MCMining LIMITED

ANNUAL REPORT 2019

POWERING AND EMPOWERING THE NATION

SCOPE OF THE REPORT

In line with international trends and best practice, MC Mining Limited (MCM, MC Mining or the Company) presents its annual report for the year ended 30 June 2019.

The contents of this report have been informed by regulatory obligations, our risk management processes and the stated interests of our stakeholders. The financial and non-financial activities and performance of MC Mining's colliery and projects are covered in this report.

Although the Company only operates in South Africa, our primary listing remains on the Australian Securities Exchange (ASX), with secondary listings on both the Alternative Investment Market (AIM) of the London Stock Exchange (LSE) and the Johannesburg Stock Exchange Limited (JSE). This report complies with Australian Accounting Standards, the Corporations Act, 2001 and the International Financial Reporting Standards (IFRS). The compilation of the Reserves and Resources is according to the Australasian Joint Ore Reserves Committee (JORC) guidelines, carried out by the Company's independent Competent Persons, John Sparrow, Cobus Bronn, Nthabiseng Masunyane and consultant Craig Archer.

This report was compiled according to the ASX corporate governance principles. In line with our commitment to mine responsibly, we have reported on our sustainability performance with the aim of incrementally improving both our performance and reporting in this area and, in this respect, our reporting is aligned with the principles of the International Council on Mining and Metals (ICMM).

All reference to $ is to United States dollar, unless otherwise stated.

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FORWARD-LOOKING STATEMENT

This report contains forward-looking statements which are not historical facts. Any statement that expresses or implies MC Mining's intentions, beliefs, expectations or predictions (and the assumptions underlying them) is a forward-looking statement. Forward-looking statements involve inherent risks, uncertainties and assumptions including, without limitation, risks related to the timing or ultimate completion of any proposed transactions or projects, and the possibility that benefits may not materialise as expected. If such risks or uncertainties materialise or such assumptions prove incorrect, actual results could differ materially from those expressed or implied by such forward-looking statements and assumptions. The forward-looking statements in this report are made as of the date of this report, and MC Mining expressly disclaims any obligation to update or correct these statements due to events occurring after issuing this report. The financial information on which the forward-looking statements are based has not been audited nor reported on by the Company's independent external auditors.

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OVERVIEW

OUR VISION:

To be the premier producer of hard coking coal in South Africa

SALIENT HIGHLIGHTS

MCMining LIMITED

Acquired Uitkomst underground mining contractor's operations

Hard coking coal off-take agreements with HDCTC for Phase 2

Acquired key surface rights for Makhado Project

Mining Right granted for Chapudi Project

Phased development of Makhado Project conditionally approved by MC Mining Board

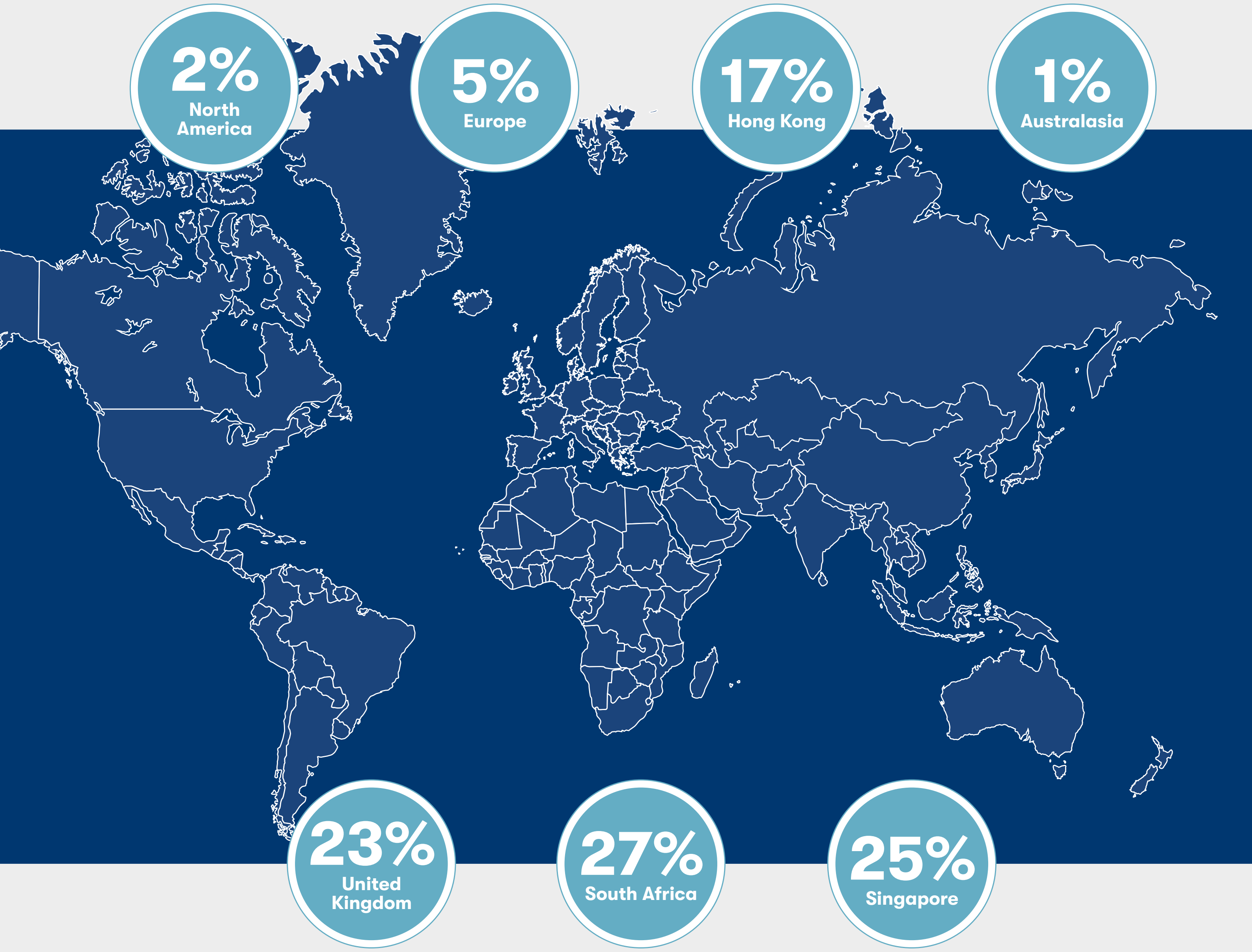
Off-take agreements signed for Phase 1 hard coking and thermal coal

Sold 309,401t of Uitkomst coal

Received IDC loan approval to help construct Makhado Phase 1

WHO WE ARE

SHAREHOLDERS BY GEOGRAPHY
as at 31 August 2019

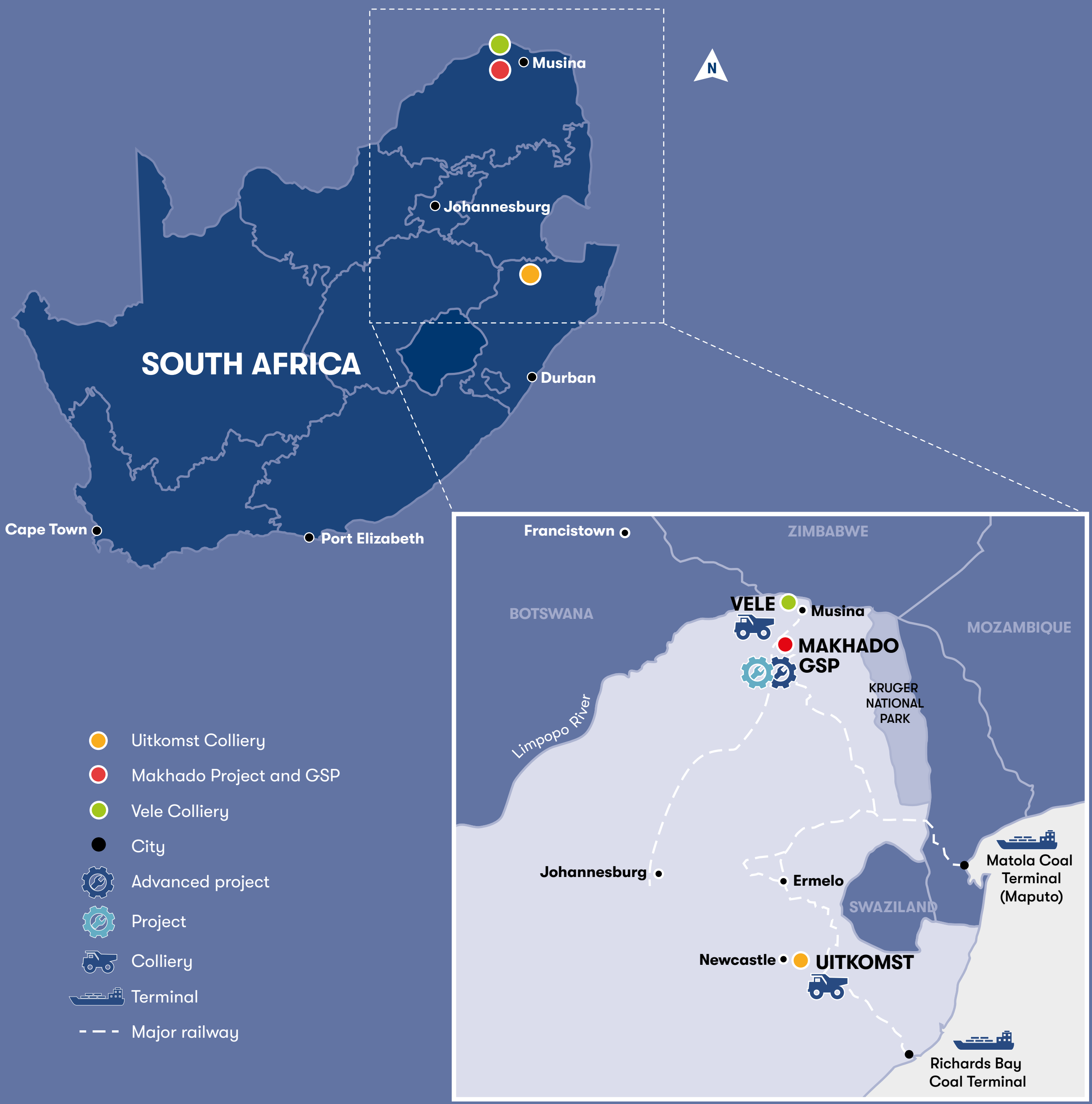


MC Mining, a coal mining company whose high-quality South African metallurgical and thermal coal assets encompass long reserve life and growth options, ensuring the Company is well-positioned for growth. The safety and health of our people takes precedence and a Zero Harm culture is embedded in all activities. We believe in shared value and strive to create and enhance sustainable value for stakeholders by maximising the benefits of mining for all stakeholders, particularly our host communities.

WHERE WE OPERATE

MC Mining has high-quality coking and thermal coal assets located in the Limpopo and KwaZulu-Natal provinces of South Africa.

The Company's key assets include Uitkomst Colliery (metallurgical coal), Makhado Project (hard coking and thermal coal), Vele Colliery (semi-soft coking and thermal coal) and the Greater Soutpansberg Projects (GSP) (coking and thermal coal).



OUR ASSET BASE

MAKHADO PROJECT

FLAGSHIP PROJECT

RESERVES

344.8Mt

mineable tonnes *in situ*

LOCATION

Soutpansberg Coalfield, Limpopo province

PRODUCT

Hard coking coal

REGULATORY STATUS

Fully compliant

STATUS

Construction of Phase 1 expected to commence in Q4 CY2019/ Q1 CY2020, funding dependent

UITKOMST COLLIERY

RESERVES

25.4Mt

mineable tonnes *in situ*

LOCATION

Utrecht Coalfield, KwaZulu-Natal

PRODUCT

Metallurgical and thermal coal

FY2019 RUN-OF-MINE (ROM) PRODUCTION

485,113t

FY2019 SALES

309,401t

FY2019 REVENUE GENERATED

$26.4m

MINING METHOD

Underground operation with planned life-of-mine (LoM) extension

REGULATORY STATUS

Fully compliant

STATUS

Cash generative, producing asset

NUMBER OF EMPLOYEES AND CONTRACTORS

555

FY2019 GROSS PROFIT

$1.0m

FY2019 PRODUCTION COST/SALEABLE TONNE

$46.94

VELE COLLIERY

RESERVES

361.6Mt

mineable tonnes *in situ*

LOCATION

Tuli Coalfield, Limpopo province

PRODUCT

Semi-soft coking and thermal coal

REGULATORY STATUS

Fully compliant

STATUS

On care and maintenance since 2013 pending improvements in development of Musina Special Economic Zone (SEZ); existing processing plant will be modified as part of Makhado Phase 1

GREATER SOUTPANSBURG PROJECT [1]

RESERVES

>1bn

mineable tonnes *in situ*

LOCATION

Soutpansberg Coalfield, Limpopo province

PRODUCT

Coking and thermal coal

REGULATORY STATUS

Mining Right granted for Chapudi Project, waiting for granting of Generaal and Mopane Mining Rights

STATUS

Early stage exploration project

[1] Comprises Chapudi, Generaal and Mopane Projects

THE COMPANY'S OPERATIONAL FOCUS

is the development and mining of high quality metallurgical coal projects in South Africa

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
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

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.

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.

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 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

SUSTAINABLE DEVELOPMENT REVIEW

INTRODUCTION

Enhancing our contribution to sustainable development through shared value

Our approach to sustainability continues to evolve as the challenges of poverty, inequality and weak economic growth continue to plague our country and our communities.

We have begun a process to align our sustainability strategy to the 2030 Vision of the United Nations Sustainable Development Goals. This involves the integration of their sustainability principles into all our business activities. This dynamic and ever-shifting conversation has led to an executive-driven approach to enhancing and sharing value for all our stakeholders. Our aim is to transform our areas of operation, improve the lives and prosperity of our people, on a healthy planet.

SUSTAINABILITY GOALS AND PILLARS

Creating and sharing value

SAFETY AND HEALTH

Leading by example to embed Zero Harm culture

- Proactively ensuring the safety and health of our people takes precedence
- Improving the health and well-being of our people
- Facilitating access to clean water

ENVIRONMENT

Beyond compliance approach

- Sustainable management of natural resources
- Building partnerships to implement the co-existent model
- Designing an integrated approach to social, economic environmental impact management

ECONOMY AND INFRASTRUCTURE

Transforming our areas of operation by improving the lives and prosperity of our people on a healthy planet

- Reducing poverty
- Creating jobs
- Enabling access to opportunities
- Creating linkages between the Company and our people
- Investment in infrastructural development to enable access to basic services

COMMUNITIES AND GOVERNMENTS

Developing a shared purpose to transform communities at all levels

- Building sustainable communities
- Fostering social cohesion amongst communities
- Integrating our Company into the local, regional and national fabric of governmental agenda of socio-economic transformation

PRESERVING AND PROTECTING THE RIGHTS OF OUR PEOPLE

Respecting human rights and cultural heritage

- Actively promoting gender equality
- Reducing inequality
- Creating opportunities for advancement and empowerment

EDUCATION

Developing a culture of life-long learning

- Providing education and training programmes for our communities to build skills and develop capacity

SAFETY AND HEALTH

Our number one priority is our greatest asset, our people. Above all else, the safety and health of our people takes precedence, and we implement an inclusive and proactive approach towards ensuring that each day we achieve our goal of Zero Harm.

Embedding and integrating the Zero Harm culture into all our activities is a prioritised pillar for not only management, but for all our employees, contractors and communities.

LEADERSHIP DRIVEN APPROACH

The Company's leadership drives the safety programme, regularly visiting the operations and projects to ensure that safety remains a priority.

RISK MANAGEMENT

The identification, analysis and mitigation of risks remains a primary area of focus for the Company. Safety management systems and risk management is geared towards potential hazards and controls, and related contractor-based risks. Mandatory codes of practice are regularly reviewed and updated ensuring practices remain relevant and are aligned to global best practice.

CONTRACTOR MANAGEMENT

We manage our contractors as employees and ensure compliance to all relevant procedures to create a safe working environment for our people.

SAFETY PERFORMANCE

During the performance under review, we recorded four LTIs (FY2018: one LTI).

ENSURE A HEALTHY WORKING ENVIRONMENT

In line with our sustainability goals, we remain committed to ensuring a healthy workforce and workplace, premised on the conviction that occupational disease is preventable.

We conduct extensive regular medical assessments and also implement a medical monitoring programme to achieve our aim of no new cases of occupational diseases. Our preventative management strategy will continue in FY2020.

PRIMARY HEALTHCARE

Primary health care services are made available to our employees and contractors, which includes amongst others, family planning, antenatal care, chronic disease monitoring including TB (four staff treated in FY2019, FY2018: one), HIV counselling and testing as well as anti-retroviral treatment, and malaria treatment and prevention.

OCCUPATIONAL HYGIENE

An independent occupational hygienist is employed to conduct regular monitoring at our operation and projects, thus ensuring compliance with airborne pollutants, thermals stress and occupational noise requirements.

STAKEHOLDER ENGAGEMENT

STAKEHOLDER ENGAGEMENT FRAMEWORK

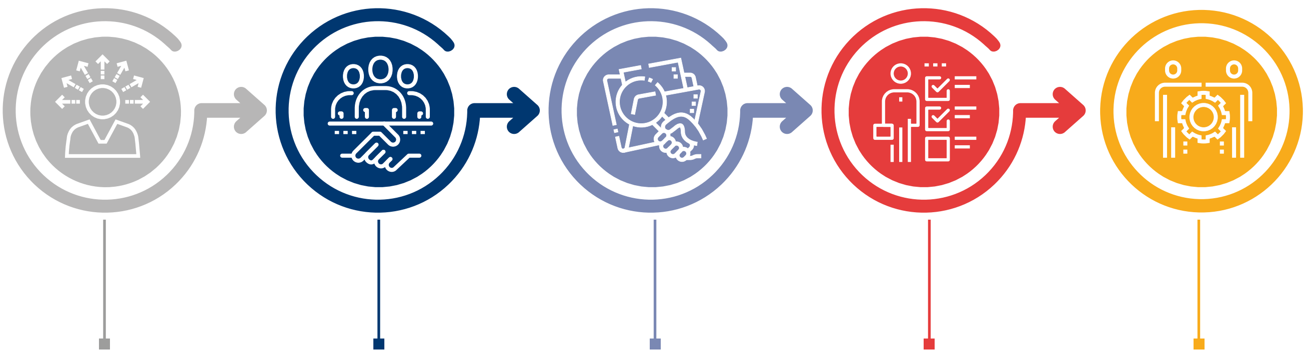
OUR PHILOSOPHY

Stakeholder relationships are tangible, valuable assets which are critical to the success of the business and its operations

OUR VISION

To establish and maintain inclusive and mutually beneficial relationships through regular and meaningful stakeholder engagement, premised on integrity and transparency

OUR GOALS



Increase awareness of MC Mining strategy

Vision and commitment to socio-economic transformation

Enhance image and reputation of MC Mining through sustainable engagement and partnerships

Empower stakeholders through early inclusion into processes

Share relevant information timeously

Embed stakeholder management processes into all activities of the business

Create shared vision resulting in support of and buy-in into the Company and its projects

STAKEHOLDER ENGAGEMENT CONTINUED

Mining companies in South Africa today are operating within a very challenging political, regulatory and socio-economic environment.

The operations and projects of MC Mining are located in areas where there are significant socio-economic challenges due to high levels of poverty and unemployment, low skills levels and few available opportunities due to the country's low economic growth.

Communities residing in close proximity to our projects and operations, known as our beneficiary communities, have high expectations of the Company to address these challenges single-handedly.

There is therefore a need to understand and manage these expectations, balancing the apparently competing demands and expectations of various stakeholders, including shareholders.

Securing and maintaining our **social and legal licence to operate** is an ongoing process in which the Company seeks to build social or relationship capital with all our stakeholders.

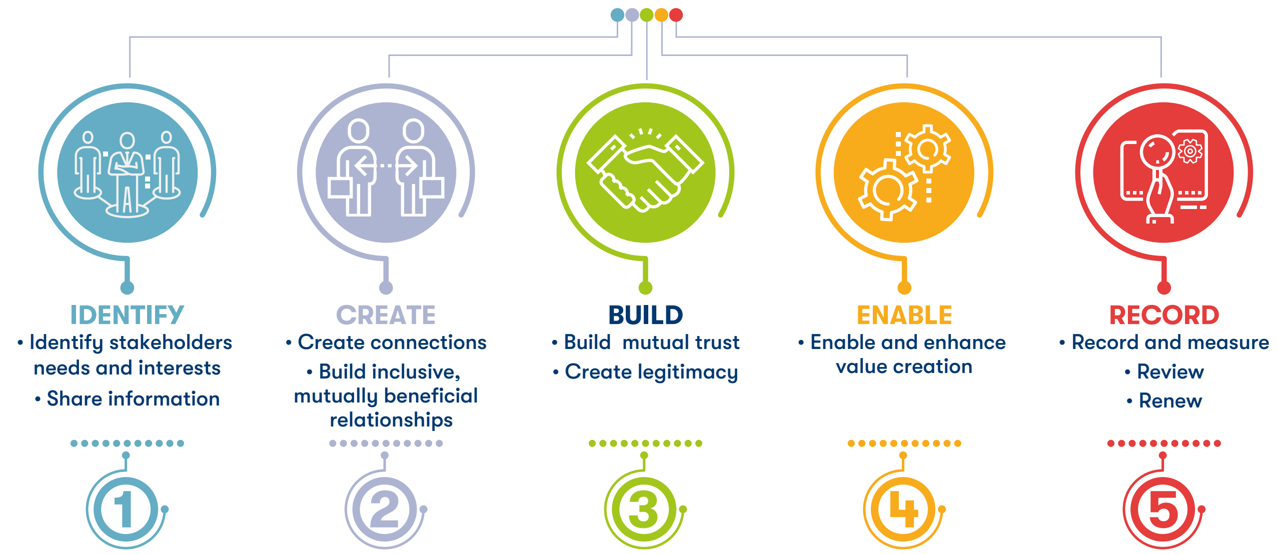
This is done through:

- **Identifying** stakeholders and sharing relevant information timeously, in a transparent and ethical manner
- **Creating** concrete and meaningful connections and relationships based on mutual benefit
- **Building** trust by delivering on commitments made
- **Enabling** and enhancing value creation for all stakeholders – firstly by understanding the needs and challenges they are experiencing and designing strategies to address through the Sustainable Value Model (SVM)
- **Recording** and reviewing progress regularly, adapting, aligning and amending where necessary, against these desired outcomes:
  - improved stakeholder relationships leading to not only acceptance for the Company's projects and operations, but also support therefor
  - improved corporate reputation
  - improvement in the well-being of beneficiary communities:
    - education
    - income
    - socio-economic environment
  - diminished risk of instability

We strive to comply with our environmental, legal and social obligations through appropriate policies and frameworks.

SECURING AND MAINTAINING OUR SOCIAL LICENCE TO OPERATE

Building social/relational capital



Engaging with our stakeholders (those who are interested in and affected by our operations and projects) is fundamental to creating sustainable value. Our engagement strategy, managed at an executive level in the Corporate Affairs Department, aims to build lasting relationships through inclusive, transparent and regular engagement.

Key issues facing the Company are the current economic climate, its impact on our beneficiary communities and our ability to manage the expectations and address the concerns of our communities. Our strategy to address the risks posed by the above is:

- Continually engaging with our stakeholders through our stakeholder engagement framework
- Recording every engagement and interaction with stakeholders through our digital Stakeholder Management System (SMS)
- Continually monitoring, reviewing and updating our engagement process
- Ensuring that all stakeholders clearly understand the SVM and the commitments of the Company to socio-economic transformation
- Delivering on commitments as MC Mining has sought to address the challenges of poverty, unemployment and a lack of education faced by all our beneficiary communities through the implementation of our SVM

Our engagement activities are unique to each stakeholder group, in line with the mandates, concerns and issues of each group. Our strategy for community development is premised on the need to foster social cohesion and create an enabling environment for the development of sustainable communities.

STAKEHOLDER ENGAGEMENT CONTINUED

VELE COLLIERY

The stakeholder groups of Vele Colliery are varied and include land claimant communities, authorities at a national, provincial and local level, neighbouring landowners, the Save Mapungubwe Coalition (representing a number of statutory bodies including Birdlife South Africa, Endangered Wildlife Trust, the Association of Southern African Professional Archaeologists and UNESCO.

EMC, an oversight committee in terms of Vele's EA was established in 2012. The membership of the EMC includes representatives from relevant organs of state at a national, provincial and local level, civic society (represented by the Save Mapungubwe Coalition), farmers' forum and other stakeholder groups identified during the Environmental Impact Assessment process. The quarterly meetings are well attended and are characterised by robust debate and constructive discussion on global best practice. There is a shared mindset to ensure improved levels of compliance at the Colliery. At the EMC of August 2019, the independent environmental control officer reported a 99% compliance rating for the Colliery.

In October 2014, MC Mining, the Department of Environmental Affairs and the SANParks signed the historic BOA to strengthen co-operation between the three parties towards the conservation and sustainable development of the Mapungubwe World Heritage Site protecting the outstanding universal value of the Mapungubwe cultural landscape.

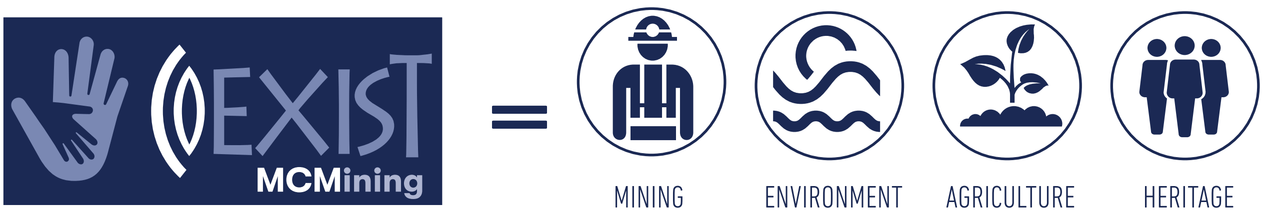
A project steering committee was instituted to implement and manage the projects of the BOA and to deliver on its objectives. Since 2014, the road network within the park has been upgraded and undercover parking constructed. Projects currently under construction are the Artefact Storage Centre and the repairing of the Eastern Staircase on the Mapungubwe Hill.

