: $4.6 million).

Corporate matters and progress on strategy

The development of the Makhado Project is vital and will successfully transition MC Mining from a project development company to a self-sufficient, profitable metallurgical coal 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 cost control measures implemented at corporate level in FY2020 resulted in these costs reducing by an annualised 40%, primarily through a reduction in staff numbers and reallocation of roles and responsibilities across the Group. The South African mining sector has a significant regulatory and compliance load and the majority of the employee overhead is necessary in order to comply with regulatory matters as well as be sufficiently staffed to continue progressing the Makhado Project.

The ability to deliver on our vision depends on access to both the equity markets as well as the debt markets and a stable and certain regulatory environment. The current economic climate both locally and internationally is particularly challenging, accompanied by lower coal prices since the emergence of COVID-19. Dependent on the ability to close out the funding in Q4 CY2020, we are hopeful that the construction of the Makhado Project will commence during Q1 of CY2021.

The Company continues to rely on a combination of debt and shareholder funds to survive as it moves toward construction of the Makhado Project. The Company did not require any additional equity raises during FY2019, and in fact, has not required a working capital equity raise since 2015. However, the reduced contribution from Uitkomst due to depressed API4 prices, lower sales volumes and delays in securing the Phase 1 funding necessitated the post year-end IDC loan restructuring and issue of R15 million ($0.9 million) of new equity, providing the working capital to progress the remaining funding for Makhado.

The Company's strategy to work collaboratively and follow due process has been successful, as reflected with the granting of the Generaal coking and thermal coal project's Mining Right during FY2020. This results in MC Mining now having secured two of the three Mining Rights required for our longer-term GSP. We anticipate that the outstanding Mopane Mining Right will be granted in the near future.

Appreciation

We are very close to finalising the Makhado Phase 1 funding and this would not have been possible without the support of our shareholders as well as our debt funders, the IDC and ABSA – so thank you to these parties as well as to all of our stakeholders. To the MC Mining team, thank you for the continued hard work and resilience during these unprecedented conditions. Furthermore, thank you to our Board for its continued support and guidance.

SUMMARY OF OPERATIONS AND PROJECTS

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

	FY2020	FY2019	%
Production tonnages			
Uitkomst ROM (t)	431,354	472,647	(9%)
Purchased ROM to blend (t)[1]	–	12,466	(100%)
	431,354	**485,113**	**(11%)**
Sales tonnages			
Own ROM (t)	228,206	295,051	(23%)
Middlings sales	25,987	8,315	213%
Purchased ROM to wash or blend (t)[1]	-	6,035	(100%)
	254,193	**309,401**	**(18%)**
Financial metrics			
Revenue/t($)	65.15	81.39	(20%)
Production costs/saleable tonnes ($)[2]	63.01	74.83	(16%)

[1] contract completed

[2] all costs are rand based

Uitkomst Colliery

Uitkomst Colliery is an owner-operated mine situated in the Utrecht Coalfield of KwaZulu-Natal and is a high-grade coal deposit which supplies domestic metallurgical and thermal markets. The colliery comprises an existing underground coal mine with approximately 18 years' remaining LoM. The colliery currently mines the south adit (horizontal shaft) and the development of the north adit is subject to receipt of the regulatory approvals, 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 (BBBEE) trusts for employees and communities and a black industrialist.

The Uitkomst Colliery employs approximately 522 employees (including contractors) and recorded nine LTIs during FY2020 (FY2019: four LTIs). The colliery compiled a safety strategy in conjunction with its employees and also completed a re-training programme with emphasis on hazard identification during FY2020.

On 27 March 2020, Uitkomst was placed on care and maintenance, in compliance with regulations, following the South African Government's declaration of a lockdown to prevent the spread of the COVID-19 virus. Following this, only essential activities were undertaken at the site until 4 May 2020 when the colliery was permitted to recommence with limited activities, utilising up to 50% of its labour capacity. The lockdown regulations were gradually eased during May and June 2020 with full production resuming at the end of June 2020.

Uitkomst sells its smaller 0 to 40mm coal product into the domestic metallurgical market for use as pulverised coal while the larger sized product (peas) are supplied to local energy generation facilities. The

colliery also sells a high-ash, coarse discard (middlings) coal and customer order levels for all three products only normalised subsequent to year-end.

The Uitkomst Colliery implemented revised mining cycles and optimisation initiatives during H1 FY2020, contributing to the 11% improvement in the colliery's ROM coal production compared to the first six months to FY2019 (262,696t vs. 237,715t). This measure had increased to 13% at the end of February 2020 but the lockdown resulted in the colliery not mining or processing coal in April. The gradual easing of the lockdown limited production and the ROM coal mined in H2 FY2020 was 28% lower than the comparative period (168,658t vs. 234,932t). The reduced activities due to the lockdown resulted in the Uitkomst Colliery's ROM coal production for the 12 months being 9% lower than the prior year (431,354t vs. 485,113t) with no ROM coal purchased from third parties due to supply contracts expiring previously (FY2019: 12,466t).

The majority of Uitkomst Colliery's customers also suspended operations during lockdown and this, combined with the lower production, resulted in sales derived from ROM coal reducing by 9% compared to the prior year (228,206t vs. 295,051t). Uitkomst completed modifications to its processing plant during H2 FY2019, allowing for the production of high-ash, coarse discard coal. The sales of this type of coal during FY2020 was 25,987t (FY2019: 8,315t).

Uitkomst's revenue was adversely affected by reduced sales volumes as well as the 22% year-on-year decline in average API4 coal prices, with revenue per tonne 20% lower than FY2019. The colliery has a rand denominated cost base and production costs benefited from the implementation of stringent cost control measures as well as the 10% weakening of the rand against the US dollar during the period. Despite all the challenges that arose due to the lockdown, Uitkomst was cash generative for the year with positive operating inflows of $1.1 million (FY2019: $2.8 million).

SUMMARY OF OPERATIONS AND PROJECTS continued

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. The project has a LoM in excess of 46 years. During 2015 the Company agreed to sell 20% of the project to the Makhado Colliery Community Development Trust, comprising seven beneficiary communities. An agreement was also signed with a black industrialist, facilitating his acquisition of a 6% interest in Makhado, and the IDC acquired a 5% shareholding in terms of its existing loan facility. The Makhado Project has all the regulatory permits required to commence mining operations and no LTIs were recorded during the 12 months (FY2019: 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 HCC mine in the country. The project will also provide direct and indirect benefits to communities located in an area with significant unemployment levels and is expected to create approximately 1,500 job opportunities during the construction and operational phases.

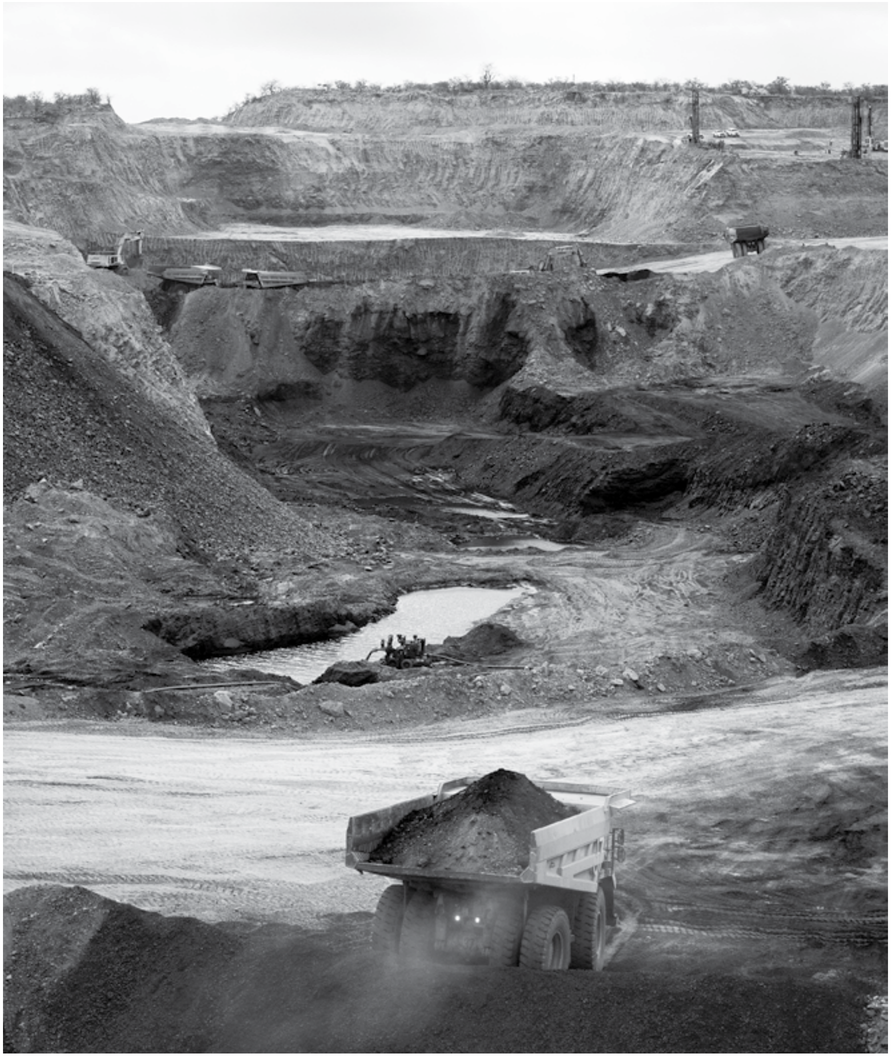
The Makhado Project mining area covers four farms and will be developed in two phases. MC Mining owns all required surface rights where the opencast mining pits and related infrastructure will be situated. The development of the project in phases reduces execution risk and capital expenditure while ensuring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