This agreement also gave rise to our co-existent model which seeks to promote an integrated land use management plan for mining and other development, the environment, biodiversity agriculture and biodiversity and heritage.

MAKHADO PHASE 1

The announcement of the Board's approval of Makhado Phase 1 created excitement amongst Vele Colliery's land claimant communities about the benefits which would be potentially unlocked through Phase 1, utilising the Vele Colliery processing infrastructure. We engaged with communities to clearly outline what Makhado Phase 1 entailed, and the scope of benefits for communities relating to job creation, procurement and training and development.

A skills and enterprise audit was conducted, with more than 5 000 people registering on the Vele SMS.



Vele's stakeholder engagement structures

Structure	Stakeholder groups	Mandate	Date established	Meeting frequency
Environmental Management Committee	MCM, DMR, DEA, DWS, Capricorn and Blouberg Municipalities, Weipie Farmers Association, Coalition	Established in terms of the EA to monitor environmental compliance	2012/11/01	Quarterly
Heritage Sub-committee	DEA, SAHRA, SANParks, Coalition, Association of South African Professional Archaeologist, MCM	Sub-committee of the EMC to monitor compliance within the approved Heritage Management Plan	2012/11/01	Quarterly
Water Sub-committee	DWS, Farmers Association, Coalition, MCM	Sub-committee of the EMC to monitor compliance within the approved IWUL	2012/11/01	Quarterly
Project Steering Committee	DEA, SANParks, MCM	Established in terms of the BOA	2015/02/01	Quarterly
Vele Community Forum	Land claimant communities: Tshivhula, Machete and Leshivha	To provide updates to community on the Project and the SVM	2011/10/01	Bi-annually
Authorities	Authorities: National – DMR, DWS, DEA, DRDLR Provincial – LEDET, DAFF, DoA, Local – Musina and Vhembe municipalities	Compliance, legislative framework, socio-economic transformation		

MAKHADO PROJECT – PHASE 1 AND PHASE 2

The Makhado Project is located within a multi-stakeholder environment comprising of seven beneficiary communities, who are headed by traditional leadership, neighbouring land owners and various advocacy groups.

Regular, interactive and transparent engagement characterises our interactions with our key stakeholders to ensure that there is an understanding of various mandates, expectations are managed and a shared sense of ownership of the goals of the Project.

Makhado's stakeholder engagement structures

Structure	Stakeholder groups	Mandate	Date established	Meeting frequency
King's Advisory Forum	Traditional leadership	Structure to share information regarding development in the Venda area	October 2014	As and when required
Makhado Chiefs Forum	Traditional leadership	To deal with traditional and ancestral matters	June 2012	Quarterly
Makhado Colliery Community Consultative Forum	Community	Structure to share information on Makhado and deal with community issues	June 2012	Quarterly
Communities	Community	Engagement with communities through mass meeting to share information		Annually
Integrated Government Forum	Authorities: National – DMR, DWS, DEA, DRDLR Provincial – LEDET, DAFF Local – Makhado, Musina and Municipalities	Compliance and legislative framework	March 2011	Annually and with individual departments quarterly

UITKOMST COLLIERY

A process to integrate the MC Mining's stakeholder engagement model and framework is currently being implemented at Uitkomst. A community meeting, held in August 2019, was well attended by communities residing in close proximity to the mine and beneficiaries of the restored land that is being leased by the Colliery.

The KwaZulu-Natal Department of Rural Development and Land Reform will assist the communities to set up a duly elected, representative structure with which the Company can engage on key matters affecting communities. Until that process is complete, we will continue to engage at the community level.

The Company conducted a house to house survey to ensure that we have a full understanding of our beneficiary community.

Quarterly engagement also takes place through the Municipality Forum to ensure structures outside our Mining Right area are informed about the socio-economic benefit model.

STAKEHOLDER ENGAGEMENT CONTINUED

MC MINING SUSTAINABLE VALUE MODEL

The model comprises six pillars and the progress made against these pillars is detailed as follows:

The Shared Value Model focuses on a shared value approach in our engagement and interaction with our key stakeholders, in particular, our beneficiary communities.

1. Understanding communities

MC Mining has conducted a house to house socio-economic assessment on the beneficiary and affected communities at the Uitkomst Colliery and the Makhado Project. Due to the fact that the Vele Colliery communities are land claimant communities and do not reside close to the mine, we arranged for the assessment to take place at a central point.

These qualitative and quantitative surveys enables a greater understanding of the environmental and social context of the communities and included, amongst others, a needs analysis, skills audit, enterprise and SME audit and heritage and cultural profile. At Makhado, more than 90% of the households have been surveyed. This information is captured onto the company's SMS which is the central repository for all information on stakeholders. It is also a tool for recruitment and procurement at the mine.

We define our beneficiary communities as those residing within our Mining Right area (host communities), as well those who reside close to our areas of operation (neighbouring communities), all of whom are impacted by our activities. We also recognise that our impact is broader than just our beneficiary communities – our projects impact and benefit the local municipality, the district, as well as the province.

In 2019, we embarked on a process to update and expand these surveys through a skills and enterprise audit of the municipalities in which our projects are located. The response was overwhelming in both Musina and Makhado municipalities, indicating the desperate need for jobs and opportunities.

2. Collaborating with communities

MC Mining engages through established and representative structures at each of our operations.

3. Growing communities

The socio-economic assessment revealed that more than 25% of beneficiary communities have no formal schooling. The National Development Plan states that: "Education, training and innovation are critical to the attainment of the goals of eradicating poverty and reducing inequality".

To address this critical shortage of skills in our area, a strategy to build skills and develop capabilities has been designed and is being implemented:

a. Makhado Centre of Learning

The Makhado Centre of Learning (MCoL) was established in 2017 in terms of the Company's Social and Labour Plan (SLP) to develop skills and build capacity for communities. This will enable us to meet our commitment of meaningful job creation. There are currently 200 people enrolled at the centre, all of whom are from beneficiary communities.

b. Bursary funds:

- Vele Bursary Fund launched in 2010 has five students enrolled
- Makhado Bursary Fund, started in 2016, has eight students with three graduating at the end of 2019
- Utikomst Bursary Fund (to be launched in 2020) will provide bursaries to five students to be enrolled

c. Artisan programmes

Launched in March 2019, the Makhado Artisan Programme has three students from our beneficiary communities who will complete their technical training in the fields of boiler making, fitting and turning and diesel mechanic. They will receive on the job training for 18 months in preparation for their trade test.

This programme will be rolled out at Vele and Uitkomst during H1 CY2020.

Zwothe Muthambi (25) , trainee artisan, diesel mechanic

4. Empowering communities

Communities are empowered through:

- **Ownership** – beneficiary communities hold 20% of the Makhado Project and 8% of the Uitkomst Colliery
- **Training and development** – (as discussed above) to enable communities to take their rightful place in society, as envisaged by the National Development Plan
- **Enterprise and supplier development** – an additional mechanism to empower communities is through the Company's Enterprise and Supplier Development Programme, which identifies current and potential entrepreneurs, develops them through an incubation and mentorship programme, and finally inter-connects the entrepreneurs with the Colliery's procurement opportunities which have been ring fenced for communities
- **Job creation** – the Company has committed that 100% of all unskilled and at least 60% of skilled jobs will be sourced from local communities through a skills matching strategy

5. Investing in communities

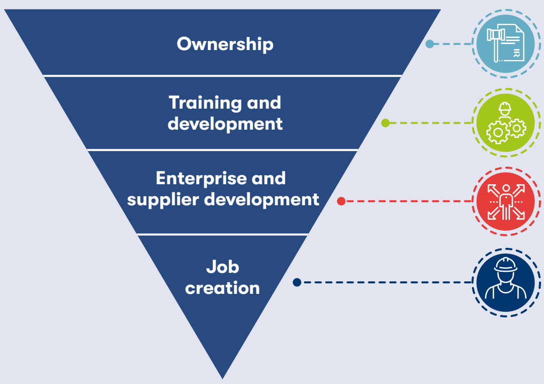
Through the Company's SLP programmes, investments in the fields of infrastructure (upgrading community water supply, upgrading of roads, paving of sidewalks), health (supply of mobile clinic) and education (upgrading of schools, supply of learning and teacher support material, electrification of schools) the well-being of beneficiary communities is improved.

6. Transforming communities

The ultimate goal of the shared value approach is to transform communities, improve their standard of living and build sustainable communities.

RECOGNISING THE TRANSFORMATIVE POWER OF A SHARED VALUE APPROACH

has resulted in the Company continually redesigning strategies to collaborate with stakeholders across economic (profit) and social (non-profit) boundaries. Our ultimate aim is to harness the full potential of our projects and operations to address the societal and economic challenges within our areas of operation. Our goal is to maximise the benefits of our operations through the following mechanisms:



STAKEHOLDER ENGAGEMENT CONTINUED

MAKHADO PROJECT

Ownership

The beneficiary communities benefit from the Makhado Project through a 20% ownership of Baobab Mining and Exploration (Pty) Limited, the owner of the Makhado Project.

BOABAB MINING AND EXPLORATION

- 69% MC Mining
- 20% Makhado Colliery Community Development Trust
- 5% Industrial Development Corporation
- 6% Yoright Investment

Makhado Colliery Community Development Trust:

- Fripp Community (Mudimeli, Nlulambwane, Nekuvule) Development Trust (39%)
- Musekwa Community Development Trust (13%)
- Makushu/ Mosholombi Community Development Trust (26%)
- Pfumembe Community Development Trust (13%)
- Venda Kingdom Development Trust (9%)

Our ESDP is designed to transform the socio-economic landscape of our project areas

Training and development

Skills are developed and capacities built through the MCoL, Makhado Bursary Fund and the Makhado Artisan Programme.

Job creation

More than 750 jobs will be created during the construction of Makhado Phase 1, with over 650 jobs created during mining operations. There are currently 10 people employed by Baobab, engaging in stakeholder engagement activities and the operation of the MCoL.

Enterprise and Supplier Development Programme

Our Enterprise and Supplier Development Programme (ESDP) is a mechanism to empower beneficiary communities, create jobs and develop sustainable business through innovative and inclusive interventions.

IDENTIFY
aspirant and current entrepreneurs

INVEST
in their development and capacity through the ESDP

INCUBATE
and support entrepreneurs

INTER-CONNECT
entrepreneurs with opportunities in the mining operation

IMPROVE
ESDP continously through tracking, evaluating and communicating

In partnership with Raizcorp, the Company registered 30 entrepreneurs on to the Makhado ESDP into either:

- The Spring Programme which aims to develop local community members who have entrepreneurial aspirations, or who have small scale enterprises. 25 successful candidates were registered on this 12-month programme, with 18 successfully completing the programme in November 2018
- The Supply Chain Programme has been designed to develop local businesses to enable them to access procurement opportunities from the mining operation. Four out of five entrepreneurs completed the programme at the end of November 2018

These models will be rolled out at both Vele and Utikomst Collieries in Q1 CY2020.

Enterprise and Supplier Development Programme workshop

The Company held its first ESDP workshop in April 2019 to present the preferential procurement policy of Makhado and information how to do business with the Company. Community ring-fenced opportunities were showcased, with various presenting case studies on their business models, like Mabirimisa Bus Transport Services, Mac Transport Services, Kalahari Group and others to facilitate a platform for potential linkages with small medium and micro enterprises (SMEs) and entrepreneurs.

The workshop was by invitation only and was attended by 100% of invitees as well as by representatives of the Limpopo Economic Development Agency, Small Enterprise Development Agency and ABSA.

EMPLOYMENT

During the period under review, the Company acquired Khethekile's underground operations at Uitkomst and integrated some 340 staff.

MC Mining is committed to the strategic business objectives that drive employment equity and measures have been set in place to achieve these goals, reaffirming our aim to serve the interests of all stakeholders. The Company strives to achieve the desired employment equity status in a responsible manner, with due regard to the broader realities of the business and economic environments.

The key principles for this process include:

- Promotion of equal opportunities for all races and genders and fair treatment in the workplace
- Elimination of discriminatory practices and implementation of practical procedures to address employment equity barriers
- Eradication of all forms of harassment in the workplace

Labour relations

Relationships with employees are governed by the legal requirements of common and labour law, mutual agreement, societal influence, ethical considerations, customs and traditions and most importantly integrity, trust, consistency and fairness. The Company subscribes to an integrated industrial relations system in which all parties are empowered to freely communicate their views supported through a two-way communication structure.

Remuneration

MC Mining's remuneration framework is based on the industry's agreed principles with the aim of attracting and retaining top talent to drive a high performance culture.

Fixed pay

The Company's remuneration structure at corporate level is based on a total cost-to-company principle. MC Mining has conducted benchmarking exercises at various intervals demonstrating that employee remuneration is within industry standards.

Variable pay: short-term discretionary bonus scheme

The discretionary bonus scheme rewards employees on the basis of both Company and individual performance providing employees with a predetermined bonus percentage based on the attainment of Nomination and Remuneration Committee-approved, Company and individual targets. The scheme is discretionary and is reviewed on an on-going basis, dependent on business requirements. The business scorecard is signed-off by the Nomination and Remuneration Committee on an annual basis and this drives the individual performance management process.

Variable pay: long-term incentive plan

The Company has a shareholder approved long-term incentive plan based on industry standards. In terms of the incentive plan, the Nomination and Remuneration Committee approves the issuing of Performance Rights to qualifying employees on an annual basis.

Human rights

No incidents of discrimination were reported during FY2019 and hence no corrective action was taken at the Company's operations. At our operations, we subscribe to the South African Constitution which prohibits child labour as well as discrimination on any grounds and the Company promotes the preservation of human rights.

Historically Disadvantaged South Africans (HDSAs) statistics (%) [1]

	FY2019	FY2018
Senior management	43	53
Management	62	53
Employees	99	100

Employment by operation/project

	Employees			Contractors		
	FY2019	FY2018	FY2017	FY2019	FY2018	FY2017
Uitkomst [2, 3]	463	121	–	92	435	–
Makhado/Bakstaan	24	22	19	14	18	18
Vele/Harrisia	31	31	35	18	31	31
Corporate office	25	25	27	1	1	–

[1] Includes white females
[2] Uitkomst acquired effective 30 June 2017
[3] Khethekile underground operations acquired effective 1 August 2018 and integration of approximately 340 staff

ENVIRONMENTAL MANAGEMENT

To balance the socio-economic potential of mining development with the potential impact on natural and heritage resources, MC Mining is committed to sustainable mining, employing a co-existent model focused on developing and operating responsibly within permitted ecological and socio-cultural heritage boundaries alongside agricultural and tourist interests.

Our commitment to our stakeholders remains one of co-operative and transparent engagement and includes our shareholders, permitting authorities, neighbouring and/or host communities, and interest groups.

Our environmental management strategy is in line with the Company's aim of earning and maintaining both our legal and social licences to operate. The risk-based approach to environmental management focuses on the key areas of water stewardship, responsible resource consumption, proactive forward-planning for sustainable mine closure and, biodiversity and heritage management. An Environmental Management System (EMS) for Uitkomst Colliery was developed during the reporting period as the formal tool for environmental management and is scheduled for implementation during CY2019.

Vele Colliery continues to maintain its EMS, which is subject to quarterly independent audits, the reports of which are submitted to the permitting authority. The latest audit report concluded the following: "The auditor notes that the EMS has progressed significantly since its development and implementation during Q1 2014. Sound progress is noted in the continued improvement of the system, leading into a comprehensive environmental management tool that is being used to prevent impact to the environment, as well as ensure legal compliance and continued positive environmental performance."

Water management

MC Mining's water management strategy, aligned with the co-existent model, continues to be governed by the following three principles:

- Responsibly sourcing water for our projects
- Mitigating negative impacts on existing industries
- Meeting our socio-economic commitment to aid in assurance of supply to host communities

Recent changes in climatic conditions have placed additional pressure on South Africa's status as a water-stressed country. The strain on available water supply and quality is a key environmental consideration for MC Mining. In addition, the social challenges presented by the growing need for access to water in the areas in which we operate and, in which our projects are located, is a key driver in our planning and implementation processes.

Water consumption

Both Uitkomst and Vele Collieries operate a closed water system with zero discharge to the natural environment. MC Mining's operations strive, through the implementation of continued improvement projects, to reduce water consumption by increasing the use of waste water in the processing of coal.

ENVIRONMENTAL MANAGEMENT CONTINUED

Energy management

Responsible utilisation of our available resources is a key focus area for MC Mining. We remain committed to the application of best practice and technological developments to reduce consumption of energy resources where feasible.

Uitkomst Colliery utilises Eskom, the state power utility, as its primary source of energy with diesel generators as a back-up supply. As a result of lower plant throughput, energy consumption at Uitkomst reduced in 2019. Vele Colliery utilises a diesel generator to meet its current energy requirements. Eskom will provide the full electricity requirements once the care and maintenance status is amended and production is resumed.

Monitoring our energy usage from the national grid and energy produced using diesel generators allows MC Mining to identify any potential opportunity for energy savings.

Energy consumption at Uitkomst Colliery

	FY2019	FY2018
Energy from electricity purchased from Eskom (MWh)	5,190,493	5,058,971
Diesel used (litres)	748,964	1,383,366
Energy generated from diesel (GJ)	28,692,810	52,996,751
Petrol used (kilolitres)	10,412	–
Energy generated from petrol (GJ)	412,435	–

Monitoring and compliance

In line with MC Mining's commitment to earning and maintaining our legal and social licences to operate, monitoring and auditing at both Uitkomst and Vele takes place, with Vele remaining on care and maintenance during the reporting period. All environmental audits have been conducted by independent consultants and include annual external IWUL audits, Environmental Management Plan (EMP) performance assessments and financial closure and liability assessments.

Monitoring includes ground and surface water quantity and quality assessments, bio-monitoring, ecotoxicology, plant moisture stress, alien invasive plant species and eradication status, habitat assessment, rehabilitation monitoring, biodiversity and avifaunal assessment, riverine forest monitoring, threatened and protected fauna and flora assessments as well as monitoring of identified heritage resources, as applicable to the operation.

Vele Colliery employs a full-time, independent environmental control officer to monitor compliance to the Colliery's Environmental Management Programme (EMPr), EA, IWUL and related specialist recommendations. The environmental control officer conducts daily, weekly and monthly inspections against the various environmental licensing conditions. Further to this, quarterly audits are conducted, with the environmental performance reports of these audits submitted to the DEA as well as to Vele Colliery's EMC. This provides oversight over and above internal and external specialist monitoring and inspections. The last quarterly environmental performance report noted Vele Colliery's compliance as 99%, an improvement from the previous reporting period's 99.0%.

Vele's water monitoring committee, EMC and Heritage and biodiversity sub-committee continue to meet on a quarterly basis and meetings are well represented by the permitting authorities, interested and affected parties, industry specialists and civil society.

The environmental monitoring and auditing management programme for Uitkomst Colliery is undertaken by an independent environmental consultancy, aligned to the environmental licencing conditions of the Colliery's EMPr, IWUL and related specialist studies.

Regular dust, surface and ground water monitoring continues at the Makhado Project, despite no mining activity being undertaken. The results continue to indicate that the bulk sample pit has no impact on the air or water quality of the surrounding community.

Incidents

The 1:50 year rainfall event experienced by Uitkomst Colliery in April 2019, resulted in the overflow of the return water dam 2. This incident was reported to the DMR and DWS, which was subsequently followed by a DMR site visit in May 2019. Analysis of the results of downstream water qualities indicates that the catchment had a flushing episode. Water quality within the Kweekspruit, both upstream and downstream will continue to be monitored.

No significant environmental incidents were reported by Vele or the Makhado Project for the period under review.

Complaints

No formal complaints were lodged and/or received during the financial year from local or affected communities regarding environmental matters.

CORPORATE SOCIAL INVESTMENT

Enhancing corporate performance while advancing meaningful socio-economic transformation.

The interdependence between a mining company and its beneficiary communities must be recognised and at MC Mining, we recognise the value of our shared value approach as we harness the full potential of our assets to address the societal and economic challenges in our areas of operation. The needs of our communities are extensive – jobs, access to basic services, quality education, decent housing amongst others.

Whist the government is the primary enabler of inclusive, sustainable development and the provision of basic services, we acknowledge that partnerships between communities, government and the private sector are key to achieving the National Development (NDP) goals of reducing poverty and inequality, raising economic growth, increasing employment, building skills, developing capabilities.

Through our Social and Labour Plan (SLP), we build partnerships with communities and various government departments to improve the well-being of local people in our areas of operation. We carefully select the projects in which we invest through a prioritisation of challenges as we evolve from compliance to sharing value.

Our focus areas of investment are:

- Education and skills development
- Enterprise and supplier development
- Infrastructural development

These core areas appear in all the various SLPs as they are aligned to the goals of the NDP.

EDUCATION AND SKILLS DEVELOPMENT

Makhado Project

The Makhado Centre of Learning

Makhado Colliery Communities

MAKHADO CENTRE OF LEARNING

KHA RI GUDE "LET US LEARN"

MCMining

Makhado Colliery

BRIDGING THE DIVIDE

TECHNICAL • DIGITAL • COMMUNICATION • ENTREPRENEURSHIP • LIFE SKILLS

In October 2017, the first intake of 76 students, the pilot group, was enrolled at the MCoL to do the first phase of the merSETA accredited programme. As at end June 2019, there were 197 students enrolled at the Centre on various programmes, all of whom emanated from our beneficiary communities.

The vision of the MCoL is to be the indispensable partner of the Makhado Colliery - to develop skills, build capacity and foster social cohesion within and amongst our beneficiary communities.

Education is a key driver of socio-economic transformation. The objectives of the MCoL are to be **responsive** to the educational and development needs of our beneficiary communities, to provide **relevant** training programmes which are **reflective** of the dynamic environment in which we operate.

RESPONSIVE

REFLECTIVE

RELEVANT

Highlights

December 2018 – 53 students completed Workplace Readiness Phase 1 and have progressed to Phase 2 (both accredited by merSETA)
September 2019 – 83 students completed the Digital Literacy Programme (accredited by Media, Information and Communication Technologies Sector Education and Training Authority)
Held a personal finance workshop for all students and traditional leaders
April 2019 – enrolled a fourth intake of students
Eight people are employed at the Centre

CORPORATE SOCIAL INVESTMENT CONTINUED

Makhado Bursary Fund

Launched in 2016, the Makhado Bursary Fund currently has eight students enrolled on the programme. Three of these students are doing honours programmes at various universities in Cape Town and Johannesburg and all are expected to exit the fund at the end of CY2019.

Zelda Radzuma, third year, BSc Mining Engineering, Wits University

Vele Colliery

Vele Bursary Fund

The MC Mining Bursary Fund was launched in 2009 to help address the critical skills shortage in the Vhembe municipality. The intent was to develop a pipeline of technically skilled individuals who would then enter the mining and engineering sectors. This fund was expanded into project specific funds, and renamed the Vele Bursary Fund.

The fund specifically target students from the Vhembe District municipality and currently, there are five students at various universities around the country who are beneficiaries of the fund. Two of the students are expected to graduate at the end of CY2019.

The Vele Bursary Fund together with the MC Mining Bursary Fund, has produced more than 36 graduates in the fields of engineering, geology, finance, environment and other disciplines.

Upgrade of the Kranenburg Farm School

Through our engagement with the Musina municipality, we identified one of the farm schools situated in close proximity to the Vele Colliery which required upgrading. Kranenburg Primary School was included in the publication, Forgotten Schools: Right to Basic Education for Children in Farm Schools (2003) due to its lack of adequate sanitation facilities. The authors wrote, "When the teachers were asked where the children relieve themselves, we were shown the bush."

At the time of our inspection in May 2017, learners will still relieving themselves in the bush, 14 years after the publication of the article. Through our SLP, we upgraded the school as follows:

1. Installed a perimeter fence
2. Repaired the current ablution facility
3. Constructed a brand new ablution block within the play area
4. Constructed a three-classroom block

Other training programmes

A Vele Colliery employee, Ms Dinah Bandura, showed a keen interest in expanding culinary repertoire and was chosen to participate in Vele's Training and Development Programme. She was awarded a bursary to train to be a chef and in the future will provide a food service to both staff and contractors during the construction and operational periods.

GOVERNANCE

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of MC Mining is responsible for the establishment of a corporate governance framework that has regard to the best practice recommendations set by the ASX Corporate Governance Council.

This statement summarises the corporate governance practices that have been adopted by the Board. In addition to the information contained in this statement, the Company's website at www.mcmining.co.za contains additional details of its corporate governance procedures and practices.

The Company has followed the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (Third Edition) (ASX Principles) where the Board has considered the recommendations to be an appropriate benchmark for its corporate governance principles. Where the Company considered it was not appropriate to presently comply with a particular recommendation, the reasons are set out in the relevant section of this statement.

Principle 1: Lay solid foundations for management and oversight

A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.

ASX principles recommendation 1.1

A listed entity should disclose:

a) the respective roles and responsibilities of its board and management; and

b) those matters expressly reserved to the board and those delegated to management.

The Board has established a Board Charter which sets out functions reserved to the Board and those delegated to senior executives. This Charter is available on the Company's website.

The role of the Board is to provide leadership for and supervision of the Company's senior management. The Board provides the strategic direction of the Company and regularly measures the progress by senior management in this regard.