The Company anticipates that the composite debt/equity funding process for Phase 1 will be completed in Q4 CY2020 with the nine-month construction period commencing in Q1 CY2021, followed by first sales in month 10. Phase 1 will produce approximately 3.0Mtpa of ROM coal that will be crushed, screened and scalped at Makhado. The resultant 2.0Mtpa of scalped ROM coal will be transported to the existing Vele Colliery for final processing, yielding approximately 0.54Mtpa of HCC and 0.57Mtpa of an export quality thermal coal by-product. The saleable coal will be trucked to Musina siding for sale to domestic and export customers, utilising previously tested logistics infrastructure.

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

The Company made significant progress on the Phase 1 funding during FY2020 with the initial step being the signature of a binding agreement with the IDC for a new R245 million ($17 million) facility. MC Mining has also secured in-principle agreements for a further $14 million in funding that is subject to agreement of final documentation and is in significantly advanced discussions with potential equity funders for the remaining $9 million. The Company expects to compete the funding process in Q4 CY2020 with construction of Phase 1 anticipated to start in Q1 CY2021.

Phase 2 is expected to commence circa CY2023, funding and market dependent, and will result in 4.0Mtpa of ROM coal, producing approximately 1.7Mtpa of saleable HCC and thermal coal. The Company has also secured a three-year off-take agreement for the Phase 2 HCC. The off-take with Huadong Coal Trading Center Co, Ltd, a Chinese state-owned enterprise with logistics and bulk commodity trading interests, is for up to 450,000t of HCC, also at index-linked prices, affirming international appetite for Makhado's HCC.



Greater Soutpansberg Project

The GSP, also 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 project is jointly owned by MC Mining (74%) and its BEE partner, Rothe Investments (Pty) Ltd (26%) and recorded no LTIs in FY2020 (FY2019: nil).

The exploration and development of the three GSP areas is the catalyst for MC Mining's long-term growth. The Company applied for Mining Rights for the three project areas during 2013 and the Chapudi Project Mining Right was granted in December 2018 and was subsequently appealed. The Chapudi Project contains over 6.3 billion gross tonnes *in situ* of inferred coal Resources, positioning the GSP to be a potential long-term coal supplier to the planned SEZ, as well as other markets.

The Department of Mineral Resources and Energy (DMRE) granted the Generaal Mining Right in November 2019 and the Company is hopeful that the Mopane Mining Right will be granted during FY2021, following which the Company will commence with the various studies required for the outstanding water and environmental regulatory approvals.

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 (FY2019: nil). The colliery has all regulatory approvals required to recommence operations and the existing processing plant will be modified as part of Phase 1 of Makhado. These modifications include circuits to capture the fine coal fraction and will facilitate the simultaneous production of two products, namely HCC and a thermal coal by-product.

The Company anticipates that, following the nine-year Makhado Phase 1 LoM circa 2029, the Vele Colliery will be ideally positioned to potentially supply coal to the Government gazetted Limpopo SEZ. Compliance with regulatory and licensing requirements at the colliery is monitored using various initiatives – internal inspections, external audits conducted by the Department of Water and Sanitation (DWS), as well as audits conducted by the Environmental Compliance Officer. Vele participates in a 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 Environmental Authorisation (EA). The EMC comprises various stakeholders from regulatory authorities, relevant organs of state, municipal representatives, civil society and stakeholders identified during the initial public process.