The key responsibilities of the Board include:

- Overseeing the Company, including its control and accountability systems
- Appointing the CEO, or equivalent, for a period and on terms as the Directors see fit and, where appropriate, removing the CEO, or equivalent
- Ratifying the appointment and, where appropriate, the removal of senior executives, including the CFO and the Company Secretary
- Ensuring the Company's policy and procedures for selection and (re) appointment of Directors is reviewed in accordance with the Company's Nomination Committee Charter
- Approving the Company's policies on risk oversight and management, internal compliance and control, code of conduct, and legal compliance, which is available on the Company's website
- Satisfying itself that senior management has developed and implemented a sound system of risk management and internal control in relation to financial reporting risks and reviewed the effectiveness of the operation of that system
- Assessing the effectiveness of senior management's implementation of systems for managing material business risk including the making of additional enquiries and to request assurances regarding the management of material business risk, as appropriate
- Monitoring, reviewing and challenging senior management's performance and implementation of strategy
- Ensuring appropriate resources are available to senior management
- Approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures
- Monitoring the financial performance of the Company
- Ensuring the integrity of the Company's financial and other reporting (with the assistance of the Audit and Risk Committee) through approval and monitoring
- Providing overall corporate governance of the Company, including conducting regular reviews of the balance of responsibilities within the Company to ensure division of functions remain appropriate to the needs of the Company
- Appointing the external auditor (where applicable, based on recommendations of the Audit and Risk Committee) and the appointment of a new external auditor when any vacancy arises, provided that any appointment made by the Board must be ratified by shareholders at the next Annual General Meeting (AGM) of the Company
- Engaging with the Company's external auditors and Audit and Risk Committee
- Monitoring compliance with all of the Company's legal obligations, such as those obligations relating to the environment, native title, cultural heritage and occupational health and safety
- Making regular assessments of whether each Non-executive Director is independent in accordance with the Company's policy on assessing the independence of Directors
- The Board has delegated responsibilities and authorities to management to enable them to conduct the Company's day-to-day activities; matters which are not covered by these delegations, such as approvals which exceed certain limits, require Board approval

Meeting attendance of members of the Board for FY2019

	Number of Board meetings attended while a member	Number of Board meetings held while a member
B Pryor (Chairman)	4	4
D Brown	4	4
B Berlin	4	4
A Chee Sin	4	4
A Mifflin	4	4
B He Zhen	4	4
K Mosehla	4	4
P Cordin	4	4
S Randazzo[1]	1	1
S Ding	4	4
T Mosololi	4	4

[1] Appointed in March 2019

The Board has established three standing committees to assist it to meet its responsibilities:

- Audit and Risk Committee
- Nomination and Remuneration Committee
- Safety, Health and Environment Committee

Each standing committee has a formal charter approved by the Board setting out the matters relevant to composition, terms of reference, process and administration of that committee. These committees are described in further detail elsewhere in this corporate governance statement.

The Board Charter requires the Board to convene regular meetings with such frequency as is sufficient to appropriately discharge its responsibilities.

Standing committee meetings are held as required, generally the day prior to the scheduled Board meeting. The Chairman sets the agenda for each meeting in conjunction with the CEO and Company Secretary. Any Director may request additional matters on the agenda. Members of senior management attend meetings of the Board and its committees by invitation and are available for questioning by Directors.

ASX principles recommendation 1.2

A listed entity should:

a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and

b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

The Company performs checks on all potential Directors which include checks on a person's character, experience, education, criminal record and bankruptcy history. Potential Directors are required to provide their consent for the Company to conduct any background or other checks and also acknowledge that they will have sufficient time available to fulfil their responsibilities as a Director of the Company.

Newly appointed Directors must stand for reappointment at the next AGM of the Company. The Notice of Meeting for the AGM provides shareholders with information about each Director standing for election or re-election including details regarding their length of tenure, relevant skills and experience.

ASX principles recommendation 1.3

A listed entity should:

a) have a written agreement with each director and senior executive setting out the terms of their appointment.

The Company has written agreements in place with each Director in the form of an appointment letter. The letter, among other matters, summarises the terms of appointment including remuneration, the requirements to comply with key corporate policies including the Code of Conduct and Share Trading Policy and indemnity and insurance arrangements.

All senior executives including the CEO and the CFO have their position descriptions, roles and responsibilities set out in writing in an employment contract.

ASX principles recommendation 1.4

The company secretary of a listed entity should:

a) be accountable directly to the board, through the chairman, on all matters to do with the proper functioning of the board; and

b) the company secretary has an important role in supporting the effectiveness of the board and its committees.

The role of MC Mining's Company Secretary includes:

- Advising the Board and its committees on governance matters
- Monitoring that Board and committee policy and procedures are followed
- Ensuring that the business at Board and committee meetings is accurately reflected in the minutes

All Directors have direct access to the Company Secretary and *vice versa*. The appointment and removal of the Company Secretary is a matter for decision by the Board as a whole.

ASX principles recommendation 1.5

A listed entity should:

a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;

b) disclose the policy or a summary of it; and

c) disclose at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:
   - the respective proportions of men and women on the board, in senior executive positions and across the whole organisation; or
   - if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.

The Company is committed to developing a diverse workforce and providing a work environment in which all employees are treated fairly and with respect. To this end, the Company has in place an Employment Equity Policy which details its commitment to being an equal opportunity employer and is in line with the South African Mining Charter and Employment Equity legislation in South Africa. A copy of MC Mining's Diversity Policy is available on the Company's website.

The Mining Charter requires that a company establish measurable objectives for achieving gender diversity and assess such objectives and progress toward achieving them. The targets set for MC Mining include female representation in core mining positions while employment equity targets as these relate to designated groups (one of which is women) are included as part of the business key performance area.

Proportion of women employees in the organisation at end FY2019	%
Employees	24
Executive Directors	50
Board	9

The Company is not considered a relevant employer under the Australian Workplace Gender Equality Act as the number of employees in Australia is below the threshold.

ASX principles recommendation 1.6

A listed entity should:

a) have and disclose a process for periodically evaluating the performance of its board, its committees and individual directors; and

CORPORATE GOVERNANCE STATEMENT CONTINUED

b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Board reviews its performance and the performance of individual Directors annually. The most recent review, which was conducted during the year, involved the completion of a detailed questionnaire by each Director. The process was managed by the Company Secretary and the Chairman and the results of the review were discussed at a subsequent Board meeting.

The Board considers its processes for reviewing the performance of the Board appropriate for the size and stage of development of the Company.

ASX principles recommendation 1.7

A listed entity should:

a) have and disclose a process for periodically evaluating the performance of its senior executives; and
b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The CEO is responsible for assessing the performance of the key executives within the Company. This is performed at least annually through a formal process involving a formal meeting with each senior executive. A performance evaluation of senior executives was completed in the financial year in accordance with this process.

Principle 2: Structure the board to add value

A listed entity should:

a) have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.

ASX principles recommendation 2.1

The board of a listed entity should:

a) have a nomination committee that:
   - has at least three members, a majority of whom are independent directors; and
   - is chaired by an independent director; and disclose
   - the charter of the committee;
   - the members of the committee; and
   - as at the end of the reporting period the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

The Company has established a Nomination and Remuneration Committee and adopted a Charter that sets out the committee's roles and responsibilities, composition and membership requirements. The Charter has been published on the Company's website.

The Committee's nomination responsibilities include ensuring that the Board has the appropriate blend of Directors with the necessary expertise and relevant industry experience. As such, the Charter requires the Committee to:

- Regularly review the size and composition of the Board, and make recommendations to the Board on any appropriate change
- Identify and assess necessary and desirable Director competences and provide advice on the competency levels of Directors with a view to enhancing the Board
- Make recommendations on the appointment and removal of Directors
- Make recommendations on whether any Directors whose term of office is due to expire should be nominated for re-election
- Regularly review the time required from Non-executive Directors and whether Non-executive Directors are meeting that requirement

ASX principles recommendation 2.2

A listed entity should:

a) have and disclose a board skills matrix setting out the skills and diversity that the board currently has or is looking to achieve in its membership.

The Company's website contains details on the procedures for the selection and appointment of new Directors and the re-election of incumbent Directors, together with the Board's policy for the nomination and appointment of Directors.

The Board has developed a structured process for selection and appointment of new Directors to the Board. As part of this procedure, the Board has committed to the:

- Evaluation and identification of the diversity, skills, experience and expertise that will best complement Board effectiveness
- Development of a competencies review process for identifying and assessing Director competencies
- Conducting of a competencies review of the Board before a candidate is recommended for appointment
- Periodic review of the Board's succession plan

The responsibilities of this Committee with respect to remuneration matters are set out elsewhere in this statement.

The Committee Charter states that the composition should include a minimum of three members, the majority of whom must be independent, and a chairman who is an independent Director. Membership is consistent with the composition requirements of the Charter and the recommendations of the ASX Principles.

Meeting attendance of members of the Nomination and Remuneration Committee for FY2019

	Number of committee meetings attended while a member	Number of committee meetings held while a member
B Pryor (Chairman)	4	4
T Mosololi	4	4
D Brown	4	4

The following Board skills matrix sets out the mix of skills, experience and expertise the Board currently has across its membership:

Competencies	Rating
South African politics	✓
Strategic thinking	✓
Gender	✓
Technical	✓
Financial	✓
Commercial	✓
Mergers and acquisitions	✓
Coal markets	✓
International affairs	✓
Shareholder relations	✓
Project development	✓
Equity markets	✓
Debt markets/banking experience	✓
Executive leadership	✓
Listed board experience	✓
Safety, health, environment and sustainability	✓

ASX principles recommendation 2.3

A listed entity should disclose:

a) the names of the directors considered by the board to be independent directors;

b) if a director has an interest, position, association or relationship of the type that might cause doubts about the independence of that director but the board is of the opinion that it does not compromise the independence of the director; the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and

c) the length of service of each director.

ASX principles recommendation 2.4

A majority of the board of a listed entity should:

a) be independent directors.

ASX principles recommendation 2.5

The chair of the board of a listed entity should:

a) be an independent director and, in particular, should not be the same person as the CEO of the entity.

The Board currently comprises two Executive Directors and nine Non-executive Directors. Six of the Non-executive Directors are considered to be independent. The Chairman, Bernard Pryor, is one of the Independent Directors.

The Board agrees that all Directors should bring an independent judgement to bear in decision making.

The Board has adopted a formal policy on access to independent professional advice which provides that Directors are entitled to seek independent professional advice for the purposes of the proper performance of their duties. The advice is at the Company's expense and advice so obtained is to be made available to all Directors.

A Director's obligations to avoid a conflict of interest are set out in the Code of Conduct, available on the Company's website. Directors must also comply strictly with Corporations Act requirements for the avoidance of conflicts.

The Board considers an independent Director to be a Non-executive Director who meets the criteria for independence set out the ASX Principles. In determining a Director's independence, the Board considers the relationships that may affect independence.

Criteria that the Board takes into account when determining Director independence include:

- Substantial shareholdings in the Company
- Past or current employment in an executive capacity
- Whether or not the Director has been a principal of a material professional adviser or a material consultant to the Company in the past three years
- Material supplier or customer relationships with the Company
- Material contractual relationships or payments for services other than as a Director
- Family ties and cross-directorships

Materiality for these purposes is based on quantitative and qualitative thresholds, set out in the Board Charter available on the Company's website.

The Board has reviewed and considered the positions and associations of each of the Directors in office and consider six of the Directors to be independent. Bernard Pryor, Andrew Mifflin, Khomotso Mosehla, Peter Cordin, Sebastiano Randazzo and Thabo Mosololi are considered independent. Executive Directors David Brown and Brenda Berlin and Non-executive Directors Shangren Ding, An Chee Sin and Brian He Zhen are not considered independent. The three Non-executive Directors are not considered independent because they are shareholder nominee Directors for substantial shareholders in the Company HEI, Summer Trees Pte Limited and Yishun Brightrise Investment Pte Limited respectively).

For part of the year, the Board did not have a majority of independent Directors. This was addressed with the appointment of an additional independent Director, Mr Sebastiano Randazzo, in March 2019.

Period of office held by each Director in office

Director	Date of appointment	Period in office (years)	Due for re-election or retirement
B Pryor	6 August 2012	7	2019 AGM
D Brown	6 August 2012	7	2021 AGM
B Berlin	24 April 2018	2	2021 AGM
A Chee Sin	24 April 2018	2	2021 AGM
A Mifflin	12 December 2014	4	2020 AGM
B He Zhen	24 April 2018	2	2021 AGM
K Mosehla	18 November 2010	8	2019 AGM
P Cordin	8 December 1997	21	2019 AGM
S Randazzo	29 March 2019	0	2019 AGM
S Ding	11 October 2016	3	2019 AGM
T Mosololi	12 December 2014	4	2021 AGM

Mr Peter Cordin has advised the Board that he will be retiring as a Director at the 2019 AGM.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Directors must retire at the third AGM following their election or most recent re-election. At least one third of Directors must stand for election at each AGM. Any Director appointed to fill a casual vacancy since the date of the previous AGM must submit themselves to shareholders for election at the next AGM. Re-appointment of Directors by rotation is not automatic.

ASX principles recommendation 2.6

A listed entity should:

a) have a programme for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

As part of the induction process, meetings are arranged with other Board members and key executives prior to a Director's appointment.

All Directors are expected to maintain the skills required to discharge their obligations to the Company. Directors are encouraged to undertake continuing professional education and where this involves industry seminars and approved education courses, this is paid for by the Company where appropriate.

The skills, experience and expertise relevant to the position of Director held by each Director in office at the date of this Annual Report is set out in the Directors' report and on the Company's website.

Principle 3: Act ethically and responsibly

A listed entity should:

a) act ethically and responsibly.

ASX principles recommendation 3.1

A listed entity should:

a) have a code of conduct for its directors, senior executives and employees; and

b) disclose that code or a summary of it.

Code of conduct

The Board encourages appropriate standards of conduct and behaviour from Directors, officers, employees and contractors of the Company. The Board has adopted a Code of Conduct in relation to Directors and employees, available from the Company's website. This Code of Conduct is regularly reviewed and updated as necessary to ensure that it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Company's integrity.

A fundamental theme is that all business affairs are conducted legally, ethically and with strict observance of the highest standards of integrity and propriety.

Securities trading policy

The Board has adopted a securities trading policy (the MC Mining Dealing Code) which regulates dealings by Directors, officers and other restricted persons in securities issued by the Company. The policy is intended to assist in maintaining market confidence in the integrity of dealings in the Company's securities.

Under the policy, which is available on the Company's website, Directors and officers of the Company and other restricted persons must not, whether in their own capacity or as an agent for another, subscribe for, purchase or sell, or enter into an agreement to subscribe for, purchase or sell, any securities (i.e. shares or options) in the Company, or procure another person to do so:

a) If that Director, officer or restricted person possesses information that a reasonable person would expect to have a material effect on the price or value of the securities if the information was generally available

b) If the Director, officer or restricted person knows or ought reasonably to know, that information:
  - relates to the Company or any Company securities
  - is specific enough to enable a conclusion to be drawn as to the possible effect on the price of Company securities
  - is likely to have a non-trivial effect on the price or value of Company securities (meaning that a reasonable investor would be likely to use it as part of the basis of their investment decision)
  - the information is not publicly available

c) Without the written acknowledgement

Further, Directors, officers and restricted persons must not either directly or indirectly pass on this kind of information to another person if they know, or ought reasonably to know, that this other person is likely to deal in the securities of the Company or procure another person to do so.

The policy regulates trading by restricted persons (being a person having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company within defined closed periods, as well as providing details of trading not subject to the policy, exceptional circumstances in which key management personnel may be permitted to trade during a prohibited period with prior written clearance and the procedure for obtaining written clearance.

A restricted person must not trade in company securities without obtaining prior written clearance:

- The CEO must not trade without clearance to do so from the Chairperson
- Chairperson must not trade without clearance from the Audit Committee
- Directors (other than the Chairperson or CEO) must not trade without clearance from the Chairperson or in his absence, the CEO
- Other restricted persons must not trade without clearance from the CEO or CFO

Directors, officers and employees must not enter into transactions or arrangements which operate to limit the economic risk of their security holding in the Company without first seeking and obtaining written acknowledgement from the Chair.

Directors, officers and employees are also prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

Privacy

The Company has resolved to comply with the National Privacy Principles contained in the Privacy Act 1988, to the extent required for a company the size and nature of MC Mining.

Principle 4: Safeguard integrity in corporate reporting

A listed entity should:

a) have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

ASX principles recommendation 4.1

The board of a listed entity should:

a) have an audit committee that:
   - has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and
   - is chaired by an independent director, who is not the chair of the board, and disclose
   - the charter of the committee;
   - the relevant qualifications and experience of the members of the committee; and
   - in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

Audit and Risk Committee

The Company has established an Audit and Risk Committee which is comprised of a majority of independent Non-executive Directors.

The role of the Audit and Risk Committee is to:

- Monitor and review the integrity of the financial reporting of the Company, reviewing significant financial reporting judgments
- Review the Company's internal financial control system and, unless expressly addressed by a separate risk committee or by the Board itself, risk management systems
- Monitor, review and oversee the external audit function including matters concerning appointment and remuneration, independence and non-audit services
- Monitor and review compliance with the Company's Code of Conduct
- Perform such other functions as assigned by law, the Company's Constitution, or the Board

The Board has determined that the Audit and Risk Committee should comprise:

- At least three members
- A majority of independent non-executive directors
- An independent chair who is not the Chair of the Board

In addition, the Audit and Risk Committee should include:

- Members who are financially literate i.e. able to read and understand financial statements
- At least one member with relevant qualifications and experience, i.e. a qualified accountant or other finance professional with experience of financial and accounting matters
- At least one member with an understanding of the industry in which the entity operates
- Sebastiano Randazzo replaced Bernard Pryor on the Audit and Risk Committee during the year
- Membership is consistent with the composition requirements of the Charter and the recommendations of the ASX Principles. Thabo Mosololi is the independent Chair of the Committee.

The Charter is published on the Company's website. The website also contains information on the procedures for the selection and appointment of the external auditor and for the rotation of external audit partners.

Meeting attendance of members of the Audit and Risk Committee for FY2019

	Number of committee meetings attended while a member	Number of committee meetings held while a member
T Mosololi (Chairman)	5	5
B Pryor	4	4
K Mosehla	5	5
S Randazzo	1	1

CORPORATE GOVERNANCE STATEMENT CONTINUED

ASX principles recommendation 4.2

The board of a listed entity should:

a) before it approves the entity's financial statements for a financial period, receive from the CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The CEO and CFO confirm in writing to the Board that:

- The Company's annual financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results are in accordance with relevant accounting standards
- The above confirmation is founded on a sound system of risk management and internal compliance and control which implements the policies of the Board
- The Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects

This declaration was obtained for the relevant reporting period.

ASX principles recommendation 4.3

A listed entity that has an AGM should:

a) ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

The auditor attends the AGM usually by telephone as the meeting is held in the United Kingdom.

Shareholders are able to ask questions on the conduct of the audit and the preparation and content of the audit report, in accordance with the requirements of the Corporations Act 2001.

Principle 5: Make timely and balanced disclosure

A listed entity should:

a) make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

The Company is committed to ensuring that:

- All investors have equal and timely access to material information concerning the Company – including its financial situation, performance, ownership and governance
- Company announcements are factual and presented in a clear and balanced way

ASX principles recommendation 5.1

A listed entity should:

a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and

b) disclose that policy or a summary of it.

The Board has an established Shareholder Communication Policy which is available from the Company's website. The Company has adopted certain procedures to ensure that it complies with its continuous disclosure obligations and has appointed a responsible officer who is responsible for ensuring the procedures are complied with.

Principle 6: Respect the rights of security holders

A listed entity should:

a) respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.

ASX principles recommendation 6.1

A listed entity should:

a) provide information about itself and its governance to investors via its website.

ASX principles recommendation 6.2

A listed entity should:

a) design and implement an investor relations programme to facilitate effective two-way communication with investors.

ASX principles recommendation 6.3

A listed entity should:

a) disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

ASX principles recommendation 6.4

A listed entity should:

a) give security holders the option to receive communications from, and send communications to, the entity and its security register electronically.

The Board has established a communications strategy which is available from the Company's website.

The Board aims to ensure that the shareholders are informed of all major developments affecting the Company. Shareholders can request to receive a copy of the Company's annual report, and may also request copies of the Company's half-yearly and quarterly reports.

The Company maintains a website at www.mcmining.co.za and makes comprehensive information available on a regular and up-to date basis. The Company provides shareholder materials directly to shareholders through electronic means. A shareholder may request a hard copy of the Company's annual report to be posted to them.

Shareholders are encouraged at annual general meetings to ask questions of Directors and senior management and also the Company's external auditors, who attend the Company's AGMs.

Principle 7: Recognise and manage risk

A listed entity should:

a) establish a sound risk management framework and periodically review the effectiveness of that framework.

ASX principles recommendation 7.1

The board of a listed entity should:

a) have a committee or committees to oversee risk, each of which:
   - has at least three members, a majority of whom are independent directors;
   - is chaired by an independent director;
   - discloses the charter of the committee;
   - discloses the members of the committee; and
   - as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

b) it does not have a risk committee or committee that satisfies (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

The Company has a policy for the oversight and management of material business risks, which is available on the Company's website. The Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Implementation of the risk management system and day-to-day management of risk is the responsibility of the CEO, with the assistance of senior management, as required.

The CEO has responsibility for identifying, assessing, monitoring and managing risks. The CEO is also responsible for identifying any material changes to the Company's risk profile and ensuring, with approval of the Board, the risk profile of the Company is updated to reflect any material change.

The CEO is required to report on the progress of, and on all matters associated with, risk management on a regular basis, and at least annually. During the reporting period, the CEO regularly reported to the Board as to the effectiveness of the Company's management of its material business risks.

The Audit and Risk Committee also has responsibility for reviewing the Company's internal financial control system and risk management systems and reporting to the Board. Details of the composition and Charter of the Audit and Risk Committee have been disclosed earlier in this document (refer Principle 4).

Details of meeting attendance of members of the Audit and Risk Committee for FY2019 are contained in a table earlier in this document (refer Principle 4).

Safety, Health and Environment Committee

In addition, the Board has also established a Safety, Health and Environment Committee to assist the Board in the effective discharge of its responsibilities in relation to SHE issues for MC Mining, and the oversight of risks relating to these issues. The Committee's responsibilities include:

- Understanding the risks of SHE issues involving MC Mining's activities
- Ensuring that the systems and processes for identifying, assessing and managing SHE risks of MC Mining are adequately monitored
- Regularly reviewing and ensuring compliance with the SHE strategies and policies of MC Mining and the supporting management systems and processes
- Monitoring developments in relevant SHE-related legislation and regulations and monitoring MC Mining's compliance with relevant legislation, including through audits

Meeting attendance of members of the Safety, Health and Environment Committee for FY2019

	Number of committee meetings attended while a member	Number of committee meetings held while a member
P Cordin (Chairman)	4	4
A Mifflin	4	4
D Brown	4	4

ASX principles recommendation 7.2

The board or committee of the board should:

a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and

b) disclose, in relation to each reporting period, whether such a review has taken place.

The risk management framework was reviewed by the Committee during the reporting period.

ASX principles recommendation 7.3

A listed entity should disclose:

a) if it has an internal audit function, how the function is structured and what role it performs; or

b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

Due to the size of the Company and its current level of activity and operations, the Company does not have a formal internal audit function.

The Board believes that the Company's risk management and internal control systems establish a sufficient control environment to manage business risks for MC Mining given its size and nature of operations. These risks are regularly reviewed by the Audit and Risk Committee.

ASX principles recommendation 7.4

A listed entity should:

a) disclose whether it has any material exposure to economic, environmental and socially sustainable risks and, if it does, how it manages or intends to manage those risks.

The Company is very aware of its impact on the economy, the environment and the community in which it operates, and the risks associated with not dealing with these aspects appropriately.

The Company annually reports on these aspects through its sustainable development review in the Annual Report. This report is available on the Company website.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Principle 8: Remunerate fairly and responsibly

A listed entity should:

a) pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.

ASX principles recommendation 8.1

The board of a listed entity should:

a) have a remuneration committee that:
- has at least three members, a majority of whom are independent directors; and
- is chaired by an independent director; and disclose
- the charter of the committee;
- the members of the committee; and
- as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

The Board has established a Nomination and Remuneration Committee and adopted a Charter that sets out the committee's roles and responsibilities, composition and membership requirements. The Charter is available on the Company's website.

The Committee Charter states that the composition should include a minimum of three members, the majority of whom must be independent, and a Chairman who is an independent Director. Membership is consistent with the composition requirements of the Charter and the recommendations of the ASX Principles.

Details of meeting attendance of members of the Nomination and Remuneration Committee for FY2019 are contained in a table earlier in this document (refer Principle 2).

ASX principles recommendation 8.2

A listed entity should:

a) separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

The Charter of the Nomination and Remuneration Committee details the Company's approach to the structure of Executive and Non-executive remuneration.

Executive Directors and key executives are remunerated by way of a salary or consultancy fees, commensurate with their required level of services. Non-executive Directors receive a fixed monthly fee for their services. Total aggregated Non-executive Directors' fees are currently capped at A$1,000,000 per annum.

The Company does not have any scheme relating to retirement benefits for Non-executive Directors.

The remuneration report contained in the Directors' report contains details of remuneration paid to Directors and key executives during the year.

Disclosure of the Company's remuneration policies is best served through a transparent and readily understandable framework for executive remuneration that details the costs and benefits. The Company intends to meet its transparency obligations in the following manner:

- Publishing a detailed remuneration report in the annual report each year
- Continuous disclosure of employment agreements with key executives where those agreements, or obligations falling due under those agreements, may trigger a continuous disclosure obligation under ASX Listing Rule 3.1
- Presentation of the remuneration report to shareholders for their consideration and non-binding vote at the Company's AGM
- Taking into account the outcome of the non-binding shareholder vote when determining future remuneration policy
- Responding to shareholder questions on policy and practice in a frank and open manner

ASX principles recommendation 8.3

A listed entity which has an equity-based remuneration scheme should:

a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and

b) disclose that policy or a summary of it. Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

The Company has a Performance Rights Plan which was approved by shareholders at the 2018 AGM. A summary of the plan was included in the Company's 2018 Notice of General Meeting, a copy of which is available on the Company's website.

The Company's Dealing Policy prohibits Directors, officers and employees from entering into transactions or arrangements which operate to limit the economic risk of their security holding in the Company without first seeking and obtaining written clearance from the Chairman.

A copy of the Dealing Policy can be found on the Company's website.

DIRECTORS' REPORT

The Directors of MC Mining submit herewith the Annual Report of the Company and the entities controlled by the Company (its subsidiaries), collectively referred to as the "Group", for the financial year ended 30 June 2019. All balances are denominated in United States dollars unless otherwise stated.

In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Information about the Directors and key management personnel

The names and particulars of the Directors of the Company during or since the end of the financial year are set out below. Unless otherwise stated, the Directors held office during the whole of the financial year:

Bernard Robert Pryor	Independent Non-executive Chairman	Mr Pryor is a Chartered Engineer and currently the CEO of Alufer Mining Limited and was previously the CEO of African Minerals Limited and prior to that, the Chief Executive of Q Resources Plc. He is also a director of Petra Diamonds Limited. Between 2006 and 2010, he held senior executive positions within Anglo American Plc as Head of Business Development and CEO of Anglo Ferrous Brazil Inc.
David Hugh Brown	Executive Director and CEO	Mr Brown is a chartered accountant (CA (SA)) and completed his articles with Ernst & Young, graduating from the University of Cape Town. David joined MC Mining following a tenure of almost 14 years at Impala Platinum Holdings Limited (Implats). He joined the Impala Group in 1999 and served as CFO of Implats before being appointed CEO in 2006. David is currently an independent Non-executive Director of Vodacom Group Limited, Northam Platinum Limited and Resilient REIT Limited. In the past he has served as a Non-executive Director of Simmer & Jack Limited, as well as Edcon Holdings Limited and chairman of ASX listed Zimplats Holdings Limited.
Brenda Berlin	Executive Director and CFO	Ms Berlin was appointed as CFO and Executive Director of MC Mining on 24 April 2018 from Implats where she held the position of Group CFO. Brenda joined Implats in 2004 and held a number of senior appointments including head of group corporate finance activities until her appointment as CFO in 2011. She is a chartered accountant (CA (SA)) and obtained degrees from the University of the Witwatersrand and completed her articles at PwC South Africa. Prior to working at Implats, Brenda worked for Johnnic Holdings Limited in the corporate finance department and following its unbundling, remained with JCI Limited assuming responsibility for business development. After leaving JCI she commenced working for Southern Mining Corporation Limited.
An Chee Sin	Non-executive Director	Mr Chee Sin is an accredited tax practitioner with the Singapore Institute of Accredited Tax Professionals and is also a chartered accountant with the Institute of Singapore Chartered Accountants. He has more than 17 years of extensive experience in international and local corporate taxation and cofounded Pinnacle Tax Services Pte Limited (Pinnacle Tax) in 2004. Prior to joining Pinnacle Tax, he held the position of Director of Corporate Tax with KPMG and has coordinated various advisory projects, including cross-border fund structures, corporate restructurings, treasury and mergers and acquisitions.
Andrew David Mifflin	Independent Non-executive Director	Mr Mifflin obtained his BSc. (Hons) Mining Engineering from Staffordshire University and has a Masters Degree in Business Administration. Andrew has over 30 years' experience specifically in the coal mining arena. His experience spans across various organisations including British Coal Corporation, Xstrata and more recently GVK Resources. He has gained in depth knowledge in coal operations, both thermal and hard coking coal as well as in project development.

DIRECTORS' REPORT CONTINUED

Brian He Zhen	Non-executive Director	Mr Zhen holds a Bachelor's Degree in Business Administration from Sichuan University and is currently Marketing and Public Relations Executive for Pan African Mining Pvt. Limited. Between 2012 and 2015, Brian worked as Managing Director of Real Gain Investment Pvt. Limited and was responsible for infrastructure and construction market development, as well as overseas market investments. He has previously served as Construction Manager for CRI – Eagle Investments (Pty) Limited and Eagle Canyon Investments (Pty) Limited.
Khomotso Brian Mosehla	Independent Non-executive Director	Mr Mosehla is a chartered accountant (CA (SA)) and completed his articles with KPMG. Khomotso worked at African Merchant Bank Limited for five years where he gained a broad range of experience, including management buy-out, leveraged buy-out and capital restructuring/raising transactions. In 2003, he established Mvelaphanda Corporate Finance for the development of Mvelaphanda's mining and non-mining interests. Khomotso served as a director on the boards of several companies, including Mvelaphanda Resources Limited, and is currently the CEO of Mosomo Investment Holdings (Pty) Limited. He is currently a Non-executive Director of Northam Platinum Limited as well as Zambezi Platinum Limited.
Peter George Cordin	Independent Non-executive Director	Mr Cordin has a Bachelor of Engineering from the University of Western Australia and is experienced in the evaluation, development and operation of resource projects within Australia and overseas. He is a Non-executive Director of Vital Metals Limited and Aurora Minerals Limited.
Sebastiano Randazzo	Independent Non-executive Director	Mr Randazzo began his career with Arthur Young (predecessor firm to Ernst & Young) before working as a consultant across a variety of projects in the USA, Australia, Canada, Africa and South America and is a member of Chartered Accountants Australia and New Zealand. He has over 25 years' experience in the international mining industry with extensive public company management expertise from assuming various roles and executive director positions in ASX, Toronto Stock Exchange (TSX) and Alternative Investment Market (AIM) listed mineral resource companies. Sam has completed numerous feasibility studies, mergers and acquisitions and capital-raisings and has operational management experience in Australia, South America, USA, Canada and the UK.
Shangren Ding	Non-executive Director	Mr Ding is an experienced professional engineer and has worked for a number of mining and energy companies as well as acting as a consultant to government geological bureaux. Shangren has over 30 years' experience predominantly in the coal mining sector and has gained extensive operational coal mining knowledge through chief operating roles at a number of mines in the Heilongjiang province in the People's Republic of China. Since 2014, Shangren has worked in a number of senior roles for Beijing Haohua Energy Resource Co, Limited.
Thabo Felix Mosololi	Independent Non-executive Director	Mr Mosololi is a chartered accountant (CA (SA)) and brings considerable expertise as a director of various companies as well as from his time as Finance Director and Operations Director with Tsogo Sun. Thabo has 20 years of experience within the South African corporate environment. Thabo is currently a director of Pan African Resources PLC.

Sebastiano Randazzo was appointed to the Board of Directors on 29 March 2019. All other Directors held office during and since the end of the previous financial year.

Directorships of other listed companies

Directorships of other listed companies held by the Directors in the three years immediately before the end of the financial year are as follows:

Director	Company	Period of directorship
B Pryor	Petra Diamonds Limited	January 2019 – present
D Brown	Vodacom Group Limited	2012 – present
	Northam Platinum Limited	2017 – present
	Resilient REIT Limited	August 2018 – present
B Berlin	Impala Platinum Holdings Limited	2011 – 2017
	Zimplats Holdings Limited	2011 – 2017
An Chee Sin	None	
A Mifflin	None	
B Zhen	None	
K Mosehla	Northam Platinum Limited	2015 – present
	Zambezi Platinum Limited	2015 – present
P Cordin	Vital Metals Limited	2009 – present
	Aurora Minerals Limited	2014 – present
S Randazzo	Bardoc Gold Limited	October 2018 – March 2019
S Ding	None	
T Mosololi	Evraz Highveld Steel & Vanadium Limited	2013 – 2015
	Pan African Resources PLC	2014 – present

Directors' shareholdings

The following table sets out each Director's relevant interest in shares or options in shares or debentures of the Company as at the date of this report.

Director	Ordinary shares	Performance Rights	Unlisted options
B Pryor	7,500	–	–
D Brown [1]	41,250	2,093,646	–
B Berlin [2]	–	635,347	–
A Chee Sin	–	–	–
A Mifflin	–	–	–
H Zhen	–	–	–
K Mosehla	–	–	–
P Cordin	68,553	–	–
S Ding	–	–	–
T Mosololi	500	–	–
	117,803	**2,728,993**	**–**

[1] Mr Brown was issued with the following Performance Rights:
- 485,702 unlisted conditional Performance Rights were granted on 30 November 2015, which expired in November 2018; 562,747 Performance Rights were granted on 30 November 2016; 625,612 Performance Rights were granted on 24 November 2017; 878,287 Performance Rights were granted on 23 November 2018. The Performance Rights were granted for no consideration and no exercise price is payable upon exercise of the Performance Rights

[2] Ms Berlin was issued with the following Performance Rights:
- 635,347 Performance Rights were granted on 23 November 2018. The Performance Rights were granted for no consideration and no exercise price is payable upon exercise of the Performance Rights

DIRECTORS' REPORT CONTINUED

Remuneration of Directors and key management personnel

Information about the remuneration of Directors is set out in the remuneration report of this Directors' report, on pages 56 to 60. Shareholder nominee Non-executive Directors are not remunerated. During the reporting period, no senior management satisfied the criteria of 'key management personnel'.

Share options granted to Directors and senior management

During and since the end of the financial year, share options and Performance Rights were granted to Directors and key management personnel of the Company and of its controlled entities as part of their remuneration. Details of options and Performance Rights granted to Directors and senior management are set out on page 59.

Company Secretary

Mr Tony Bevan, a qualified Chartered Accountant with over 25 years' experience, is the Company Secretary and works with Endeavour Corporate Pty Limited, the company engaged to provide contract secretarial, accounting and administration services to MC Mining.

Principal activities

The Company is a limited company incorporated in Australia. Its common shares are listed on the ASX, the AIM and the JSE in South Africa. The principal activities of the Company and its subsidiaries are the acquisition, exploration, development and operation of metallurgical and thermal coal projects in South Africa.

The Group's principal assets and projects include:

- Uitkomst Colliery, an operating metallurgical and thermal coal mine with a *circa* 15-year LoM
- Makhado hard coking and thermal coal project
- Vele Colliery, a semi-soft coking and thermal coal mine, which remains on care and maintenance
- Three exploration and development stage coking and thermal coal projects, namely Chapudi, Generaal and Mopane in the Soutpansberg Coalfield

During the prior year, Mooiplaats Colliery, which was on care and maintenance, was sold in November 2017.

Review of operations – operational salient features

- No fatalities (FY2018: nil) and four LTIs (FY2018: 1)
- Uitkomst Colliery produced 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
- Uitkomst sold 309,401t (FY2018: 475,089t) of coal – 295,051t (FY2018: 329,060t) from ROM coal, 0t (FY2018: 53,689t) from blending slurry, 6,035t (FY2018: 92,330t) from purchased coal and 8,315t (FY2018: nil) of high-ash, coarse discard coal – generating sales revenue of $26,403 thousand (FY2018: $32,693 thousand)
- Uitkomst transitioned to an owner-operated Colliery with the acquisition of the underground mining contractor, Khethekile Mining (Pty) Limited's (Khethekile), operations and transfer of approximately 340 staff to the Colliery
- Commencement and completion of plant modifications at Uitkomst to facilitate the production of the additional high-ash, coarse discard product
- Thermal coal prices experienced significant fluctuations during FY2019 and year-on-year prices were 7% lower compared to FY2018, primarily due to reduced demand in the northern hemisphere leading to substantial decreases in prices during the second half of the period
- Received approval for the amendment to the EA for the Makhado Project allowing for the transportation of coal by road rather than rail, which was appealed as expected thereby automatically suspending the amendment but subsequently uplifted
- Coal Purchase Agreement with HDCTC, a Chinese state-owned enterprise, for the off-take of up to 450,000t per annum of hard coking coal to be produced from the Lukin and Salaita properties of the Makhado Project
- Completion of the FEED process for Phase 1 of the Makhado Project
- Acquisition of the Lukin and Salaita properties, the remaining two key surface rights required for the Makhado Project
- MC Mining Board conditionally approved the phased development of the Makhado Project with construction of Phase 1 anticipated to commence in H2 CY2019 and expected to yield 0.54Mtpa of hard coking coal and 0.57Mtpa of export quality thermal coal
- Conclusion of a hard coking coal off-take agreement with ArcelorMittal South Africa Limited (AMSA) for the annual purchase of 350,000t to 450,000t of hard coking coal that will be produced at Phase 1 of the Makhado coking coal project
- Thermal coal off-take agreement signed with one of the world's largest producers and marketers of bulk commodities for the purchase of the Makhado Phase 1 by-product
- Vele Colliery remained on care and maintenance but the Vele processing plant is expected to be refurbished and recommissioned as part of Phase 1 of the Makhado Project and
- The South African Department of Mineral Resources (DMR) granted a Mining Right for MC Mining's 74% owned Chapudi coking and thermal coal project (Chapudi Project), one of the three projects comprising the Company's longer-term GSP situated in the Soutpansberg Coalfield of the Limpopo province. This Mining Right was appealed and the Mining Rights for the Mopane and Generaal Projects have not been granted or denied

Corporate salient features

- Completion of the regulatory matters relating to the disposal of the Mooiplaats Colliery
- $1,065 thousand (R15,000 thousand) ABSA Bank Limited (ABSA) revolving asset finance facility for the acquisition of additional mining equipment at the Uitkomst Colliery
- Extension for a further six months of the $8,521 thousand (R120,000 thousand) facility from the IDC to MC Mining's subsidiary, Baobab Mining and Exploration (Pty) Limited (Baobab), for the development of Makhado
- $1,420 thousand (R20,000 thousand) ABSA primary lending facility secured by Uitkomst

- Co-operation agreement signed with HEI, aligning substantial shareholders' threshold to appoint directors to the MC Mining Board and further reinforcing cooperation on matters technical and marketing
- Negotiated the settlement of the full outstanding Mooiplaats Colliery sale proceeds
- Dismissal of appeals against the Makhado Project EA amendments, facilitating the transport of coal by road rather than rail and reaffirming the project's permitted status and
- The Company continued the search for a second cash generator and assessed several potential targets during the period but these did not meet MC Mining's investment criteria

Subsequent events

IDC debt funding secured

The IDC approved a term loan facility (Term Loan) to fund the construction of Phase 1 of the Makhado Project.

The salient features of the Term Loan are, subject to documentation:

- IDC will advance $17,397 thousand (R245,000 thousand) to MC Mining
- Draw-down can take place any time before 30 June 2021 and the loan will endure for a period of seven years following draw-down
- Coupon of the South African Prime interest rate (currently 10%) plus a margin that reflects the significant progress made on Makhado as well as the increased confidence that the IDC has in the execution of the project
- Capital repayments will only commence 24 months after the first draw-down and will be repaid in 20 equal quarterly instalments

The Term Loan is subject to various conditions precedent including:

- MC Mining issuing additional equity to shareholders for a minimum of $14,202 thousand (R200,000 thousand)
- Settlement of the existing 2017 loan facility between the IDC, MC Mining and Baobab, which at 30 June 2019 amounted to $13,116 thousand (R184,700 thousand), and termination of all agreements in this regard

Sale of land in Harrisia Investments Holdings (Pty) Limited (Harrisia)

Subsequent to year-end, the Company finalised the sale of land and buildings held by its subsidiary Harrisia. These land and buildings were classified as assets held for sale at 30 June 2019.

Financial review

- Operating cash flows of $2,469 thousand generated by the Uitkomst Colliery
- Payment of a $1,065 thousand (R15,000 thousand) dividend by Uitkomst
- During the period, an agreement was entered into with Mooiplaats Coal Holdings and an additional party, Last Mile Fund (Pty) Limited (LMF), for full and final settlement of $4,096 thousand (R57,676 thousand) for the balance outstanding on the sale of Mooiplaats. $3,287 thousand (R46,290 thousand) was received from LMF and $809 thousand (R11,386 thousand) was received from Mooiplaats Coal Holdings
- $1,420 thousand (R20,000 thousand) available under the ABSA facility
- $8,521 thousand (R120,000 thousand) of the $17,042 million (R240,000 thousand) three year IDC loan was available at year-end
- The R/$ exchange rate continues to be volatile and gains/losses from these elements are unpredictable
- Contributing to the loss were non-cash charges of $25,198 thousand (FY2018: $92,533 thousand) which include the following:
  - net impairment expense of $21,916 thousand (FY2018: impairment of the Vele assets of $87,475 thousand)
  - depreciation and amortisation of $2,186 thousand (FY2018: $1,504 thousand)
  - share based payment expense of $852 thousand (FY2018: $1,343 thousand)
  - unrealised foreign exchange gain of $ 244 thousand (FY2018: loss $2,211 thousand)
- Total unrestricted cash balances at year-end of $8,811 thousand (FY2018: $10,931 thousand)

Future developments

MC Mining aims to become the pre-eminent hard coking coal producer in South Africa and will continue to build on the progress made during FY2019. The main focus for FY2020 will be to secure sufficient funding for the construction of Makhado Phase 1, and once funding is received to begin construction.

The Makhado Project is fully permitted and has 344.8 million mineable tonnes of coal *in situ*. The Company completed a Competent Persons Report (CPR) during the prior reporting period. The phased development of the Makhado Project was approved by the Company's directors during FY2019 and Phase 1 incorporates the development of the west pit and modifications to the existing Vele Colliery processing plant. The development of the project in phases reduces execution risk, capital expenditure and shortens the mine's construction period and ensures the scalability of the project. Phase 1 will produce approximately 3Mtpa of ROM coal that will be screened and scalped at Makhado. The resultant 2.0Mtpa of scalped ROM coal will be transported to the Vele Colliery for final processing and will yield approximately 0.54Mtpa of hard coking coal (HCC) and 0.57Mtpa of an export quality thermal coal as a by-product. Phase 2 is expected to commence in circa CY2022, funding and market dependent, and includes the construction of the east pit as well as the Makhado processing plant and related infrastructure. This phase will result in 4.0Mtpa of ROM coal producing 1.7Mtpa of saleable HCC and thermal coal.

The revised, phased project delivers similar returns to the original Makhado Project with significantly reduced execution risk as a result of the construction period reducing from 26 to nine months with first sales of Phase 1 coal in month ten. During the period, the Company acquired the final two farms of the Makhado mining area. Subsequent to the reporting period, debt funding was approved by the IDC to fund the construction of Phase 1. Off-take agreements have been signed with AMSA for 350,000-450,000 tonnes per annum (tpa) of Phase 1 HCC and one of the world's largest commodity traders signed an off-take agreement for the Phase 1 thermal coal by-product. The South African government's dismissal of the appeal against the Makhado EA amendment during the year reinforces

DIRECTORS' REPORT CONTINUED

the robustness of the project's permitting processes while the off-take agreements reaffirmed the world-class quality of Makhado's coal and satisfied a key requirement for funders.

The exploration and development of MC Mining's three Soutpansberg coalfield projects namely the Chapudi, Mopane and Generaal project areas, is the catalyst for the long-term growth of the Company. The DMR granted a MR for the Chapudi Project in FY2019 but this was subsequently appealed. The MR applications for the Mopane and Generaal Projects are being processed and the Company is hopeful that these licences will be granted during FY2020.

Environmental regulations

The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation and there has consequently been no breach. The Group is subject to numerous environmental regulations in South Africa, including:

- The environmental provisions in the Mineral and Petroleum Resources Development Act (No 28 of 2002)
- National Environmental Management Act (No. 107 of 1998)
- National Water Act (No. 45 of 1965)
- Environment Conservation Act (No. 73 of 1989)
- National Environmental Management Air Quality Act (No. 39 of 2004)

The Board believes that there are adequate systems in place for the management of its environmental impacts but from time to time statutory non-compliances may occur. The Board takes these seriously and continues to monitor compliance.

Corporate governance

The Group recognises the need for the highest standards of corporate behaviour and accountability. The Directors have accordingly followed the recommendations set by the ASX Corporate Governance Council. For further information on corporate governance policies adopted by MC Mining Limited, refer to the Company's website: http://www.mcmining.co.za/corporate-governance/board-committees-and-charters and the Annual Report.

Dividends

No dividend has been paid or proposed for the financial year ended 30 June 2019 (FY2018: nil).

Shares under option or issued on exercise of options or Performance Rights

There are no unissued shares under option as at the date of this report. 1,250,000 share options expired during the period.

Indemnification of officers and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company, the Company Secretary, and all executive officers of the Company and of any related body corporate against a liability incurred by such a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001.*

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred by such an officer or auditor.

Details of unissued Performance Rights granted as at the date of this report are:

	Number of shares under Performance Rights	Class of shares	Exercise price	Expiry date
Performance Rights	1,082,875	Ordinary	Nil	29 November 2019
Performance Rights	1,722,383	Ordinary	Nil	23 November 2020
Performance Rights	3,465,558	Ordinary	Nil	21 November 2021
Total Performance Rights	**6,270,816**			

No shares or interests were issued during or since the end of the financial year as a result of the exercising of options.

Directors' meetings

The following table sets out the number of Directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each Director (while they were a director or committee member). During the financial year, a total of four scheduled Board meetings were held as well as four Nomination and Remuneration Committee and Safety and Health Committee meetings while six Audit and Risk Committee meetings were held.

	Board meetings		Audit and Risk Committee meetings		Nomination and Remuneration Committee meetings		Safety, Health and Environment Committee meetings	
Director	Held	Attended	Held	Attended	Held	Attended	Held	Attended
B Pryor [1]	4	4	4	4	4	4	1	1
D Brown	4	4	–	–	4	4	4	4
B Berlin	4	4	–	–	–	–	–	–
A Chee Sin	4	4	–	–	–	–	–	–
A Mifflin	4	4	–	–	–	–	4	4
H Zhen	4	4	–	–	–	–	–	–
K Mosehla	4	4	5	5	–	–	–	–
P Cordin	4	4	–	–	–	–	4	4
S Randazzo [2]	1	1	1	1	–	–	–	–
S Ding	4	4	–	–	–	–	–	–
T Mosololi	4	4	5	5	4	4	–	–

[1] Resigned from the Audit and Risk Committee on the appointment of Mr Randazzo and was appointed as a member of the Safety, Health and Environment Committee during the period

[2] Appointed as Director on 29 March 2019 and is a member of the Audit and Risk Committee

DIRECTORS' REPORT CONTINUED

Proceedings on behalf of the Company

No persons applied for leave to bring or intervene in proceedings on behalf of the Company during or since the end of the financial year.

Non-audit services

Non-audit services were provided during the current financial year for services rendered relating to additional review procedures. Details of amounts paid or payable to the auditor for services provided during the year by the auditor are outlined in note 10 to the consolidated financial statements.

Auditor's independence declaration

The auditor's independence declaration is included on page 61 of these consolidated financial statements.

Remuneration report (audited)

This Remuneration report, which forms part of the Directors report, sets out information about the remuneration of MC Mining Limited's Directors and its senior management for the financial year ended 30 June 2019. The prescribed details for each person covered by this report are detailed below under the following headings:

- Director details
- Remuneration policy
- Relationship between the remuneration policy and Company performance
- Remuneration of Directors and senior management
- Key terms of employment contracts

The Board is responsible for establishing remuneration packages applicable to the Board members of the Company. The policy adopted by the Board is to ensure that remuneration properly reflects an individual's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest calibre.

Directors' remuneration packages are also assessed in the light of the condition of markets within which the Company operates, the Company's financial condition and the individual's contribution to the achievement of corporate objectives. Executive Directors are remunerated by way of a salary commensurate with their required level of service.

Total remuneration for all Non-executive Directors, excluding share-based payments, as approved by shareholders at the November 2010 General Meeting, is not to exceed A$1,000,000 per annum ($702,200).

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

Director and key management personnel details

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

B Pryor	Independent Chairman
D Brown	Chief Executive Officer and Executive Director
B Berlin	Chief Financial Officer and Executive Director
A Chee Sin	Non-executive Director
A Mifflin	Independent Non-executive Director
H Zhen	Non-executive Director
K Mosehla	Independent Non-executive Director
P Cordin	Independent Non-executive Director
S Randazzo [1]	Non-executive Director
S Ding	Non-executive Director
T Mosololi	Independent Non-executive Director

[1] Appointed as Director on 29 March 2019

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity. Apart from the Executive Directors, no employees satisfy the definition of 'key management' to be separately disclosed in this Remuneration report.

Remuneration policy

The remuneration policy of MC Mining has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The Board of MC Mining believes the remuneration policy to be appropriate and effective in its ability to attract and retain management personnel to run and manage the Group, as well as create goal congruence between Directors, management and shareholders.

The Board's policy for determining the nature and amount of remuneration for management personnel of the Group is as follows:

- The remuneration structure is developed by the Nomination and Remuneration Committee and approved by the Board after professional advice is periodically sought from independent external consultants
- Management personnel receive a base salary (based on factors such as length of service and experience), Performance Rights and performance incentives
- Incentives paid in the form of cash and performance rights are intended to align the interests of the Directors, management and the Company with those of the shareholders

The Nomination and Remuneration Committee reviews senior management personnel packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors.

The performance of senior management personnel is measured against criteria agreed annually with each executive and bonuses and incentives are linked to predetermined performance criteria. The performance criteria vary and are determined in line with each individual's performance contract. The Board may, however, exercise its discretion in relation to approving incentives, bonuses, options or Performance Rights, and can recommend changes to the Nomination and Remuneration Committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

All remuneration paid to management personnel is valued at the cost to the Company and expensed.

The Board's policy is to remunerate Non-executive Directors at market rates for time, commitment and responsibilities. Shareholder nominee Non-executive Directors are not remunerated. The Nomination and Remuneration Committee determines payments to the Non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees, excluding share-based payments that can be paid to Non-executive Directors is A$1,000,000 ($702,200).

To assist Directors with independent judgement, it is the Board's policy that if a Director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a Director then, provided the Director first obtains approval from the Chairman for incurring such expense, the Company will pay the reasonable expenses associated with obtaining such advice.

Options granted under the Employee Share Option Plan do not carry dividend or voting rights. Options are valued using a binomial option pricing model and the Black-Scholes option pricing model was used to validate the price calculated.

The Company has a shareholder approved Performance Rights plan (the Plan) to assist in the reward, retention and motivation of eligible employees and to align the interest of eligible employee with the shareholders of the Company. Prior to a Performance Right being exercised, the performance grants do not carry any dividend or voting rights. Performance rights are granted for no consideration and no exercise price is payable upon exercise of the performance rights.