REGULATORY COMPLIANCE UPDATE

Colliery and project regulatory status

Colliery/ Project	Mining Right granted by the DMRE			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) [2]	Fully compliant	✓	LoM	Fully compliant	✓
Makhado Project (Limpopo)	✓	30 years	Received May 2015	✓	20 years	See below [3]	✓	LoM	Amended and validity period extended by five years	✓
Vele Colliery (Limpopo)	✓	30 years	Fully compliant	✓	20 years		✓	LoM	Fully compliant See below [4]	✓
GSP (Limpopo)	DMRE accepted Mining Right applications for various component projects in 2013 – Chapudi Mining Right granted in December 2018, Generaal Mining Right granted in November 2019, Mopane Mining Right approval outstanding			No applications for IWUL submitted – will apply after granting of the three Mining Rights			No EA applications submitted – will apply after granting of the three Mining Rights			✗

Notes:

[1] Extension Application submitted in late CY2019 to extend the Mining Right for LoM

[2] Expires in February 2021 and a renewal application will be lodged in October 2020

[3] Suspension lifted in FY2017 and appeal to be heard by the Water Tribunal

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

IWUL – Integrated Water Use Licence

MINERAL RESOURCES AND MINERAL RESERVES STATEMENT

as at 30 June 2020

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. The Uitkomst Colliery was mined continuously save for the period between 27 March 2020 and 3 May 2020 when the mine was under care and maintenance for the COVID-19 lockdown. The Company's projects have been continuously evaluated with no addition or reduction in the Resources or Reserves required.

The following summary of the Resource and Reserve statement for MC Mining's operations and projects 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 (MCM: AU) with secondary listings on United Kingdom AIM (MCM: LN) and the JSE (MCZ: SJ).

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

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

Regarding the CPRs used in this report:

- the Makhado Project was evaluated by Minxcon Consulting Engineers and an independent report dated 1 January 2018 was prepared
- the Uitkomst Colliery was evaluated by Minxcon Consulting and an independent report dated 28 February 2017 was presented
- the Vele Colliery was evaluated by VBKom mining engineers and an independent report dated 1 March 2017 was presented
- the Greater Soutpansberg Projects 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 J.C.H.K. Sparrow and Ms N. Masunyane in terms of the Resource declaration and Mr B Bruwer and Mr C.W. Archer in terms of the Reserve declaration. Mr Sparrow and Ms Masunyane are in full time employ of MC Mining, Mr Sparrow as the Group Geologist and Ms Masunyane as the Principle Geological Modeller. Mr Bruwer and Mr Archer are both consultants to MC Mining, Mr Bruwer in terms of the projects and Mr Archer in terms of the Uitkomst Colliery.

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

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 FY2020 Integrated Report. The units of measure in this report are metric, with Tonnes (t) = 1,000kg.

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

Background

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

Operating colliery

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

Operation on care and maintenance

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

Projects at various stages of development

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

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

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

MINERAL RESOURCES AND MINERAL RESERVES STATEMENT as at 30 June 2020

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

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

SUMMARY OF THE MC MINING LIMITED RESOURCES AND RESERVES

Extract from the Resource and Reserve statement

The Mineral Resource and Reserve statement has been extracted from the independent technical reports compiled by Minxcon consulting, VBKom consulting engineers and Venmyn Deloitte. These technical reports can be viewed at: www.mcmining.co.za/technical-reports. The Resources and Reserves are at 30 June 2020 for all assets. The statement below is relevant for the Mineral assets under MC Mining Limited's control at 30 June 2020. They have been based upon 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) by the relevant Competent Persons in the employ of/or consulting to the Company. Mr J Sparrow, Ms N Masunyane, Mr C Archer and Mr B Bruwer consent to the inclusion of this extract of the Resources and Reserves in this Annual Report.

MC Mining Limited Resources[1]