All the Performance Rights proposed to be granted are subject to the following vesting conditions:

- Vesting of the Performance Rights will be subject to a hurdle rate based on the compound annual growth rate in total shareholder return across the three years commencing on the grant date of the Performance Rights (Performance Period)
- The hurdle is a measure of the increase in the Company's share price and is a target for the total shareholder return
- The base price for the total shareholder return calculation will be the volume weighted average price (VWAP) of shares over the five days prior to the grant date
- The end price for the total shareholder return calculation will be the VWAP over the last five days of the Performance Period

Performance-based remuneration

The key performance indicators (KPIs) are set annually, and include consultation with management personnel to ensure buy-in. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential to position the Group for future expansion and profit, covering financial and non-financial as well as short and long-term goals.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved.

Hedging of management remuneration

No member of executive management entered into an arrangement during or since the end of the financial year to limit the risk relating to any element of that person's remuneration.

Relationship between remuneration policy and Company performance

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to June 2019.

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000	Year ended 30 June 2017 $'000	Year ended 30 June 2016 $'000	Year ended 30 June 2015 $'000
Revenue	26,403	32,693	–	–	–
Net loss before tax from continuing operations	33,522[1]	97,043[1]	17,662	23,903	6,711
Net loss after tax from continuing operations	33,726	103,763	17,367	22,472	6,711
Share price at start of year [1]	A$0.36	A$0.05	A$0.06	A$0.09	A$0.07
Share price at end of year	A$0.67	A$0.36	A$0.05	A$0.06	A$0.09
Basic and diluted loss per share ($ cents) from continuing operations	23.72 [2]	73.54 [2]	17.26	1.19	0.47

[1] The share price at the start of the 2018 year is prior to the share consolidation that took place in December 2017

[2] Includes the $23,268 thousand impairment of the Makhado Project consolidated exploration asset (FY2018: includes the $87,475 thousand impairment of the Vele Colliery assets)

DIRECTORS' REPORT CONTINUED

Remuneration of Directors and key management personnel

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

	Short term employee benefits			Post-employment benefits		Share-based payments	Total	Share-based % of total
2019	Salary and fees $	Bonus $	Non-monetary benefits $	Super-annuation $	Termination benefits $	Options/ shares $	$	%
Non-executive Directors								
B Pryor	71,186	–	–	–	–	–	71,186	–
A Chee Sin	–	–	–	–	–	–	–	–
A Mifflin	44,951	–	–	–	–	–	44,951	–
H Zhen	–	–	–	–	–	–	–	–
K Mosehla	45,290	–	–	–	–	–	45,290	–
P Cordin	41,051	–	–	3,900	–	–	44,951	–
S Randazzo[1]	12,989	–	–	–	–	–	12,989	–
S Ding	–	–	–	–	–	–	–	–
T Mosololi	45,290	–	–	–	–	–	45,290	–
Executive Directors								
D Brown	440,851	209,474	–	–	–	279,279[2,3]	929,604	30
B Berlin	377,336	58,751	–	–	–	48,635[2]	484,722	10
	1,078,944	**268,225**	**–**	**3,900**	**–**	**327,914**	**1,678,983**	**20**

1 Mr S Randazzo was appointed on 29 March 2019
2 This is a non-cash cost expensed as employee costs
3 During the year, Performance Rights granted to Mr Brown in 2015 expired. The value of these rights previously disclosed in the Annual Financial Statements was $222.4 thousand

	Short term employee benefits			Post-employment benefits		Share-based payments	Total	Share-based % of total
2018	Salary and fees $	Bonus $	Non-monetary benefits $	Super-annuation $	Termination benefits $	Options/ shares $	$	%
Non-executive Directors								
B Pryor	69,566	–	–	–	–	–	69,566	–
A Chee Sin[3]	–	–	–	–	–	–	–	–
A Mifflin	46,278	–	–	–	–	–	46,278	–
H Zhen[3]	–	–	–	–	–	–	–	–
K Mosehla	47,076	–	–	–	–	–	47,076	–
P Cordin	42,263	–	–	4,015	–	–	46,278	–
R Torlage[4]	–	–	–	–	–	–	–	–
S Ding	–	–	–	–	–	–	–	–
T Mosololi	47,076	–	–	–	–	–	47,076	–
Executive Directors								
D Brown	479,667	210,446	–	–	–	272,924	963,037	28
B Berlin[5]	131,270	–	–	–	–	–	131,270	–
D Schutte[6]	125,344	109,120	–	–	178,470	–	412,934	–
	988,540	**319,566**	**–**	**4,015**	**178,470**	**272,924**	**1,763,515**	**15**

3 Mr Chee Sin and Mr Zhen were appointed on 24 April 2018
4 Mr Torlage resigned on 26 April 2018
5 Ms Berlin was appointed on 24 April 2018
6 Mr Schutte resigned on 30 November 2017

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

In September 2018, performance bonuses of $0.3 million were paid out in relation to certain performance targets met for the 2018 financial year. The performance targets were based on a combination of individual performance and corporate key performance indicators including: safety, operational targets and the achievement of a turnaround strategy.

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

During the financial year, certain share-based payment arrangements expired as follows:

Option series	Number	Grant date	Expiry date	Exercise price	Grant date value	Vesting date
ESOP unlisted options	250,000	27/11/2015	27/11/2018	GBP1.10	AUD0.024	[1]

[1] A total of 250,000 options (post the 20:1 share consolidation) were granted to Non-executive Directors Messrs Pryor, Mifflin, Mosehla, Cordin and Mosololi vesting immediately on grant date

The following grants of share-based payment compensation to executive management personnel relate to the current financial year:

		During the financial year				
Name	Option series	Number granted	Number vested	% of grant vested	% of grant forfeited	% of compensation for the year consisting of options
D Brown	Performance grant	878,287	–	–	n/a	30
B Berlin	Performance grant	635,347	–	–	n/a	10

During the year, none of the executive management personnel exercised options or Performance Rights granted to them as part of their compensation.

Key terms of employment contracts

The Company has entered into formal contractual employment agreements with the CEO and the CFO who are both Executive Directors of the Company. There are no formal contractual employment agreements with any other member of the Board. The employment conditions of the CEO and CFO are:

Current

Mr Brown was appointed as CEO on 1 February 2014 with an annual remuneration of R6,251 thousand and a six-month notice period. During the year, Mr Brown received 878,287 Performance Rights. The Performance Rights factor in a hurdle rate based on the compound annual growth rate of total shareholder return across the period from the grant date.

Ms Berlin was appointed on 24 April 2018 as CFO with an annual remuneration of R5,350 thousand and a six-month notice period. During the year, Ms Berlin received 635,347 Performance Rights. The Performance Rights factor in a hurdle rate based on the compound annual growth rate of total shareholder return across the period from the grant date.

Loans from key management personnel

No loans were provided to or received from key management personnel during the year ended 30 June 2019.

Other transactions

No other transactions were entered into with any member of key management personnel other than those detailed in the Remuneration report.

DIRECTORS' REPORT CONTINUED

Director equity holdings

Option holdings

The movement during the reporting period in the number of options over ordinary shares at GBP1.10, vesting immediately held directly, indirectly or beneficially by each Director including their personally-related entities, is as follows:

	Held at 1 July 2018	Granted as remuneration	Exercised	Expired/ other changes	Held at 30 June 2019
Non-executive Directors					
B Pryor	50,000	–	–	(50,000)	–
A Chee Sin	–	–	–	–	–
A Mifflin	50,000	–	–	(50,000)	–
H Zhen	–	–	–	–	–
K Mosehla	50,000	–	–	(50,000)	–
P Cordin	50,000	–	–	(50,000)	–
S Randazzo	–	–	–	–	–
S Ding	–	–	–	–	–
T Mosololi	50,000	–	–	(50,000)	–
Executive Directors					
D Brown	–	–	–	–	–
B Berlin	–	–	–	–	–

The movement during the reporting period in the number of performance grants over ordinary shares exercisable in three years' time subject to performance criteria, held directly, indirectly or beneficially by each Director including their personally-related entities, is as follows:

	Held at 1 July 2018	Granted as remuneration	Exercised	Expired/ other changes	Held at 30 June 2019
Non-executive Directors					
B Pryor	–	–	–	–	–
A Chee Sin	–	–	–	–	–
A Mifflin	–	–	–	–	–
H Zhen	–	–	–	–	–
K Mosehla	–	–	–	–	–
P Cordin	–	–	–	–	–
S Randazzo	–	–	–	–	–
S Ding	–	–	–	–	–
T Mosololi	–	–	–	–	–
Executive Directors					
D Brown	1,674,061	878,287	–	(485,702)	2,066,646
B Berlin	–	635,347	–	–	635,347

The movement during the reporting period in the number of ordinary shares held, directly, indirectly or beneficially by each Director including their personally-related entities, is as follows:

	Held at 1 July 2018	Granted as remuneration	Exercised	Expired/ other changes [1]	Held at 30 June 2019
Non-executive Directors					
B Pryor	7,500	–	–	–	7,500
A Chee Sin	–	–	–	–	–
A Mifflin	–	–	–	–	–
H Zhen	–	–	–	–	–
K Mosehla	–	–	–	–	–
P Cordin	68,553	–	–	–	68,553
S Randazzo	–	–	–	–	–
S Ding	–	–	–	–	–
T Mosololi	500	–	–	–	500
Executive Directors					
D Brown	41,250	–	–	–	41,250
B Berlin	–	–	–	–	–

This Directors' report is signed in accordance with a resolution of Directors made pursuant to s298(2) of the Corporations Act 2001.

On behalf of the Directors

Bernard Robert Pryor
Chairman

30 September 2019

David Hugh Brown
Chief Executive Officer

30 September 2019

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of MC Mining Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit and
- No contraventions of any applicable code of professional conduct in relation to the audit

This declaration is in respect of MC Mining Limited and the entities it controlled during the period.

Douglas Craig
Partner
PwC

Perth
30 September 2019

DIRECTORS' DECLARATION

The Directors declare that:

a) In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

b) In the Directors' opinion, the attached consolidated financial statements are in compliance with International Financial Reporting Standards, as stated in note 1.1 to the consolidated financial statements

c) In the Directors' opinion, the attached consolidated financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Consolidated Entity

d) The Directors have been given the declarations required by s295A of the Corporations Act 2001

Signed in accordance with a resolution of the Directors made pursuant to s295(5) of the Corporations Act 2001.

On behalf of the Directors

Bernard Pryor
Chairman

30 September 2019

David Brown
Chief Executive Officer

30 September 2019

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 June 2019

(expressed in United States dollars unless otherwise stated)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2019

	Note	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Continuing operations			
Revenue	5	26,403	32,693
Cost of sales	6	(25,389)	(27,340)
Gross profit		1,014	5,353
Other operating income	7	1,606	1,410
Other operating gains/(losses)	8	969	(1,192)
Net impairment expense	9	(21,916)	(87,475)
Administrative expenses	10	(10,556)	(12,704)
Operating loss		(28,883)	(94,608)
Interest income		1,048	1,201
Finance costs	11	(5,687)	(3,636)
Loss before tax		(33,522)	(97,043)
Income tax (charge)/credit	12	(204)	(6,720)
Net loss for the year from continuing operations		(33,726)	(103,763)
Discontinued operations			
Profit for the year from operations classified as held-for-sale	13	–	2,185
LOSS FOR THE YEAR		(33,726)	(101,578)
Other comprehensive loss, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(5,708)	(2,393)
Total comprehensive loss for the year		(39,434)	(103,971)
Loss for the year attributable to:			
Owners of the Company		(33,421)	(101,413)
Non-controlling interests		(305)	(165)
		(33,726)	(101,578)
Total comprehensive loss attributable to:			
Owners of the Company		(39,129)	(103,806)
Non-controlling interests		(305)	(165)
		(39,434)	(103,971)
Loss per share	14		
From continuing operations and discontinued operations			
Basic and diluted (cents per share)		(23.72)	(71.99)
From continuing operations			
Basic and diluted (cents per share)		(23.72)	(73.54)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2019

	Note	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
ASSETS			
Non-current assets			
Exploration and evaluation expenditure	15	94,871	116,889
Development assets	16	26,919	28,033
Property, plant and equipment	17	32,713	29,452
Other receivables	18	219	226
Other financial assets	19	5,006	4,324
Restricted cash	22	68	84
Loan receivable	13	–	3,946
Total non-current assets		159,796	182,954
Current assets			
Inventories	20	1,042	730
Trade and other receivables	21	2,996	5,496
Tax receivable		201	36
Loan receivable	13	–	3,290
Other financial assets	19	23	4
Cash and cash equivalents	22	8,811	10,931
Total current assets		13,073	20,487
Assets classified as held for sale		939	–
Total assets		173,808	203,441
LIABILITIES			
Non-current liabilities			
Deferred consideration	23	2,665	–
Borrowings	24	898	10,191
Provisions	25	6,564	5,458
Deferred tax liability	26	5,750	5,991
Other liabilities	27	–	181
Finance lease liabilities		689	–
Total non-current liabilities		16,566	21,821
Current liabilities			
Deferred consideration	23	1,406	2,017
Borrowings	24	13,401	–
Trade and other payables	28	8,850	6,845
Provisions	25	536	569
Other liabilities	27	176	1,024
Current tax liabilities		420	431
Finance lease liabilities		312	–
Total current liabilities		25,101	10,886
Total liabilities		41,667	32,707
NET ASSETS		132,141	170,734
EQUITY			
Issued capital	29	1,040,950	1,040,950
Accumulated deficit	30	(884,297)	(851,535)
Reserves	31	(24,601)	(19,075)
Equity attributable to owners of the Company		132,052	170,340
Non-controlling interests	33	89	394
TOTAL EQUITY		132,141	170,734

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2019

	Issued capital $'000	Accumulated deficit $'000	Share based payment reserve $'000	Capital profits reserve $'000	Warrants reserve $'000	Foreign currency translation reserve $'000	Attributable to owners of the parent $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2018	**1,040,950**	**(851,535)**	**2,052**	**91**	**1,134**	**(22,352)**	**170,340**	**394**	**170,734**
Total comprehensive loss for the year	–	(33,421)	–	–	–	(5,708)	(33,129)	(305)	(39,434)
Loss for the year	–	(33,421)	–	–	–	–	(33,421)	(305)	(33,726)
Other comprehensive loss, net of tax	–	–	–	–	–	(5,708)	(5,708)	–	(5,708)
Dividends		(11)	–	–	–	–	(11)	–	(11)
Performance grants issued to employees	–	–	852	–	–	–	852	–	852
Share options expired	–	670	(670)	–	–	–	–	–	
Balance at 30 June 2019	**1,040,950**	**(884,297)**	**2,234**	**91**	**1,134**	**(28,060)**	**132,052**	**89**	**132,141**
Balance at 1 July 2017	**1,040,950**	**(750,100)**	**713**	**91**	**1,134**	**(20,473)**	**272,315**	**559**	**272,874**
Total comprehensive loss for the year	–	(101,413)	–	–	–	(1,879)	(103,292)	(165)	(103,457)
Loss for the year	–	(101,413)	–	–	–	–	(101,413)	(165)	(101,578)
Other comprehensive loss, net of tax	–	–	–	–	–	(2,393)	(2,393)	–	(2,393)
Sale of Mooiplaats Colliery	–	–	–	–	–	514	514	–	514
Dividends	–	(22)	–	–	–	–	(22)	–	(22)
Performance grants issued to employees	–	–	616	–	–	–	616	–	616
Share options cancelled/ forfeited	–	–	(161)	–	–	–	(161)	–	(161)
IFRS 2 BEE charge	–	–	884	–	–	–	884	–	884
Balance at 30 June 2018	**1,040,950**	**(851,535)**	**2,052**	**91**	**1,134**	**(22,352)**	**170,340**	**394**	**170,734**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2019

	Note	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Cash flows from operating activities			
Receipts from customers		32,068	36,923
Payments to suppliers and employees		(37,345)	(34,921)
Cash generated from/(used in) operations	36	(5,277)	2,002
Interest received		403	603
Interest paid		(48)	(11)
Dividend paid		(33)	
Tax paid		(457)	(1,234)
Net cash generated from/(used in) operating activities		**(5,412)**	**1,360**
Cash flows from investing activities			
Purchase of property, plant and equipment	17	(562)	(2,887)
Proceeds from the sale of property, plant and equipment		3,499	96
Investment in development assets	16	(5)	(4)
Investment in exploration assets	15	(3,350)	(3,801)
Khethekile acquisition – consideration paid	34	(521)	–
Khethekile acquisition - deferred consideration payment	23	(239)	–
Net proceeds from the sale of Mooiplaats Colliery	13	6,457	2,315
(Increase)/decrease in other financial assets	19	(649)	4,921
Increase in restricted cash		(16)	(32)
Net cash generated from investing activities		**4,614**	**608**
Cash flows from financing activities			
Borrowings repayments	24	(692)	–
Finance lease repayments		(378)	–
Net cash generated by financing activities		(1,070)	–
Net increase/(decrease) in cash and cash equivalents		(1,868)	1,968
Net foreign exchange differences		(252)	(683)
Cash and cash equivalents at beginning of the year		10,931	9,646
Cash and cash equivalents at the end of the year	22	**8,811**	**10,931**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2019

1. General information

MC Mining Limited is a limited company incorporated in Australia. Its common shares are listed on the ASX, the AIM and the JSE in South Africa. The addresses of its registered office and principal places of business is Suite 8, 7 The Esplanade, Mt Pleasant, Perth, Western Australia 6000.

The principal activities of the Company and its subsidiaries (the Group or the Consolidated Entity) are the acquisition, exploration, development and operation of metallurgical and thermal coal projects in South Africa.

The Group's principal assets and projects include:

- The operating mine, Uitkomst Colliery
- The Makhado hard coking and thermal coal project that has been granted a MR, an IWUL and an EA
- The Vele Colliery, a semi-soft coking and thermal coal mine, currently under care and maintenance and has been granted the final IWUL relating to the new perennial stream diversion application
- Three exploration and development stage coking and thermal coal projects, namely Chapudi, Generaal and Mopane

Going concern

The Consolidated Entity has incurred a net loss after tax for the year ended 30 June 2019 of $33,726 thousand (30 June 2018: $103,763 thousand). The current period loss includes a non-cash net impairment of $21,916 thousand mainly related to the impairment of Australian dollar payments made by the Group in 2007 for the acquisition of two new order prospecting rights, which have been incorporated into the Makhado new order mining right. The prior period loss included a non-cash impairment expense of $87.5 million relating to the Vele Colliery. During the twelve month period ended 30 June 2019 net cash outflows from operating activities were $5,412 thousand (30 June 2018 net inflow: $1,360 thousand). As at 30 June 2019 the Consolidated Entity had a net current liabilities position (before assets held for sale) of $12,028 thousand (30 June 2018: net current asset position of $9,601 thousand).

The current liability position as at 30 June 2019 is primarily a result of borrowings of $12,782 thousand payable to the IDC during May 2020.

The Directors have prepared a cash flow forecast for the 18 month period ended 31 December 2020, taking into account available facilities and expected cash flows to be generated by Uitkomst, which indicates that the Consolidated Entity will have sufficient cash flow to fund their operations for at least the twelve-month period from the date of signing this report.

These cash flow forecasts include an assumed drawdown of the new IDC term loan facility of $17,397 thousand (ZAR245,000 thousand) that was conditionally approved subsequent to year end and a repayment in full of the currently utilised IDC facility. Further, it is assumed that additional funding of $35,000 thousand will be raised through a combination of debt, equity and other funding and that development of Phase 1 of the Makhado project will subsequently commence within the 12 months following the signing of these financial statements. The Consolidated Entity's ability to continue as a going concern for the 12 months following the signing of these financial statements is therefore dependant on the raising of the above-mentioned additional funding of $35,000 thousand. The Consolidated Entity's ability to continue as a going concern beyond the 12 months following the signing of these financial statements is dependent on the successful development of Phase 1 of the Makhado project and its subsequent ramp-up to planned levels of production. These conditions give rise to a material uncertainty that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern, and therefore, that it may be unable to realize its assets and discharge it liabilities in the normal course of business.

These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying value and classification of assets and liabilities, should the Consolidated Entity be unable to continue as a going concern. Such adjustments could be material.

The Group has a history of successful capital raisings to meet the Consolidated Entity's funding requirements. The directors believe that at the date of signing the financial statements there are reasonable grounds to believe that they will be successful in achieving the matters set out above and that the Consolidated Entity will have sufficient funds to meet their obligations as and when they fall due, and are of the opinion that the use of the going concern basis remains appropriate.

Basis of presentation

1.1. Statement of compliance

These consolidated financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law. The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the consolidated financial statements and notes of the Company and the Group comply with IFRS as issued by the International Accounting Standards Board.

The consolidated financial statements were authorised for issue by the Directors on 30 September 2019.

1.2. Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for other financial assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets.

All amounts are presented in United States dollars and rounded to nearest thousand unless otherwise noted.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly
- Level 3 inputs are unobservable inputs for the asset or liability

2. Accounting policies

2.1. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- Has power over the investee
- Is exposed, or has rights, to variable returns from its involvement with the investee
- Has the ability to use its power to affect its returns

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders
- Potential voting rights held by the Company, other vote holders or other parties
- Rights arising from other contractual arrangements
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

A list of controlled entities is contained in note 39 to the consolidated financial statements.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All inter-group transactions, balances, income and expenses are eliminated in full on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2019

2. Accounting policies CONTINUED

2.1. Basis of consolidation CONTINUED

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between

(i) The aggregate of the fair value of the consideration received and the fair value of any retained interest and

(ii) The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests

2.2. Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- Deferred tax assets or liabilities are recognised and measured in accordance with AASB 112 'Income Taxes'
- Assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 119 'Employee Benefits'
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date
- Assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that standard

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that represent ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. Non-controlling interests are measured at fair value or, when applicable, on the basis specified in another standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as a financial asset or liability is remeasured at subsequent reporting dates in accordance with AASB 9 'Financial Instruments', or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

2.3. Functional and presentation currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in United Sates dollars ($), which is the presentation currency for the consolidated financial statements.

Transactions in foreign currencies are initially recorded in the functional currency at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the spot rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of profit or loss and other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the date of the initial transaction.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment in the foreign operation

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into United States dollars using the spot rate of exchange ruling at the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange ruling at the reporting date. Exchange differences arising are recognised in equity.

2.4. Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the criteria above are met and the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as assets held for sale and liabilities associated with assets held for sale in the consolidated statement of financial position. The income and expenses from these operations are not included in the various line items in the consolidated statement of profit or loss and other comprehensive income but the net results from these operations classified as held for sale are disclosed as a separate line within the statement of profit or loss.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2019

2. Accounting policies CONTINUED

2.5. Exploration and evaluation expenditure

(i) Pre-licence costs

Pre-licence costs relate to costs incurred before the Group has obtained legal rights to explore in a specific area. Such costs may include the acquisition of exploration data and the associated costs of analysing that data. These costs are expensed in the period in which they are incurred.

(ii) Exploration and evaluation expenditure

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

- Researching and analysing historical exploration data
- Gathering exploration data through geophysical studies
- Exploratory drilling and sampling
- Determining and examining the volume and grade of the resource
- Surveying transportation and infrastructure requirements
- Conducting market and finance studies

Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit.

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to profit or loss as incurred, unless the Group concludes that a future economic benefit is more likely than not to be realised.

Capitalised expenditure includes costs directly related to exploration and evaluation activities in the relevant area of interest, including materials and fuel used, surveying costs, drilling costs and payments made to contractors. General and administrative costs are allocated to an exploration or evaluation area of interest and capitalised as an asset only to the extent that those costs can be related directly to operational activities in the relevant area of interest.

Exploration and evaluation assets acquired in a business combination are initially recognised at fair value, including resources and exploration potential that are valued beyond proven and probable reserves. Similarly, the costs associated with acquiring an exploration and evaluation asset (that does not represent a business) are also capitalised. They are subsequently measured at cost less accumulated impairment.

All capitalised exploration and evaluation expenditure is written off where the above conditions are no longer satisfied, and assessed for impairment if facts and circumstances indicate that an impairment may exist. See note 2.12.

Exploration and evaluation expenditure that has been capitalised is reclassified to development assets when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Prior to such reclassification, exploration and evaluation expenditure capitalised is tested for impairment.

2.6. Development assets

Development expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditure comprises costs directly attributable to the construction of a mine and the related infrastructure.

No depreciation is recognised in respect of development assets.

Development assets are assessed for impairment if facts and circumstances indicate that an impairment may exist. See note 2.12.

A development asset is reclassified as a 'mining property' at the end of the commissioning phase, when the mine is capable of operating in the manner intended by management. Immediately prior to such reclassification, development assets are tested for impairment.

2.7. Property, plant and equipment – mining property

Mining property includes expenditure that has been incurred through the exploration and development phases, and, in addition, further development expenditure that is incurred in respect of a mining property after the commencement of production, provided that, in all instances, it is probable that additional future economic benefits associated with the expenditure will flow to the Group. Otherwise such expenditure is classified as cost of sales.

Mining property includes plant and equipment associated with the mining property.

When a mine construction project moves into the production phase, the capitalisation of certain mine construction costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to mining asset additions, improvements or new developments, underground mine development or mineable reserve development.

Depreciation on plant and equipment included within mining property is computed on a straight-line basis over five years.

Depreciation on other components of mining property, is charged using the units-of-production method, with separate calculations being made for each area of interest. The units-of-production basis results in a depreciation charge proportional to the depletion of proved and probable reserves.

Mining property is assessed for impairment if facts and circumstances indicate that an impairment may exist. See note 2.12.

2.8. Deferred stripping costs

Stripping costs comprise the removal of overburden and other waste products from a mine. Stripping costs incurred in the development of a mine before production commences are capitalised as part of the cost of constructing the mine (initially within development assets) and are subsequently depreciated over the life of the operation.