Project\operation	Resource category[2]	Gross tonnes *in situ* (GTIS) Mt	Total tonnes *in situ* (TTIS) Mt	Mineable tonnes *in situ* (MTIS) Mt	MCM attributable interest	MCM attributable MTIS Resource
Vele Colliery	Measured	148,166	133,349	86,112	100%	86,112
Uitkomst Colliery[7]		16,450	15,627	14,805	70%	10,363
Mopane Project[3]		109,435	98,492	94,916	97%	92,012
Makhado Project		402,781	362,503	265,025	69%	182,867
Makhado Extension Project[6]		42,245	38,020	36,241	100%	36,241
Total Measured Resources		**719,076**	**647,991**	**497,098**		**407,595**
Vele Colliery	Indicated	426,854	362,826	200,303	100%	200,303
Uitkomst Colliery[7]		4,777	4,300	4,061	70%	2,842
Mopane Project[3]		125,034	106,279	100,507	96%	96,444
Makhado Project		298,595	253,806	76,743	69%	52,953
Makhado Extension Project[6]		29,581	25,144	23,226	100%	23,226
Total Indicated Resources		**884,841**	**752,354**	**404,840**		**375,769**
Vele Colliery	Inferred	218,932	175,145	75,154	100%	75,154
Uitkomst Colliery[7]		6,339	5,388	5,071	70%	3,550
Mopane Project[3]		36,239	28,991	24,001	88%	21,130
Makhado Project		94,232	75,386	2,998	69%	2,069
Generaal Project[4]		407,163	325,730	55,511	100%	55,511
Chapudi Project[5]		6 399,023	5 119,219	1 318,481	74%	975,676
Makhado Extension Project[6]		12,301	9,841	7,346	100%	7,346
Total Inferred Resources		**7 174,229**	**5 739,700**	**1 488,562**		**1 140,435**
Grand Total Resources		**8 778,147**	**7 140,046**	**2 390,500**		**1 923,798**

Notes

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

2 The JORC and SAMREC compliant coal Resource is at 30 June 2020 and is inclusive of Reserves

3 Mopane Project – Consists of the Voorburg and Jutland Sections

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

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

6 Makhado Extension Project – This project is held under a New Order Prospecting Right application

7 Uitkomst Colliery – This operation has undergone some operational drilling that has improved the confidence of the Resources

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

MC Mining Limited Reserves[1,4]

Operation	Reserve category	Mineable tonnes *in situ* reserve Mt	Run-of-mine tonnes (ROM) Mt[3]	Saleable primary product tonnes Mt	Saleable secondary product tonnes Mt	MCM attributable interest
Vele Colliery	Proven	23,806	25,280	4,666	9,68	100%
Uitkomst Colliery[5]		10,561	6,144	3,879		70%
Total Proven		**34,368**	**31,424**	**8,545**	**9,682**	
Vele Colliery	Probable	301,371	266,115	47,848	117,751	100%
Makhado Project[2]		188,250	172,757	25,637	44,536	69%
Uitkomst Colliery[5]		2,427	1,355	0,861		70%
Total Probable		**492,048**	**440,227**	**74,346**	**162,287**	
Grand Total Reserves		**526,416**	**471,651**	**82,891**	**171,969**	

Notes

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

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

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

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

5 Uitkomst Colliery Reserves are based on a detailed LoM layout (1 July 2020)

MINERAL RESOURCES AND MINERAL RESERVES STATEMENT as at 30 June 2020

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 2019/2020 financial year.

MC Mining Limited Resources[1]

Project \ Operation	Resource category	Gross tonnes *in situ* (GTIS) Mt	Total tonnes *in situ* (TTIS) Mt	Mineable tonnes *in situ* (MTIS) Mt	MCM attributable interest	MCM attributable MTIS Resource
Uitkomst Colliery	Measured	-0,384	-0,365	-0,346	70%	-0,242
Total Measured Resources		**-0,384**	**-0,365**	**-0,346**		**-0,242**
Uitkomst Colliery	Indicated	-0,138	-0,125	-0,118	70%	-0,082
Total Indicated Resources		**-0,138**	**-0,125**	**-0,118**		**-0,082**
Uitkomst Colliery	Inferred	-0,630	-0,535	-0,504	70%	-0,353
Total Inferred Resources		**-0,630**	**-0,535**	**-0,504**		**-0,353**
Grand Total Resources		**-1,153**	**-1,025**	**-0,968**		**-0,677**

MC Mining Limited Reserves[1,2,3]

Operation	Reserve category	Mineable tonnes *in situ* reserve Mt	Run-of-mine Tonnes (ROM) Mt	Saleable primary product tonnes Mt	Saleable secondary product tonnes Mt	MCM attributable interest
Uitkomst Colliery	Proven	-1,304	-1,171	-0,667		70%
Total Proven		**-1,304**	**-1,171**	**-0,667**	**0,000**	
Uitkomst Colliery	Probable	-0,070	-0,092	-0,061		70%
Total Probable		**-0,070**	**-0,092**	**-0,061**	**0,000**	
Grand Total Reserves		**-1,374**	**-1,263**	**-0,728**	**-**	

Notes

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

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

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

Governance arrangement and internal controls

MC Mining has ensured that the Mineral Resources quoted are subject to good governance arrangements and internal controls. The Company has engaged external independent consultants to update the Mineral Resource in accordance with the JORC Code 2012 and South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC) 2016.