Stripping costs incurred during the production stage of a mine are deferred when all of the following criteria are met: (a) it is probable that future economic benefits will flow to the entity; (b) the entity can identify the component of the ore body to which the access has been improved; and (c) the cost incurred can be measured reliably. The amount deferred is based on the waste-to-ore ratio ('stripping ratio'), which is calculated by dividing the tonnage of waste mined by the quantity of ore mined. Stripping costs incurred in a period are deferred to the extent that the current period ratio exceeds the expected LoM-ratio. Deferred stripping costs are amortised on a systematic basis over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity, or over the expected remaining life of the ore body if the stripping activity provides improved access to the whole of the remaining ore body. The units-of-production method is applied for amortisation of deferred stripping costs.

Where a mine operates more than one open pit that is regarded as a separate operation for the purpose of mine planning, stripping costs are accounted for separately by reference to the ore from each separate pit. If, however, the pits are highly integrated for the purpose of the mine planning, the second and subsequent pits are regarded as extensions of the first pit in accounting for stripping costs. In such cases, the initial stripping (i.e. overburden and other waste removal) of the second and subsequent pits is considered to be production phase stripping relating to the combined operation.

Deferred stripping costs are included in the cost base of assets when determining a cash-generating unit for impairment assessment purposes.

2.9. Property, plant and equipment – Mining Rights

Mining Rights are classified as property plant and equipment on commencement of commercial production.

Depreciation is charged using the units-of-production method. The units-of-production basis results in a depreciation charge proportional to the depletion of proved and probable reserves.

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

2.10. Property, plant and equipment (excluding development assets, mining property and Mining Rights)

Freehold land is stated at cost and is not depreciated.

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Where items of property, plant and equipment contain components that have different useful lives to the main item of plant and equipment, these are capitalised separately to the plant and equipment to which the component can be logically assigned.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a finance lease is also included in property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets (other than freehold land) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2019

2. Accounting policies CONTINUED

2.10. Property, plant and equipment (excluding development assets, mining property and Mining Rights) CONTINUED

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and the useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The annual depreciation rates applicable to each category of property, plant and equipment are as follows:

Furniture, fittings and office equipment	13% – 50%
Buildings	20%
Plant and equipment	20%
Motor vehicles	20% – 33%
Leasehold improvements	25%
Computer equipment	33%
Leased assets	Lease period

2.11. Intangible assets, excluding goodwill

An intangible asset is recognised at cost if it is probable that future economic benefits will flow to the Group and the cost can be reliably measured. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

Intangible assets are amortised on a straight-line basis over their estimated useful lives. The amortisation method used and the estimated remaining useful lives are reviewed at least annually.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised.

Intangible assets are assessed for impairment if facts and circumstances indicate that an impairment may exist. See note 2.12.

2.12. Impairment of tangible and intangible assets other than goodwill

The carrying amounts of the Group's tangible and intangible assets are reviewed at each reporting date to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.13. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see note 2.23). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on the straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

2.14. Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories include expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Cost is determined by using the weighted-average method and comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs, including depreciation and amortisation, incurred in converting materials into finished goods, based on the normal production capacity.

Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision for obsolescence.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

2.15. Trade receivables

Trade receivables are classified as financial assets at amortised cost. They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the group's business model is to collect the contractual cash flows on trade receivables. Trade receivables are recognised when the group becomes a party to the contractual provisions of the receivables. They are initially measured at fair value and subsequently measured at amortised cost.

The group recognises a loss allowance for expected credit losses on trade receivables. The amount of expected credit losses is updated at each reporting date.

The Group makes use of a simplified approach as a practical expedient to the determination of expected credit losses on trade receivables. The group applies the AASB 9 simplified approach to measure expected credit losses, which uses a lifetime expected credit loss allowance, for trade receivables. Trade receivables that are more than 30 days past-due are assessed to have an increase in credit risk. The simplified approach is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade receivables through use of a loss allowance account. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 90 days past due date. Impairment losses is included in operating expenses in profit or loss.

2.16. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits. Cash and cash equivalents are accounted for at amortised cost.

Restricted cash comprise cash balances which are encumbered and the Group does therefore not have unrestricted access to these funds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2019

2. Accounting policies CONTINUED

2.17. Financial instruments

Financial instruments held by the Group are classified in accordance with the provisions of AASB 9 Financial Instruments. For details on reclassifications and re-measurements in terms of AASB 9 compared to AASB 139, please refer to note 2.26.

Broadly, the classification possibilities, which are adopted by the Group, as applicable, are as follows:

Financial assets

- Amortised cost
- Fair value through profit or loss

Financial liabilities

- Amortised cost

When a financial liability is contingent consideration in a business combination, the Group classifies it as a financial liability at fair value through profit or loss.

Financial assets at amortised cost

The following financial assets are classified as financial assets at amortised cost:

- Trade and other receivables
- Cash and cash equivalents
- Loan receivable
- Other financial assets

Classification

Assets are classified in this category because the contractual terms give rise, on specific dates, to cash flows that are solely payments of principal and interest on the principal outstanding, and it is the Group's business model to collect the contractual cash flows on these assets.

Measurement

Financial assets at amortised cost are recognised when the Group becomes a party to the contractual provisions of the asset. These financial assets are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. These financial assets are subsequently measured at amortised cost. The amortised cost is the amount recognised on the receivable, minus principal repayments, plus cumulative amortisation (interest) using the effective interest rate method, of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Interest income is calculated using the effective interest rate method, and is included in profit or loss in interest income.

The application of the effective interest method to calculate interest income on a receivable is dependent on the credit risk of the receivable as follows:

- The effective interest rate is applied to the gross carrying amount of the financial asset, provided it is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance
- If a financial asset was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the financial asset in the determination of interest. If, in subsequent periods, the financial asset is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount

When a financial asset is denominated in a foreign currency, the carrying amount of the financial asset is determined in the foreign currency. The carrying amount is then translated to using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in other operating gains/(losses).

Impairment

The Group assesses on a forward-looking basis the Expected Credit Losses (ECLs) associated with its financial assets carried at amortised cost. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (ie the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group and Company expects to receive).

Expected credit loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument

The Group considers a financial asset to be in default when contractual payment term has lapsed. However, in certain cases, the Croup and Company may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Financial assets at fair value through profit or loss

The following financial assets are classified at fair value through profit or loss:

- Other financial assets

Classification

Investments held by the Group as equity securities in investment funds are classified as fair value through profit or loss. Assets are classified in this category because the Group does not hold these investments solely to collect payments of principal and interest on the principal outstanding, and the Group manages these investments based on their fair value.

Measurement

Financial assets at fair value through profit or loss are recognised when the Group becomes a party to the contractual provisions of the investment. These financial assets are recognised initially at fair value. These financial assets are subsequently re-measured at fair value with all gains or losses recognised directly in profit or loss.

Financial liabilities at amortised cost

Classification

The following financial liabilities are classified as financial liabilities at amortised cost:

- Borrowings
- Finance lease liabilities
- Trade and other payables

Measurement

Liabilities at amortised cost are recognised when the Group becomes a party to the contractual provisions of the liability. The liabilities are initially measured, at initial recognition, at fair value plus transaction costs, if any. They are subsequently measured at amortised cost.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating an interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs.

When financial liabilities are denominated in a foreign currency, the carrying amount of the payables are determined in the foreign currency. The carrying amount is then translated to using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in the other operating gains/(losses).

Modification of financial liabilities

A substantial modification of the terms of an existing debt instrument or part of it is accounted for as an extinguishment of the original debt instrument and the recognition of a new debt instrument.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligations specified in the contracts are discharged, cancelled or expire. On derecognition of a financial asset/liability, any difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

2.18. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2019

2. Accounting policies CONTINUED

2.19. Provisions CONTINUED

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). The increase in provisions due to the passage of time is included in the finance cost line item in the consolidated statement of profit or loss and comprehensive income.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The entity recognises a provision for financial guarantees when it is probable that an outflow of resources embodying economic benefits and will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- Financial difficulty of the debtor
- Defaults or delinquencies in interest and capital repayment of the debtor
- Breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms
- A decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations

Rehabilitation provision

A provision for rehabilitation is recognised when there is a present obligation as a result of exploration, development or production activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably.

The nature of these restoration activities includes: dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closing plant and waste sites and restoring, reclaiming and revegetating affected areas.

The provision for future rehabilitation costs is the best estimate of the present value of the expenditure required to settle the rehabilitation obligation at the reporting date, based on current legal and other requirements and technology. Future rehabilitation costs are reviewed annually and any changes in the estimate are reflected in the present value of the rehabilitation provision at each reporting date.

The initial estimate of the rehabilitation provision relating to exploration, development and production facilities is capitalised into the cost of the related asset and depreciated or amortised on the same basis as the related asset. Changes in the estimate of the provision are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

2.20. Share-based payments transactions of the Group

Equity-settled

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 32.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on the straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Accounting for BEE transactions

Where equity instruments are issued to a BEE party at less than fair value, these are accounted for as share-based payments. Any difference between the fair value of the equity instrument issued and the consideration received is accounted for as an expense in the consolidated statement of profit or loss and other comprehensive income.

A restriction on the BEE party to transfer the equity instrument subsequent to its vesting is not treated as a vesting condition, but is factored into the fair value determination of the instrument.

2.21. Taxation, including sales tax

The income tax expense or income for the period represents the sum of the tax currently payable or recoverable and deferred tax.

Current taxation

The tax currently payable or recoverable is based on taxable profit or loss for the year. Taxable profit or loss differs from profit or loss as reported in the consolidated statement of profit or loss and other comprehensive loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date in countries where the Group operates and generates taxable income.

Deferred taxation

Deferred taxation is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit or loss. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if a taxable temporary difference arises from the initial recognition of goodwill or any temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax balances are calculated using the tax rates that are expected to apply to the reporting period or periods when the temporary difference reverse, based on tax rates and tax laws enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax liabilities are recognised for temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Sales tax

Revenues, expenses and assets are recognised net of the amount of the applicable sales tax, except:

- Where the amount of sales tax incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense or
- For receivables and payables which are recognised inclusive of sales tax

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The sales tax component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2019

2. Accounting policies CONTINUED

2.22. Revenue recognition

Revenue is recognised at fair value of the consideration received net of the amount of applicable sales tax.

Sale of coal – AASB 118: Revenue

Revenue from the sale of coal prior to the adoption of AASB 15 was recognised when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold
- The amount of revenue can be measured reliably
- It is probable that the economic benefits associated with the transaction will flow to the Group
- The costs incurred or to be incurred in respect of the transaction can be measured reliably

Specifically, revenue from the sale of coal was recognised when goods were delivered and legal title passed.

Sale of coal – AASB 15: Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over coal sold to a customer, which is generally indicated as follows:

- The entity has a present right to payment for the coal sold
- The customer has legal title to the coal sold
- The entity has transferred physical possession of the coal sold
- The customer has the significant risks and rewards of ownership of the coal sold
- The customer has accepted the coal sold

Transport of coal (where applicable) is also recognised as revenue at this point. No discounts are provided for coal sales.

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate. Interest income is recognised in investment income on the consolidated statement of profit or loss and other comprehensive income.

2.23. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.24. Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

2.25. Segment information

Reportable segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Company's executive committee.

Management has determined the reportable segments of the Group based on the reports reviewed by the Company's executive committee that are used to make strategic decisions. The Group has three reportable segments: exploration, development and mining (see note 4).

2.26. Adoption of new and revised Accounting standards and interpretations

In the current year, the Group has adopted all of the new and revised standards and interpretation issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current annual reported period. New and revised standards, amendments thereof and interpretations effective for the current reporting period that are relevant to the Group include:

- AASB 9 *Financial Instruments* which address the classification, measurement and derecognition of financial assets and financial liabilities, introduce new rules for hedge accounting and a new impairment model for financial assets
- AASB 15 *Revenue from Contracts with Customers* which is based on the principle that revenue is recognised when control of a good or service transfers to a customer

AASB 9 – Financial instruments

The Group has adopted AASB 9, 'Financial instruments', on 1 July 2018. AASB 9 replaces AASB 139 Financial Instruments and introduces new requirements for:

- The classification and measurement of financial assets and financial liabilities
- Impairment for financial assets; and
- General hedge accounting (which is not currently applicable to the Group).

The classification categories previously defined under AASB 139 were replaced in AASB 9 with the categories 'amortised cost', 'fair value through profit or loss' and 'fair value through OCI'.

Financial assets previously held as 'loans and receivables' were transferred to financial assets 'at amortised cost', effective from 1 July 2018. The transfer in financial asset categories did not have a material impact on the measurement of the financial assets.

On transition, the new expected credit loss impairment model on financial assets did not result in a material change to impairment provisions and therefore opening retained earnings was not adjusted.

The Company has applied AASB 9 retrospectively but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Company's previous accounting policy.

The reclassification of financial assets and liabilities are summarised in the table below:

Financial instrument	Classification in terms of AASB 139	Classification in terms of AASB 9
Trade and other receivables	Loans and receivables	Amortised cost
Cash and cash equivalents	Loans and receivables	Amortised cost
Loan receivable	Loans and receivables	Amortised cost
Other financial assets	Fair value through profit or loss	Fair value through profit or loss
Borrowings	Amortised cost	Amortised cost
Finance lease liabilities	Amortised cost	Amortised cost
Trade and other payables	Amortised cost	Amortised cost

AASB 15 – Revenue from contracts with customers

The Group has adopted AASB 15 on 1 July 2018, which replaces "AASB 118 Revenue". The new standard is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue.

The Group used the following practical expedient as permitted by AASB 15:

- For completed contracts that began and ended in the same annual reporting period, no restatement has been done

Previously, under AASB 118, all revenue was recognised at a point in time, at the date that risks and rewards transferred.

Under AASB 15, revenue is recognised at the point in time when control passes, which was determined to be in line with previous recognition under AASB 1188 for the Group, and therefore had no impact on opening balances upon adoption.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2019

2. Accounting policies CONTINUED

2.26. Adoption of new and revised Accounting standards and interpretations CONTINUED

At the date of the authorisation of this Financial report, the following standards and interpretations were in issue but not yet effective. The Group has assessed those that are relevant to its operations as follows:

Title of standard	Nature of change	Impact	Mandatory application date/ date of adoption by Group
AASB 16 Leases	AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed for lessees. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The exceptions are short-term and low-value leases.	The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the present value of the Group's future operating lease commitments amounted to $580 thousand. Some of these operating leases are covered by the exception for short-term and low-value leases. The impact of adopting AASB 16 on 1 July 2019 will therefore not be material to the Group.	Mandatory for financial years commencing on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

3. Critical accounting estimates and key judgements

Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The primary areas in which estimates and judgements are applied are discussed below.

3.1. Asset carrying values and impairment charges

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using fair value less cost to sell calculations, which incorporate various key assumptions. Key assumptions include future coal prices, future operating costs, discount rates, foreign exchange rates and coal reserves.

Exploration and evaluation assets

Determining the recoverability of exploration and evaluation expenditure capitalised requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploitation, or alternatively sale, of the respective areas of interest will be achieved. The Group applies the principles of AASB 6 and recognises exploration and evaluation assets when the rights of tenure of the area of interest are current, and the exploration and evaluation expenditures incurred are expected to be recouped through successful development and exploitation of the area. If, after having capitalised the expenditure under the Group's accounting policy, a judgment is made that recovery of the carrying amount is unlikely, an impairment loss is recorded in profit or loss.

Development expenditure

Development activities commence after the commercial viability and technical feasibility of the project is established. Judgment is applied by management in determining when a project is commercially viable and technically feasible. Any judgments may change as new information becomes available. If, after having commenced the development activity, a judgment is made that a development asset is impaired, the appropriate amount will be written off to the consolidated statement of comprehensive income.

The Company considers the following items as pre-requisites prior to concluding on commercial viability:

- All requisite regulatory approvals from government departments in South Africa have been received and are not subject to realistic legal challenges
- The Company has the necessary funding to engage in the construction and development of the project as well as general working capital until the project is cash generative
- A JORC compliant resource proving the quantity and quality of the project as well as a detailed mine plan reflecting that the colliery can be developed and will deliver the required return hurdle rates
- The Company has secured off-take and/or logistics agreements for a significant portion of the product produced by the mine and the pricing has been agreed

The Company has the appropriate skills and resources to develop and operate the project.

Impairment assessment

Long-term mining assets forming part of board-approved projects are valued based on estimates of future discounted cash flows (DCFs) of the latest board-approved business forecasts regarding production volumes, costs of production, capital expenditure, coal prices and market forecasts for foreign exchange rates. The discount rate is a risk adjusted discount rate, taking into account specific risks relating to the Cash Generating Unit (CGU) where cash flows have not been adjusted for the risk. This methodology is typically applied to CGUs classified as Development Assets (e.g. Vele Colliery) and as property, plant and equipment (e.g. Uitkomst Colliery).

Coal resources outside approved mine plans are valued based on an *in situ* resource multiple based value. Comparable market transactions are used as a source of evidence. This methodology is typically applied to CGUs classified as exploration and evaluation assets (e.g. GSP, Makhado Project, Uitkomst North adit). For Exploration and Evaluation projects that are at an advanced stage of evaluation and conditionally approved by the Board (e.g. Makhado Project), DCFs are also used and validated by in situ resource multiple based values.

The key financial assumptions used in the current year's impairment calculations are:

Hard coking coal price (real US$ per ton)	$138 [1]
Thermal coal price (real US$ per ton)	$74 [2]
Rand/US dollar exchange rate	14.50 [3]
Real discount rates	8% – 11% [4]
In situ resource multiple valuation range (SA Rand per ton)	ZAR1 – ZAR5 [5]

[1] Estimated with reference to the short-term future quotes for hard coking coal free-on-board Australia. Management's models considered a HCC price range of between $124 per ton and $160 per ton, with a base case of $138 per ton

[2] Estimated with reference to the forward curve for API4 thermal coal free-on-board Richards Bay. Management's models considered a Thermal coal price range of between $66 per ton and $81 per ton, with a base case of $74 per ton

[3] Estimated with reference to the prevailing exchange rates. Management's models considered a rand vs US dollar exchange rate range of between R13.80 and R15.24 with a base case of R14.50

[4] Post-tax discount rates that reflect management's assessments of market conditions and risks specific to the various projects. Management's models considered between 8% and 10% for established and producing projects and between 9% and 12% for developing and future projects, with a base case of 8% for established and producing projects and between 9% and 11% for developing and future projects

[5] Based on recent thermal and premium coal transactions in South Africa a weighted range of between R1 and R5 per mineable ton in situ was determined reasonable for the Group's impairment assessment purposes. The carrying values of the Group's exploration and evaluation projects were comfortably supported within this range after adjusting for project risk factors

Sensitivity analysis for DCF calculations

		Effect on estimated recoverable amount (US$ million)		
Sensitivity	**% Change**	**Uitkomst Colliery**	**Vele Colliery**	**Makhado Project**
Long-term HCC and thermal coal prices	+10	10	24	47
	-10	-10	-19	-34 [1]
Long-term exchange rate	+5	3	14	38
	-5	-3	-12	-34 [2]
Discount rate	+1	-2	-7	-7 [3]
	-1	2	8	8

[1] Keeping all other inputs constant, this sensitivity scenario would result in an impairment charge for Uitkomst Colliery of $5.5 million, no further impairment at Vele Colliery and an additional impairment charge for the Makhado Project of $34 million (i.e. remaining carrying value)

[2] Keeping all other inputs constant, this sensitivity scenario would not result in any impairment charge for Uitkomst Colliery, no further impairment charge for Vele Colliery and an additional impairment charge for the Makhado Project of $34 million (i.e. remaining carrying value)

[3] Keeping all other inputs constant, this sensitivity scenario would not result in any impairment charge for Uitkomst Colliery, no further impairment charge for Vele Colliery and an additional impairment charge for the Makhado Project of $7 million

3.2. Coal reserves

Economically recoverable coal reserves relate to the estimated quantity of coal in an area of interest that can be expected to be profitably extracted, processed and sold.

The Group determines and reports coal reserves under the Australasian Code of Reporting of Mineral Resources and Ore Reserves (the JORC Code). This includes estimates and assumptions in relation to geological, technical and economic factors, including: quantities, grades, production techniques, recovery rates, production costs, transport costs, exchange rates and expected coal demand and prices.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2019

3. Critical accounting estimates and key judgements CONTINUED

3.2. Coal reserves CONTINUED

Because the economic assumptions used to estimate reserves change from period to period, and because additional geological data is generated during the course of operations and mining operations conducted, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the following:

- Asset carrying values may be affected due to changes in estimated future cash flows and
- Depreciation and amortisation charges may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change

3.3. Rehabilitation and restoration provisions

Certain estimates and assumptions are required to be made in determining the cost of rehabilitation and restoration of the areas disturbed during mining activities and the cost of dismantling of mining infrastructure. The amount the Group is expected to incur to settle its future obligations includes estimates regarding:

- The future expected costs of rehabilitation, restoration and dismantling
- The expected timing of the cash flows and the expected LoM (which is based on coal reserves noted above)
- The application of relevant environmental legislation
- The appropriate rate at which to discount the liability

Changes in the estimates and assumptions used could have a material impact on the carrying value of the rehabilitation provision and related asset. The provision is reviewed at each reporting date and updated based on the best available estimates and assumptions at that time. The carrying amount of the rehabilitation provision is set out in note 25.

3.4. Non-current assets held for sale and discontinued operations

A non-current asset, or disposal group, is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than continued use. In accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations', assets which meet the definition of held for sale are valued at the lower of carrying value and fair value less costs to sell.

Judgement is required by management in determining whether an asset meets the AASB 5 criteria of held for sale, including whether the asset is being actively marketed, is available for sale in its current condition and whether a sale is highly probable within 12 months of classification as held for sale. When calculating fair value less costs to sell, estimates of future disposal proceeds are also required. Refer to note 23 for further details.

4. Segment information

The Group has three reportable segments: exploration, development and mining.

The exploration segment is involved in the search for resources suitable for commercial exploitation, and the determination of the technical feasibility and commercial viability of resources. As of 30 June 2019, projects within this reportable segment include four exploration stage coking and thermal coal complexes, namely Chapudi (which comprises the Chapudi Project, the Chapudi West Project and the Wildebeesthoek Project), Generaal (which comprises the Generaal Project and the Mount Stuart Project), Mopane (which comprises the Voorburg Project and the Jutland Project) and Makhado (comprising the Makhado Project and the Makhado Extension Project).

The development segment is engaged in establishing access to and commissioning facilities to extract, treat and transport production from the mineral reserve, and other preparations for commercial production. As of 30 June 2019, the only project included within this reportable segment is the Vele Colliery, which is in the early operational and development stage.

The mining segment is involved in day to day activities of obtaining a saleable product from the mineral reserve on a commercial scale and consists of Uitkomst Colliery and the Klipspruit Project.

The accounting policies of the reportable segments are the same as those described in note 2.

The Group evaluates performance on the basis of segment profitability, which represents net operating (loss)/profit earned by each reportable segment.

Each reportable segment is managed separately because, amongst other things, each reportable segment has substantially different risks.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

The Group's reportable segments focus on the stage of project development and the product offerings of coal mines in production.

In order to reconcile the segment results with the consolidated statement of profit or loss and other comprehensive income, the discontinuing operations should be deducted from the segment total and the corporate results (as per the reconciliation later in the note should be included).

For the year ended 30 June 2019

	Exploration	Development	Mining	Total
Revenue	–	–	26,403	26,403
Cost of sales	–	–	(25,389)	(25,389)
Gross profit	–	–	1,014	1,014
Other income	42	9	175	226
Other operating (losses)/gains	(362)	–	–	(362)
Administrative expenses	(1,610)	(1,025)	(327)	(2,962)
Impairment (expense)/reversal	(23,268)	1,525	(132)	(21,875)
Operating (loss)/profit	(25,198)	509	730	(23,959)
Interest income	14	–	177	191
Finance costs	(4,913)	(364)	(399)	(5,676)
(Loss)/profit before tax	(30,097)	145	508	(29,444)
Income tax charge	–	–	67	67
Segment net (loss)/profit after tax	(30,097)	145	575	(29,377)
Segment assets	99,931	27,029	31,601	158,561
Items included in the Group's measure of segment assets				
Addition to non-current assets	5,819	5	1,981	7,805
Segment liabilities	(21,190)	(5,552)	(12,271)	(39,013)

For the year ended 30 June 2018

	Exploration	Development	Mining	Total
Revenue	–	–	32,693	32,693
Cost of sales	–	–	(27,340)	(27,340)
Gross profit	–	–	5,353	5,353
Other income	11	102	988	1,101
Other operating (losses)/gains	–	–	25	25
Impairment expense	–	(87,475)	–	(87,475)
Administrative expenses	(1,129)	(985)	(1,275)	(3,389)
Operating (loss)/profit	(1,118)	(88,358)	5,091	(84,385)
Interest income	21	–	173	194
Finance costs	(2,578)	(464)	(75)	(3,117)
(Loss)/profit before tax	(3,675)	(88,822)	5,189	(87,308)
Income tax charge	(461)	(5,816)	(1,744)	(8,021)
Segment net (loss)/profit after tax	(4,136)	(94,638)	3,445	(95,329)
Segment assets	122,175	28,180	30,821	181,176
Items included in the Group's measure of segment assets				
Addition to non-current assets	3,801	4	1,881	5,686
Segment liabilities	(14,166)	(4,464)	(9,272)	(27,902)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2019

4. Segment information CONTINUED

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

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Total loss for reportable segments	(29,377)	(95,329)
Reconciling items:		
Other operating income	1,380	309
Other operating gains/(losses)	1,331	(1,216)
Administrative expenses	(7,593)	(9,315)
Impairment	(41)	–
Interest income	856	1,006
Finance costs	(11)	(519)
Income tax (charge)/credit	(271)	1,301
Net loss for the year from continuing operations	(33,726)	(103,763)
Profit for the year from operations classified as held for sale	–	2,185
Loss for the year	(33,726)	(101,578)
Total segment assets	158,561	181,176
Reconciling items:		
Unallocated property, plant and equipment	2,178	2,688
Other financial assets	4,403	3,574
Other receivables	–	7,645
Unallocated current assets	8,666	8,358
Total assets	173,808	203,441
Total segment liabilities	(39,013)	(27,902)
Reconciling items:		
Deferred consideration	(1,108)	(2,016)
Unallocated liabilities	(1,546)	(2,789)
Total liabilities	(41,667)	32,707

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

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Revenue by location of operations		
South Africa	26,403	32,693
Australia	–	–
Total revenue	26,403	32,693
Non-current assets by location of operations		
South Africa	184,034	182,954
Australia	–	–
Total non-current assets	184,034	182,954

5. Revenue

Revenue consists of the sale of coal by the Uitkomst Colliery. All coal sales during the period were made to customers in South Africa, mainly in the steel industry. Prior year sales included $3,426 thousand to foreign customers.

Adoption of AASB 15 Revenue from Contracts with Customers (this standard replaces AASB 118, *Revenue*).

In accordance with the transition provisions in AASB 15, the new rules were applied to open, unfulfilled customer contracts on 1 July 2018 and, as the effect of the adoption was immaterial, no adjustment to opening retained earnings has been effected. The Group's accounting policy has been revised to align with AASB 15, but had no material impact on revenue recognition. Additional disclosures have been introduced, particularly on geography.

The Group derives revenue from contracts with customers for the supply of goods (namely coal). The Group recognises revenue on inventory sold to a customer on delivery to the contractually agreed upon delivery point. This is the point at which the performance obligation is satisfied and the receivable is recognised as the consideration is unconditional and only the passage of time is required before payment is due. No element of financing is present due to the short-term nature of Group contracts and credit terms are consistent with market practice. The total sales consideration is in the sales contract.

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Revenue from contracts with customers		
Sale of coal	25,207	32,693
Transport and other	1,196	–
	26,403	32,693
Disaggregation of revenue by location of customers		
South Africa	26,403	29,267
Other	–	3,426
	26,403	32,693

6. Cost of sales

Cost of sales consists of:

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Employee costs	(8,304)	(3,232)
Depreciation and amortisation	(2,101)	(1,240)
Inventory	(262)	(3,433)
Mining contractor	(1,469)	(12,912)
Underground mining	(4,731)	–
Utilities	(681)	(454)
Human resources	(1,063)	(756)
Training	(102)	(53)
Wash plant	(386)	(418)
Administration	(1,744)	(349)
Environmental	(65)	(60)
Logistics	(829)	(1,109)
Engineering	(3,074)	(2,602)
Safety	(128)	(105)
Security	(243)	(226)
Royalties	(207)	(391)
	(25,389)	(27,340)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2019

7. Other operating income

Other operating income includes:

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Profit on sale of Opgoedenhoop Mining Right	1,174	–
Rental income	185	212
Scrap sales	23	102
Transport income	–	728
Diesel recoupment	–	239
Other	224	129
	1,606	1,410

8. Other operating gains/(losses)

Other operating gains/(losses) include:

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Foreign exchange gain/(loss)		
Unrealised	244	(2,211)
Realised	78	699
Fair value adjustments	839	–
Loss on sale of Tshipise	(311)	–
Other	119	320
	969	(1,192)

9. Net impairment expense

The net impairment expense includes:

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Exploration and Evaluation Assets[1]	(23,309)	–
Development Assets[2]	1,277	(87,475)
Property, Plant and Equipment[3]	116	–
	(21,916)	(87,475)

[1] In terms of AASB 6 – Exploration and evaluation assets, management identified that indicators existed that the Makhado Project asset may be impaired and performed a formal impairment assessment at 30 June 2019. Refer to note 15 for details of the impairment. As a result an impairment of $23,268 thousand was recognised. In addition, exploration costs amounting to $41 thousand incurred in Tshikunda Mining (Pty) Limited were impaired as a result of a sale agreement entered into for the sale of the company

[2] During the period a sale agreement was entered into for land that was impaired as part of the Vele impairment in the prior period. As a result, an impairment reversal of $1,277 thousand was recognised based on the selling price. The sale was concluded in the current period.

During the prior period, the Group made the decision to prioritise the Makhado Project and consequently to delay the redevelopment of the Vele Colliery to better align with the timing of the Musina-Makhado SEZ in Limpopo. This resulted in the forecast production date for the Vele Colliery being delayed, with production expected to commence in July 2021. In terms of AASB 136 – Impairment of Assets, management identified this as an indicator that the Vele assets may be impaired and performed a formal impairment assessment at 31 December 2017. Refer to note 16 for details of the impairment

[3] During the period, certain previously impaired land was disposed of resulting in an impairment reversal of $248 thousand. In addition, certain vehicles amounting to $132 thousand were impaired

10. Administrative expenses

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Employee expense	(4,904)	(5,979)
IFRS2 BEE expense[1]	–	(884)
Depreciation	(217)	(264)
Professional fees	(250)	(542)
Transaction costs	–	(608)
Legal expenses	(714)	(534)
Impairment of Mooiplaats receivable	(1,144)	
Other overheads	(3,327)	(3,893)
	(10,556)	(12,704)

[1] The BEE expense relates to the 21% shareholding that Pan African Resources Coal Holdings (Pty) Limited (the majority shareholder in Uitkomst Colliery) sold to the BEE parties on 1 January 2018, in order to comply with BEE legislation pertaining to the mining industry and ensure a social licence to operate

Included in administrative expenses is auditors' remuneration as follows:

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Remuneration for audit and review of the Financial report:		
PWC – Australia (prior period Deloitte Australia)	(89)	(115)
PWC – South Africa (prior period Deloitte South Africa)	(223)	(289)
	(312)	(404)
Non-audit related services performed:		
PWC – Australia (prior period Deloitte Australia)	(6)	(7)
PWC – South Africa (prior period Deloitte South Africa)	–	(4)
	(6)	(11)

11. Finance costs

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Interest on borrowings	(2,981)	(2,932)
Unwinding of discount	(482)	(559)
Other	(2,224)	(145)
	(5,687)	(3,636)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2019

12. Income tax

Income tax recognised in profit or loss from continuing operations

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Current tax		
Tax expense in respect of the current year	–	(1,565)
Tax expense in respect of the prior year	(291)	878
Deferred tax (note 26)		
Deferred tax asset derecognised	–	(5,816)
Current year deferred tax	18	(213)
Prior year deferred tax	71	–
Withholding taxes	(2)	(4)
Total income tax (expense)/credit recognised	(204)	(6,720)

The Group's effective tax rate for the year from continuing operations was 0.6% (2018: (6.9%)). The tax rate used for the 2019 and 2018 reconciliations below is the corporate tax rate of 30% for Australian companies. The income tax expense for the year can be reconciled to the accounting profit as follows:

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Loss from continuing operations before income tax	(33,522)	(97,043)
Income tax benefit calculated at 30% (2018: 30%)	10,057	29,114
Tax effects of:		
Expenses that are not deductible for tax purposes	(9,666)	(26,846)
Differences in tax rates	(76)	(53)
Income not taxable	922	380
Other temporary differences not recognised	(1,313)	(4,080)
Other	92	(297)
Prior year adjustments	(220)	878
De-recognition of deferred tax asset – losses	–	(5,816)
Income tax (expense)/credit	(204)	(6,720)

Income tax recognised in profit or loss from discontinued operations

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Current tax		
Tax expense in respect of the current year	–	–
	–	–
Deferred tax		
Recognition of deferred tax asset – losses	–	–
Income tax credit	–	–

The Group's effective tax rate for the year from discontinued operations was (0%) (2018: 0%). The tax rate used for the 2018 reconciliation below is the corporate tax rate of 30% payable by Australian corporate entities.

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Profit/(loss) before income tax from discontinued operations	–	2,185
Income tax benefit calculated at 30% (2018: 30%)	–	(656)
Tax effects of:		
Expenses that are not deductible for tax purposes	–	(144)
Differences in tax rates	–	(10)
Income not taxable	–	936
Other temporary differences not recognised	–	(126)
Income tax credit	–	–

13. Discontinuing operations

13.1 Disposal of Langcarel (Pty) Limited (Mooiplaats)

During the prior period, the Company as well as it's BEE partner Ferret, entered into a sale of shares and claims agreement (the Agreement) with Mooiplaats Coal Holdings and Mooiplaats Mining. In terms of the Agreement, MC Mining and Ferret disposed of 100% of their shares in Mooiplaats Mining and the Group disposed of its respective claims against Mooiplaats Mining and its wholly-owned subsidiary Langcarel (Pty) Limited (the Transaction), the owner of the Mooiplaats Colliery. The sale was finalised on 2 November 2017 for an aggregate purchase price of $13,100 thousand (R179,900 thousand). The purchase price was to be settled as follows:

- An initial tranche of $4,900 thousand (R67,000 thousand) on the effective date of sale ($3,800 thousand (R52,000 thousand) to the Group and $1,100 thousand (R15,000 thousand) to Ferret for full and final settlement of their equity)
- The balance of $8,200 thousand (R112,900 thousand) to be settled in not more than 10 quarterly instalments, with the first Deferred Payment expected to be due by the end of August 2018, to coincide with the timing of the incorporation of Portions 2, 3 and the remaining extent of the farm Klipbank 295 IT into the MR

The Deferred Payments of $8,200 thousand (R112,900 thousand) was present valued to an amount of $6,638 thousand at 2 November 2017, to account for the time value of money.

The profit for the period until the sale of Mooiplaats is analysed as follows:

	Period ended 2 November 2017 $'000
Other gains	3,126
Expenses	(941)
Profit before tax	2,185
Profit for the year from operations held for sale (attributable to owners of the Company)	2,185
Included in other gains is the reversal of prior year asset impairments of $3,121 thousand	
Net cash outflows from operating activities	(483)
Net cash inflows from investing activities	1,451
Net cash inflows from financing activities	513
Net cash inflows	1,481

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2019

13. Discontinuing operations CONTINUED

13.1 Disposal of Langcarel (Pty) Limited (Mooiplaats) CONTINUED

	Period ended 2 November 2017 $'000
The major classes of assets and liabilities of Mooiplaats at the effective date of sale were as follows:	
Assets classified as held for sale	
Property, plant and equipment	8,332
Other financial assets	–
Inventories	1
Trade and other receivables	234
Cash and cash equivalents	1,403
	9,970
Liabilities classified as held for sale	
Provisions	(2,744)
Trade payables and accrued expenses	(30)
	(2,774)
Net assets classified as held for sale	7,196
Impairment reversal	3,160
Net assets of Mooiplaats	10,356

Consideration received or receivable:

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Cash	–	3,718
Receivable	–	6,638
Total disposal consideration	–	10,356
Carrying value of net assets sold	–	(10,356)
	–	–
Opening balance/present value of loan receivable at 2 November 2017	7,236	6,638
Unwinding of interest	596	505
Written off	(1,144)	–
Receipts	(6,457)	–
Foreign exchange difference	(231)	93
Balance at end of year	–	7,236
Current	–	(3,290)
Long term	–	3,946

During the period, an agreement was entered into with Mooiplaats Coal Holdings and an additional party, Last Mile Fund (Pty) Limited, for full and final settlement of $4,068 thousand (R57,676 thousand) for the balance outstanding. The final settlement was discounted, resulting in a portion of the receivable being written off.

13.2. Analysis of profit for the year from discontinuing operations

The combined results of the operations held for sale included in the loss for the prior year are set out below:

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Profit for the year from discontinuing operations		
Reversal of impairment	–	3,120
Other gains	–	6
	–	3,126
Expenses	–	(941)
Profit before tax	–	2,185
Profit for the year from operations held for sale (attributable to owners of the Company)	–	2,185

14. Loss per share attributable to owners of the Company

14.1. Basic loss per share

	Year ended 30 June 2019 Cents per share	Year ended 30 June 2018 Cents per share
From continuing operations	(23.72)	(73.54)
From discontinuing operations	–	1.55
	(23.72)	(71.99)
Loss for the year attributable to owners of the Company	(33,421)	(101,413)
Less: Profit for the year from operations held for sale	–	(2,185)
Loss used in the calculation of basic loss per share from continuing operations	(33,421)	(103,598)

Weighted number of ordinary shares

	'000 shares	'000 shares
Weighted average number of ordinary shares for the purposes of basic loss per share	140,880	140,880

14.1. Diluted loss per share

Diluted loss per share is calculated by dividing loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of diluted ordinary share that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

As at 30 June 2019, 2,408,752 warrants (2018: 1,250,000 options and 2,408,752 warrants), were excluded from the computation of the loss per share as their impact is anti-dilutive.

14.2. Headline loss per share (in line with JSE requirements)

The calculation of headline loss per share at 30 June 2019 was based on the headline loss attributable to ordinary equity holders of the Company of $9,669 thousand (2018: $17,068 thousand) and a weighted average number of ordinary shares outstanding during the period ended 30 June 2019 of 140,879,585 (2018: 140,879,585).

The adjustments made to arrive at the headline loss are as follows:

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Loss for the period attributable to ordinary shareholders	(33,421)	(101,413)
Adjust for:		
Impairment expense	23,404	87,475
Impairment reversal	(1,525)	(3,120)
Profit on disposal of property, plant and equipment	(887)	(10)
Headline earnings	(12,429)	(17,068)
Headline loss per share (cents per share)	(8.82)	(12.12)

15. Exploration and evaluation assets

A reconciliation of exploration and evaluation assets is presented below:

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Exploration and evaluation assets		
Balance at beginning of year	116,889	118,652
Additions	5,819	3,801
Movement in rehabilitation asset	19	(79)
Disposals	(570)	–
Impairment	(23,309)	–
Foreign exchange differences	(3,977)	(5,485)
Balance at end of year	94,871	116,889

As of 30 June 2019, the net book value of the following project assets were classified as exploration and evaluation assets:

- GSP: $60,368 thousand
- Makhado Project: $34,188 thousand
- Uitkomst North adit: $315 thousand
- Other: $42 thousand

Impairment testing

In terms of *AASB 6 – Exploration for and Evaluation of Mineral Resource*, management have performed an assessment of whether facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. In performing its assessment, management have considered its exploration rights to the exploration areas, its planned and budgeted exploration activities and the likelihood of the recoverability of the net book value from the successful development of the areas of interest. Management have concluded that indicators of impairment for its exploration and evaluation assets exist as at 30 June 2019 and therefore, recognised an impairment charge of $23,268 thousand relating to the Makhado Project.

The discount between the Group's market capitalisation and net asset value at 30 June 2019, together with the deterioration in thermal and premium coal prices during the second half of the year and subsequent to year-end respectively, prompted management to perform an impairment assessment.

Details of the key assumptions used in the calculations are set out in note 3.1.

Impairment charge

	USD'000
Carrying value of the Makhado Project before impairment charge	57,456
Estimated recoverable value	34,188
Impairment expense	23,268 [1]

[1] The impairment expense is all allocated to the historical carrying value of A$33 million, which relates to amounts paid by MC Mining in 2007 for the acquisition of new order prospecting rights over certain of the Makhado Project properties. The recoverable value all relates to the carrying value of the exploration costs in the Baobab corporate entity on which no impairment in necessary

16. Development

A reconciliation of development expenditure is presented below:

Development assets

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Balance at beginning of year	28,033	114,170
Additions	5	4
Disposals	(1,880)	–
Movement in rehabilitation asset	802	(2,323)
Reversal of impairment[1]	1,277	–
Impairment expense	–	(87,475)
Transfer to assets classified as held for sale	(607)	–
Foreign exchange differences	(711)	3,657
Balance at end of year	26,919	28,033

[1] The reversal of impairment during the year related to the sale of land that had previously been impaired

Impairment testing

As of 30 June 2019 the net book value of the following project assets were included in Development Assets:

- Vele Colliery: $26,919 thousand

The discount between the Group's market capitalisation and net asset value at 30 June 2019, together with the deterioration in thermal and premium coal prices during the second half of the year and subsequent to year end respectively, prompted management to perform an impairment assessment.

Details of the key assumptions used in the impairment assessment are set out in note 3.1. No additional impairment charge or reversal was required for Vele Colliery at 30 June 2019 following the impairment assessment.

Impairment recognised in 2018

In the prior year, the Group made the decision to prioritise the Makhado Project and consequently to delay the redevelopment of the Vele Colliery to better align with the timing of the Musina-Makhado SEZ in Limpopo. This resulted in the forecast production date for the Vele Colliery being delayed with production expected to commence in July 2021. In terms of *AASB 136 – Impairment of Assets*, management identified this as an indicator that the Vele assets may be impaired and management performed a formal impairment assessment.

The recoverable value of the project was calculated using the fair value less costs of disposal approach to estimate the recoverable amount of the project, before comparing this amount with the carrying value of the associated assets and liabilities in order to assess whether an impairment of the carrying value was required under AASB 136. Due to the recoverable value being less than the carrying value, an impairment charge of $87,475 thousand was recognised during the year ended 30 June 2018.

In calculating the fair value less costs of disposal, management forecasted the cash flows associated with the project over its expected life of 15 years until 2037 based on the current LoM model. The cash flows are estimated for the assets of the Colliery in its current condition together with capital expenditure required for the Colliery to resume operations, discounted to its present value using a post-tax discount rate that reflects the current market assessments of the risks specific to the Vele Colliery. The identification of impairment indicators and the estimation of future cash flows required management to make significant estimates and judgements. Details of the key assumptions used in the prior year fair value less costs of disposal calculation have been included overleaf

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2019

16. Development CONTINUED

Key assumptions

	2018	2019	2020	2021	LT
Thermal coal price (USD, nominal)[1]	80	75	69	69	70[2]
Hard coking coal price (USD, nominal)[3]	153	135	129	125	129[4]
Exchange rate (USD/R, nominal)	12.7	12.5	13.2	14.3	15.0[5]
Discount rate[6]					16.75%
Inflation rates – USD					2.1%
– R					5.1%
Production start date[7]					FY2022

[1] Management's assumptions reflected the Richards Bay export thermal coal (API4) price
[2] Long-term thermal coal price equivalent to USD65 per tonne in 2017 dollars
[3] Management's assumption of the hard coking coal price was made after considering relevant broker forecasts
[4] Long-term hard coking coal price equivalent to USD120 per tonne in 2017 dollars
[5] From 2022, the exchange rate was derived with reference to the 2021 assumption, and inflated by the compounding differential between USD and R inflation rates. The comparative discount rate applied at 30 June 2017 was 16.1%
[6] Management prepared a nominal R-denominated, post-tax discount rate, which was calculated with reference to the Capital Asset Pricing Model (CAPM)
[7] The production start date assumed that sufficient project finance was able to be raised by management in order to commence production in July 2021.

Impairment assessment

	USD thousand
Carrying value of Vele cash generating unit	117,800
Recoverable value	30,325
Impairment expense (allocated to development assets)	(87,475)

Sensitivity analysis

Sensitivity	Change in variable %	Effect on fair value less costs of disposal
Long term coal prices	+10.0	21
	-10.0	(24)
Long term exchange rate	+10.0	25
	-10.0	(29)
Discount rate	+1.0	(2)
	-1.0	2
Operating costs	+10.0	(14)
	-10.0	14
Delays in production start date	+12 months	(4)

17. Property, plant and equipment

	Mining property, plant and equipment $'000	Mining rights $'000	Land and buildings $'000	Leasehold improvements $'000	Motor vehicle $'000	Other $'000	Total $'000
30 June 2019							
Cost							
At beginning of year	2,348	19,268	9,658	120	947	1,927	34,268
Additions	1,687	–	398	–	38	73	2,196
Disposals	–	–	(570)	–	(186)	(325)	(1,081)
Rehabilitation asset	(82)	–	–	–	–	–	(82)
Impairment reversal	–	–	248	–	–	–	248
Khethikile acquisition	4,479	–	–	–	197	–	4,676
Transfer to assets classified as held for sale	–	–	(644)	–	–	–	(644)
Exchange differences	(18)	(489)	(244)	(4)	(26)	(50)	(831)
At end of year	8,414	18,779	8,846	116	970	1,625	38,750
Accumulated depreciation							
At beginning of year	163	910	1,311	120	555	1,757	4,816
Depreciation charge	720	979	270	–	227	122	2,318
Accumulated depreciation on disposals	–	–	(199)	–	(153)	(319)	(671)
Transfer to assets classified as held for sale	–	–	(312)	–	–	–	(312)
Exchange differences	(1)	(16)	(34)	(4)	(13)	(46)	(114)
At end of year	882	1,873	1,036	116	616	1,514	6,037
Net carrying value at end of fiscal year 2019	7,532	16,906	7,810	–	354	111	32,713

	Mining property, plant and equipment $'000	Mining rights $'000	Land and buildings $'000	Leasehold improvements $'000	Motor vehicle $'000	Other $'000	Total $'000
30 June 2018							
Cost							
At beginning of year	1,996	20,243	8,783	438	1,048	2,037	34,545
Additions	296	–	2,566	–	–	25	2,887
Disposals	(23)	–	–	(318)	(22)	(23)	(386)
Rehabilitation asset	207	–	–	–	–	–	207
Exchange differences	(128)	(975)	(1,691)	–	(79)	(112)	(2,985)
At end of year	2,348	19,268	9,658	120	947	1,927	34,268
Accumulated depreciation							
At beginning of year	34	–	1,184	438	610	1,748	4,014
Depreciation charge	149	974	197	–	63	121	1,504
Accumulated depreciation on disposals	(9)	–	–	(318)	(22)	(22)	(371)
Exchange differences	(11)	(64)	(70)	–	(96)	(90)	(331)
At end of year	163	910	1,311	120	555	1,757	4,816
Net carrying value at end of fiscal year 2018	2,185	18,358	8,347	–	392	170	29,452

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2019

17. Property, plant and equipment CONTINUED

As of 30 June 2019 the net book value of the following operating assets were included in property, plant and equipment:

- Uitkomst Colliery: $26,419 thousand

The discount between the Group's market capitalisation and net asset value at 30 June 2019, together with the deterioration in thermal and premium coal prices during the second half of the year and subsequent to year end respectively, prompted management to perform an impairment assessment.

Details of the key assumptions used in the impairment assessment are set out in note 3.1. No impairment charge was required for the Uikomst Colliery at 30 June 2019.

18. Other receivables

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Carrying amount of:		
Other loans	219	226
Balance at beginning of year	226	237
Foreign exchange differences	(7)	(11)
Balance at end of year	219	226

19. Other financial assets

Carrying value of financial assets at fair value through profit or loss

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Listed securities		
– Equity securities	23	4
Unlisted securities		
– Equity securities in investment funds[1]	4,592	3,901
	4,615	3,905
Deposits[2]	414	423
	5,029	4,328

Fair value movements in other financial assets are recognised in other (losses)/gains in the consolidated statement of profit or loss. Refer note 8.

[1] Listed investments are carried at the market value as at the reporting date and unlisted investments are valued with reference to the investment company's fund statement

[2] Deposits are classified as financial assets at amortised cost

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Balance at beginning of year	4,328	9,176
Revaluations	157	297
Interest received	81	–
Disposal of investment	(121)	(5,712)
Acquisition of investments	689	791
Foreign exchange differences	(105)	(224)
Balance at end of year	5,029	4,328

20. Inventories

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Finished goods	360	249
Consumable stores	470	212
Other	235	278
Provision for obsolete inventory	(23)	(9)
	1,042	730

The cost of inventories recognised as an expense during the year in respect of continuing operations was $262 thousand (2018: $3,433 thousand).

21. Trade and other receivables

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Trade receivables	2,444	4,189
Other receivables	552	1,307
	2,996	5,496

The carrying amount of trade and other receivables approximate their fair value due to their short-term maturity.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables as disclosed above. The Group does not hold any collateral as security.

Trade receivables inherently expose the Group to credit risk, being the risk that the Group will incur financial loss if customers fail to make payments as they fall due. In order to mitigate the risk of financial loss from defaults, the Group only deals with reputable customers with consistent payment histories. Each customer is analysed individually for creditworthiness before terms and conditions are offered. Customer credit limits are in place and are reviewed on a regular basis. The exposure to credit risk and the creditworthiness of customers is continuously monitored.

The average credit period on trade receivables is 30 days (2018: 30 days).

A loss allowance is considered for all trade receivables, in accordance with AASB 9 Financial Instruments, and is monitored at the end of each reporting period. The Group measures the possible loss allowance for trade receivables by applying the simplified approach which is prescribed by AASB 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime ECLs on trade receivables. To measure the ECLs, trade receivables are grouped based on shared credit risk characteristics and the days past due to identify non-performing receivables. In addition, forward-looking macro-economic conditions and factors are considered when determining the ECLs for trade receivables, namely trading conditions in the regional coal user markets, as well as economic growth and inflationary outlook in the short-term. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 90 days past due. Based on the year-end ECL assessment performed, no material loss allowance provision was required at the end of the financial year.

The estimation techniques explained have been applied for the first time in the current financial period, as a result of the adoption of AASB 9. Trade receivables were previously impaired only when there was objective evidence that the asset was impaired. The impairment was calculated as the difference between the carrying amount and the present value of the expected future cash flows. No provision for impairment of trade debtors was recognised at the end of the previous financial year. Upon adoption of AASB 9 at the start of the current financial year a reassessment of ECLs was performed on trade receivables an no material loss allowance was required.

No trade receivables were past due at the end of the current or previous financial year.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2019

22. Cash and cash equivalents

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Bank balances	8,811	10,931
	8,811	10,931
Restricted cash	68	84
	68	84

The restricted cash balance of $0.1 million (2018: $0.1 million) is held on behalf of subsidiary companies mainly in respect of the rehabilitation guarantees issued to the DMR in respect of environmental rehabilitation costs of $6.3 million (2017: $6.3 million). This cash is not available for use other than for those specific purposes.

Credit risk

Cash at bank earns interest at a floating rate based on daily bank deposit rates. Cash is deposited at highly reputable financial institutions of a high quality credit standing within Australia, the United Kingdom and the Republic of South Africa.

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

23. Deferred consideration

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Deferred consideration	4,071	2,017
Balance at beginning of year	2,017	1,916
Deferred consideration on Khethekile acquisition	629	–
Deferred consideration on the acquisition of Lukin and Salaita	2,527	–
Repaid during the year – Khethekile	(239)	–
Interest accrued	162	374
Deferred finance charges	(33)	–
Fair value adjustment	(839)	–
Foreign exchange	(153)	(273)
Balance at end of year	4,071	2,017
Current	1,406	2,017
Non-current	2,665	–
	4,071	2,017

The opening balance deferred consideration relates to a deferred amount of $2,017 thousand, inclusive of interest for the acquisition of PAR Coal from Pan African on 30 June 2017. The amount bears interest at the South African prime rate and is due on 1 July 2019. The Company was entitled to prepay any amounts in respect of the deferred consideration at any time until 30 June 2019. To the extent that certain coal buy-in opportunities were not secured by or with the assistance of Pan African, within two years from the effective date, which could result in MC Mining suffering a lower economic benefit, the deferred consideration could be reduced by such value, subject to a maximum of $1,300 thousand (R15 million). During the period, it was assessed that these buy-in opportunities had not materialised and a fair value adjustment was recognised and no further interest was accrued. The amount outstanding was paid on 1 July 2019.

Khethekile acquisition deferred consideration

During the period, as part of the acquisition of Khethekile (refer note 34), the transaction included a deferred consideration of $629 thousand (R8,281 thousand) of the acquisition price. This amount is payable in monthly instalments of $25 thousand (R350 thousand) over 27 months. There is no interest payable on the outstanding balance. This obligation has been accounted for using an effective interest rate of 11%.

Lukin and Salaita deferred consideration

The Company's subsidiary, Baobab, completed the acquisition of the properties Lukin and Salaita, the key surface rights required for its Makhado hard coking and thermal coal project for an acquisition price of $4,971 thousand (R70,000 thousand). $2,485 thousand (R35,000 thousand) of the acquisition price has been deferred to the earlier of:

- The third anniversary of the transfer of the properties
- The first anniversary of production of coal underlying the properties
- Completion of a potential land claims and expropriation process. In terms of current legislation, this will result in Baobab receiving market related compensation and will be followed by negotiations with the Ministry of Land Affairs and the successful claimants, who are shareholders in Baobab, for long-term access to the properties

The deferred consideration accrues interest at the South African prime interest rate (currently 10%) less 3.0%.

24. Borrowings

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Industrial Development Corporation of South Africa Limited	12,782	10,191
Pan African Resources Management Services (Pty) Limited	1,363	
Environmental and Process Technologies (Pty) Limited	154	
	14,299	10,191
Balance at beginning of year	10,191	8,197
PARMS loan acquired	1,550	–
Enprotec loan	579	–
Repayment – PARMS	(231)	–
Repayment Enprotec	(461)	–
Interest accrued	2,981	2,439
Deferred finance charges	(1)	
Foreign exchange	(309)	(445)
Balance at end of year	14,299	10,191

Industrial Development Corporation of South Africa Limited

The Company entered into a Loan Agreement with the IDC and Baobab, a subsidiary of MC Mining and owner of the Mining Right for the Makhado Project. In terms of the Loan Agreement, the IDC will advance loan funding up to $17,042 thousand (R240,000 thousand) to Baobab for use in the Project to advance the operations and implementation of the Project. Under the Loan Agreement, the loan funding is to be provided in two equal tranches of $8,521 thousand (R120,000 thousand) upon written request from Baobab.

In May 2017, the first tranche was drawn down by the Company. This is repayable on the third anniversary of each advance. On the third anniversary, the Company is required to repay the loan amount plus an amount equal to the after tax internal rate of return equal to 16% of the amount of each advance.

MCM is also required to issue warrants under the Loan Agreement, in respect of MCM shares, to the IDC pursuant to each advance date as soon as the relevant shareholder approval is obtained. The warrants for the first draw-down equates to 2.5% of the entire issued share capital of MCM as at 5 December 2016. This equated to 2,408,752 shares. The price at which IDC shall be entitled to purchase the MCM shares is equal to a 30% premium to the 30 day volume weighted average price of the MCM shares as traded on the JSE as at 5 December 2016 (R12 per share post the share consolidation). The IDC is entitled to exercise the warrants for a period of five years from the date of issue.

Furthermore, upon each advance date, Baobab shall be required to issue new ordinary shares in Baobab to the IDC equivalent to 5% of the entire issued share capital of Baobab at such time. New ordinary shares equivalent to 5% in Baobab were issued to the IDC following the first advance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2019

24. Borrowings CONTINUED

Industrial Development Corporation of South Africa Limited CONTINUED

If the second tranche of $8,521 thousand (R120,000 thousand) is not required by Baobab and therefore not advanced by Baobab, the IDC may elect to exercise one of the following rights:

- Baobab shall issue new ordinary shares in Baobab equivalent to 5% of the entire issued share capital of Baobab to the IDC for an aggregate subscription price of $4.3 million (R60,000 thousand)
- Baobab shall issue ordinary shares in Baobab equivalent to 1% of the entire issued share capital of Baobab to the IDC for an aggregate share price of $0.07 (R1)
- A penalty fee of $852 thousand (R12,000 thousand) shall be paid to the IDC by Baobab

The second tranche remains undrawn at the date of this report.

Pan African Resources Management Services (Pty) Limited (PARMS)

As part of the acquisition of the underground mining equipment and liabilities of Khethekile (refer note 34), the Group assumed a loan of $1,458 thousand (R20,539 thousand) from PARMS. The loan bears interest at the South African prime rate and is compounded monthly. It is repayable in 48 monthly instalments of approximately $39 thousand (R543 thousand) per month.

Environmental and Process Technologies (Pty) Limited (Enprotec)

During the period, Uitkomst Colliery entered into an agreement with Enprotec for the supply and installation of an upgrade to modify its plant for the purchase price of $619 thousand (R8,717 thousand). This was to facilitate the production of an additional high ash, coarse discard product. The purchase price is payable over 12 instalments of $52 thousand (R726 thousand).). This obligation has been accounted for using an effective interest rate of 11%.

25. Provisions

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Employee provisions	350	378
Biodiversity offset provision	2,219	2,146
Rehabilitation provisions	4,531	3,503
	7,100	6,027

Employee provisions

The provision for employees represents unused annual leave entitlements.

Biodiversity offset provision

The BOA was signed by the DEA, South African National Parks Board and the Company to the value of $3.905 thousand (R55,000 thousand) over a 25 year period. The BOA commits the Company to pay $3.905 thousand (R55,000 thousand) to the South African National Parks Board over a period of 25 years. The following payment arrangement has been agreed:

Phase 1 – R2,000 thousand paid in 2015

Phase 2 – R15,000 thousand from year 2016 to 2021 (R2.500 thousand annually)[1]

Phase 3 – R13,000 thousand from year 2022 to 2028 (R1.800 thousand annually)[1]

Phase 4 – R13,000 thousand from 2029 to 2033 (R2.600 thousand annually)[1]

Phase 5 – R12,000 thousand from 2034 to 2038 (R2.400 thousand annually)[1]

[1] For the purpose of the present value calculation, these payments per phase have been assumed as equal annual payments and discounted at the South Africa inflation rate of 6%

Rehabilitation provision

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Balance at beginning of year	3,503	5,558
Unwinding of discount	355	427
Change in assumptions on rehabilitation provisions	754	(2,337)
Foreign exchange	(81)	(145)
Balance at end of year	4,531	3,503

The rehabilitation provision represents the current cost of environmental liabilities as at the respective year end. An annual estimate of the quantum of closure costs is necessary in order to fulfil the requirements of the DMR, as well as meeting specific closure objectives outlined in the mine's EMP.

Although the ultimate amount of the obligation is uncertain, the fair value of the obligation is based on information that is currently available. This estimate includes costs for the removal of all-current mine infrastructure and the rehabilitation of all disturbed areas to a condition as described in the EMP.

The period assumed in the calculation of the present value of the obligation is the shorter of the remaining period of the mining licence and the aggregate of the construction period of the mine and the total estimated LoM.

The current estimate available is inflated by the South African inflation rate of 4.5% annually and the discount rate applied to establish the current obligation is a South Africa government bond rate at 30 June 2019 of 8.09% (2018: 9.25%) annually.

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

The Makhado Project is still in exploration phase and no formal decision to mine is currently in place.

Provisions have been analysed between current and non-current as follows:

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Current	536	569
Non-current	6,564	5,458
	7,100	6,027

26. Deferred tax

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Deferred tax liability	5,750	5,991
The gross movement on the deferred tax account is as follows:		
Balance at beginning of year	5,991	374
Provisions	6	(104)
Capital allowances	(25)	225
Prepayments	(11)	–
Prior year adjustment	(71)	92
Deferred tax asset de-recognised [1]	–	5,816
Foreign exchange	(140)	(412)
Balance at end of year	(5,750)	(5,991)
The deferred tax balances at year end are represented by:		
Deferred tax assets		
Provisions	361	371
Prepayments	11	–
Balance at end of year	372	371
Deferred tax liabilities		
Capital allowances on property plant and equipment	(6,122)	(6,362)
Balance at end of year	(6,122)	(6,362)
Net deferred tax (liabilities)/assets	(5,750)	(5,991)

Deferred income tax assets are recognised for tax losses carried-forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of $52,132 thousand (2018: $49,080 thousand) in respect of losses amounting to $51,012 thousand (2018: $47,580 thousand) and unredeemed capital expenditure of $133,626 thousand (2018: $126,937 thousand) that can be carried forward against future taxable income.

[1] The deferred tax asset balance at 30 June 2017 of $5,713 million, relating to the Vele Colliery, was derecognised in 2018. This decision was made due to the increased risk of recoverability of the deferred tax asset through future taxable earnings. This arises from the later commencement date of the Vele mine due to management's view of development of the SEZ and the prioritisation of the Makhado Project. The charge to profit and loss was $5,816 thousand because of foreign exchange differences

27. Other liabilities

This liability relates to a retention agreement entered into with employees to provide a retention payment to encourage employees to remain with the Company, perform in a highly effective manner and proactively execute the commercial strategy that the Company employs.

28. Trade and other payables

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Trade payables	1,777	1,395
Accrued expenses	6,199	4,942
Other	874	508
	8,850	6,845

The average credit period is 30 days. Interest at the South African prime overdraft rate is charged on overdue creditors.

29. Issued capital

During the reporting period, there were no shares issued.

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Fully paid ordinary shares		
140,879,585 (2018: 140,879,585) fully paid ordinary shares	1,040,950	1,040,950

	Number	$'000
Movements in fully paid ordinary shares		
At 30 June 2018	140,879,585	1,040,950
Shares issued	–	–
At 30 June 2019	140,879,585	1,040,950

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders meetings.

In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

Share options granted

Share options granted under the Company's employee share option plan and performance rights carry no rights to dividends and no voting rights. Further details of the employee share option plan are provided in note 32.

30. Accumulated deficit

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Accumulated deficit at the beginning of the financial year	(851,535)	(750,100)
Net loss attributed to Owners of the Company	(33,421)	(101,413)
Transferred from share based payment reserve	670	–
Dividend expense	(11)	(22)
Accumulated deficit at the end of the financial year	(884,297)	(851,535)

31. Reserves

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Capital profits reserve	91	91
Share based payment reserve	2,234	2,052
Warrants reserve	1,134	1,134
Foreign currency translation reserve	(28,060)	(22,352)
	(24,601)	(19,075)
Movements for the year can be reconciled as follows:		
Share-based payments reserve		
Opening balance	2,052	713
Share options issued during the year	852	616
Share options cancelled/forfeited/expired	(670)	(161)
IFRS 2 BEE charge		884
Closing balance	2,234	2,052

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for the year ended 30 June 2019

31. Reserves CONTINUED

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Foreign currency translation reserve		
Opening balance	(22,352)	(20,473)
Exchange differences on translating foreign operations	(5,708)	(2,393)
Sale of Mooiplaats Colliery	–	514
Closing balance	(28,060)	(22,352)
Warrants reserve		
Opening balance	1,134	1,134
Warrants issued	–	–
Closing balance	1,134	1,134

Nature and purpose of reserves:

Capital reserve

The capital profits reserve contains capital profits derived during previous financial years.

Share-based payment reserve

Share based payment reserve represent the value of unexercised share options and performance rights to Directors and employees. It also includes IFRS2 BEE charges.

Foreign currency translation reserve

The foreign currency translation reserve records the foreign currency differences arising from the translation of foreign operations.

Warrants reserve

The warrants reserve relates to the warrants issued to the IDC in terms of the Loan Agreement to advance funding to Baobab. Refer note 24.

32. Share-based payments

Employee share option plan

The Group maintains certain Employee Share Option Plans (ESOPs) for executives and senior employees of the Group as per the rules approved by shareholders on 30 November 2009. In accordance with the terms of the schemes, eligible executives and senior employees may be granted options to purchase ordinary shares. Share options have not been granted to employees.

Share options granted to Directors and officers

The Group also grants share options to Directors, officers, lenders and equity funders of the Group outside the ESOP. In accordance with the Group's policies, Directors and officers may be granted options to purchase ordinary shares.

Share option terms, vesting requirements and options outstanding at 30 June 2019

Each option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options hold no voting or dividend rights, and are not transferable. Upon exercise of the options the ordinary shares received rank equally with existing ordinary shares.

There were no share-based payments existing at 30 June 2019 due to the expiration of those that existed during the financial period ended 30 June 2019:

- The Company finalised an 18-month, R210 million working capital facility from Investec Bank Limited during October 2013 and announced that it would issue 20,000,000 options to Investec. The 20,000,000 shareholder-approved options were issued on 30 January 2015 and have an exercise price of R1.32 and expired on 21 October 2018. Upon conversion, the shares would have ranked equally with existing shares, were not transferable and would have held no voting or dividend rights. Post the share consolidation in the 2018 financial year, Investec held 1,000,000 options
- On 27 November 2015, 1,000,000 options were awarded and vested to five independent Non-executive Directors at a price of GBP0.055 per option. The options expired on 27 November 2018. Upon conversion the shares would have ranked equally with existing shares, would have not been transferable and would have held no voting or dividend rights. Post the share consolidation in the 2018 financial year, the independent Non-executive Directors each held 50,000 options, totalling 250,000 options

Fair value of share options granted during the year

There were no share options granted during the period.

Options were priced using a binomial option pricing model and the Black-Scholes option pricing model was used to validate the price calculated. Where relevant, the expected life used in the model has been adjusted based on management's best estimate of the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations.

Expected volatility is calculated by Hoadley's volatility calculator for one, two and three year periods and a future estimated volatility level of 100% was used in the pricing model.

The total share based payment expense recognised in the current financial year is disclosed in the statement of changes in equity.

Movement in share options (post share consolidation)

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Options outstanding at beginning of year	1,250,000	1,250,000
Options expired	(1,250,000)	–
Options outstanding at end of year	–	1,250,000
Weighted average exercise price (A$)	1.40	1.40
Options exercisable	–	1,250,000

Share options exercised during the year

No share options were exercised during the period.

Share options outstanding at the end of the year

The share options outstanding at the end of the year were nil. The options in the prior year had a weighted average exercise price of A$1.40, post the share consolidation, and a weighted average contractual life of 0.32 years.

Performance Rights plan

The Performance Rights factor in a hurdle rate based on the compound annual growth rate of total shareholder return across the period from the grant date. The Performance Rights were valued using a hybrid employee share option pricing model to simulate the total shareholder return of MC Mining at the expiry date using a Monte-Carlo model.

On 23 November 2018, 3,465,558 Performance Rights were issued to senior management.

Inputs into the model were as follows:

	Performance Rights
Spot 5 day VWAP	R7.5
Exercise price	Nil
Expiry date	22 November 2021
Performance period	3.00
Risk free interest rate	7.28%

On 24 November 2017, 1,722,383 Performance Rights were issued to senior management.

Inputs into the model were as follows:

	Performance Rights
Spot 5 day VWAP	R8.8
Exercise price	Nil
Expiry date	23 November 2020
Performance period	3.00
Risk free interest rate	8.09%

On 30 November 2016, 1,770,470 (post consolidation 35,409,403) Performance Rights were issued to senior management.

32. Share-based payments CONTINUED

Inputs into the model for the prior financial year were as follows:

	Performance Rights
Spot 5 day VWAP	R12.6 (post share consolidation)
Exercise price	Nil
Expiry date	29 November 2019
Performance period	3.00
Risk free interest rate	8.24%

Performance Rights issued on 27 November 2015 expired during the current year on 1 December 2018

The total share based payment expense recognised in relation to the Performance Rights in the current financial year is $0.9 million (FY2018: $616 thousand).

Movement in Performance Rights (post consolidation)

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Performance Rights outstanding at beginning of year	3,832,467	2,781,767
Performance Rights expired	(1,027,209)	–
Performance Rights forfeited	–	(1,066,545)
Performance Rights granted	3,465,556	2,117,245
Performance Rights outstanding at end of year	6,270,814	3,832,467

33. Non-controlling interest

Non-controlling interests comprise the following:

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Freewheel Trade and Invest 37 (Pty) Limited	575	575
Baobab non-controlling interest	(486)	(181)
	89	394

34. Business combinations

The underground operations at Uitkomst Colliery were historically undertaken by an independent mining contractor, Khethekile Mining (Pty) Limited (Khethekile). During the period, Uitkomst acquired all of Khethekile's mining equipment, loans, trade payables, accrued expenses and took transfer of the Khethekile employees working at Uitkomst Colliery.

The acquisition of the Khethekile business was agreed to be settled as follows:

- A cash consideration of $1,238 thousand (R16,400 thousand) of which $521 thousand (R6,900 thousand) was payable on closing and the balance, $717 thousand (R9,500 million) payable in 27 monthly instalments

Fair value of assets and liabilities acquired:

	1 August 2018 $'000
Non-current assets	
Plant and equipment	5,008
Non-current liabilities	
Loans	1,263
Finance lease liabilities	11
Current liabilities	
Trade and other liabilities	1,479
Loans	1,024
Finance lease liabilities	81
	1,150

Purchase consideration

	1 August 2018 $'000
Cash consideration paid	521
Cash consideration deferred	629
	1,150

Goodwill

No goodwill arose on the acquisition of the assets, as the fair value of the assets were equivalent to the acquisition value of the assets.

35. Financial instruments

35.1. Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged.

The capital structure of the Group consists of net deferred consideration and debt (as detailed in notes 23 and 24) (net of cash) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests as detailed in notes 30 to 32).

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

The Group's risk management committee reviews the capital structure of the Group on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The Group maintained its target-gearing ratio, determined as the proportion of net debt to equity, at 15%. This was to enable the Company to raise the loan from the IDC.

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Newt debt[1]	9,559	1,277
Equity[2]	132,141	170,734
Debt to equity ratio	7%	0.07%

[1] Debt is defined as long-term and short-term borrowings as described in notes 23 and 24 less unrestricted cash and cash equivalents

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2019

35. Financial instruments CONTINUED

35.2. Categories of financial instruments

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

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Financial assets		
Other receivables	219	226
Trade and other receivables	2,996	5,496
Cash and cash equivalents	8,811	10,931
Restricted cash	68	84
Loan receivable	–	7,236
Other financial assets	5,029	4,328
Total financial assets	17,123	28,301
Financial liabilities		
Deferred consideration	4,071	2,017
Borrowings	14,298	10,191
Trade and other payables	8,850	6,845
Total financial liabilities	27,219	19,053

Fair value of financial assets and liabilities

The fair value of a financial asset or a financial liability is the amount at which the asset could be exchanged or liability settled in a current transaction between willing parties in an arm's length transaction. The fair values of the Group's financial assets and liabilities approximate their carrying values, as a result of their short maturity or because they carry floating rates of interest.

All financial assets and liabilities recorded in the consolidated financial statements approximate their respective fair values.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3, based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities. The balances classed here are financial assets comprising deposits and listed securities (note 19).

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The financial assets classed as Level 2 comprise of investments with investment firms. These investments serve as collateral for rehabilitation guarantees. The fair value has been determined by the investment firms' fund statement (note 19).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

There were no assets reclassified into/out of FVTPL during the year nor were any assets transferred between levels.

As at 30 June 2019	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	23	4,581	–	4,604

As at 30 June 2018	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	4	3,901	–	3,905

35.3. Financial risk management objectives

The Group's corporate treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The corporate treasury function reports quarterly to the Group's risk management committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

35.4. Market risk

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Australian dollar and the US dollar. Foreign exchange risk arises from future commitments, assets and liabilities that are denominated in a currency that is not the functional currency. Most of the Company's purchases are denominated in SA rand. However, certain items during the exploration, development and plant construction phase as well as long lead capital items are denominated in US dollars, Euros or Australian dollars. These have to be acquired by the South African operating company due to the South African Reserve Bank's Foreign Exchange Control Rulings. This exposes the South African subsidiary companies to changes in the foreign exchange rates.

The Group's cash deposits are largely denominated in US dollar and SA rand. A foreign exchange risk arises from the funds deposited in US dollar which will have to be exchanged into the functional currency for working capital purposes.

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

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

Balances at 30 June 2019	Held in GBP $'000	Held in AUD $'000	Held in USD $'000	Total $'000
Financial assets				
Cash and cash equivalents[1]	–	77	748	825
Total financial assets	–	77	748	825
[1] Cash includes restricted cash				
Financial liabilities				
Trade and other payables	12	102	25	139
Total financial liabilities	12	102	25	139

Balances at 30 June 2018	Held in GBP $'000	Held in AUD $'000	Held in USD $'000	Total $'000
Financial assets				
Cash and cash equivalents[1]	–	58	2,386	2,444
Total financial assets	–	58	2,386	2,444
[1] Cash includes restricted cash				
Financial liabilities				
Trade and other payables	1	12	–	13
Total financial liabilities	1	12	–	13

The following table details the Group's sensitivity to a 10% increase and decrease in the US dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% change in foreign currency rates.

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Impact on profit/(loss)		
Judgements on reasonable possible movements		
USD/R increase by 10%	(69)	(243)
USD/R decrease by 10%	69	243

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2019

35. Financial instruments CONTINUED

35.5. Interest rate risk management

The Group's interest rate risk arises mainly from short-term borrowings, long-term borrowings, cash and bank balances and restricted cash. The Group has variable interest rate borrowings. Variable rate borrowings expose the Group to cash flow interest rate risk.

The Group has not entered into any agreements, such as hedging, to manage this risk.

The following table summarises the sensitivity of the financial instruments held at the reporting date, following a movement in variable interest rates, with all other variables held constant. The sensitivities are based on reasonably possible changes over a financial period, using the observed range of actual historical rates.

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Judgements on reasonable possible movements		
Increase of 0.2% in interest rate	8	26
Decrease of 0.2% in interest rate	(8)	(26)
Increase of 1.0% in interest rate	38	130
Decrease of 1.0% in interest rate	(38)	(130)

The impact is calculated on the net financial instruments exposed to variable interest rates as at reporting date and does not take into account any repayments of short-term borrowings.

35.6. Credit risk

Credit risk is the risk that a contracting entity will not complete its obligation under a financial instrument that will result in a financial loss to the Group. The carrying amount of financial assets represents the maximum credit exposure. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to credit losses not being significant.

At year-end, there is no significant concentration of credit risk represented in the cash and cash equivalents, restricted cash and trade accounts receivables balance. The Group manages its credit risk by predominantly dealing with counterparties with a positive credit rating.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

35.7 Liquidity risk

The liquidity position of the Group is managed to ensure sufficient liquid funds are available to meet financial commitments in a timely and cost effective manner. The Group's executive continually reviews the liquidity position including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels.

The concentration of cash balances on hand in geographical areas was as follows:

Balances at 30 June 2019	United Kingdom $'000	Australia $'000	South Africa $'000	Total $'000
Cash and cash equivalents and restricted cash	748	77	8,054	8,879
	748	77	8,054	8,879

Balances at 30 June 2018	United Kingdom $'000	Australia $'000	South Africa $'000	Total $'000
Cash and cash equivalents and restricted cash	2,386	58	8,571	11,015
	2,386	58	8,571	11,015

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

Balances at 30 June 2019	Less than 6 months $'000	Between 6 – 12 months $'000	Greater than 12 months $'000	Total $'000
Deferred consideration[1]	1,257	149	3,206	4,612
Borrowings[1]	310	15,968	898	17,176
Trade and other payables	6,843	–	–	6,843
	8,410	16,117	4,104	28,631

Balances at 30 June 2019	Less than 6 months $'000	Between 6 – 12 months $'000	Greater than 12 months $'000	Total $'000
Other receivables	–	–	219	219
Trade and other receivables	2,996	–	–	2,996
Cash and cash equivalents	8,811	–	–	8,811
Restricted cash	–	–	68	68
Other financial assets	23	–	4,995	5,018
	11,830		5,282	17,112

[1] Interest bearing at rates between 7 and 22.2%

Balances at 30 June 2018	Less than 6 months $'000	Between 6 – 12 months $'000	Greater than 12 months $'000	Total $'000
Deferred consideration[1]	–	2,228	–	2,228
Borrowings[1]	–	–	14,587	14,587
Trade and other payables	6,845	–	–	6,845
	6,845	2,228	14,587	23,660

Balances at 30 June 2018	Less than 6 months $'000	Between 6 – 12 months $'000	Greater than 12 months $'000	Total $'000
Other receivables	–	–	226	226
Loan receivables	1,645	1,645	4,935	8,225
Trade and other receivables	5,502	–	–	5,502
Cash and cash equivalents	10,931	–	–	10,931
Restricted cash	–	–	84	84
Other financial assets	4	–	5,453	5,457
	18,082	1,645	10,698	30,425

[1] Interest bearing at rates between 10.25 and 22.2%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2019

36. Notes to the statement of cash flows

Reconciliation of cash

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	Note	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Cash and bank balances	22	8,811	10,931
Reconciliation of loss before tax to net cash used in operations			
Loss before tax (continuing and discontinuing operations)		(33,522)	(94,858)
Add back:			
Depreciation		2,318	1,504
Net impairment expense		21,916	84,355
Share-based payment		852	1,343
Bad debt written off		1,100	59
Employee incentive		–	1,289
Fair value adjustment		(839)	
Re-valuation of investments		(82)	(294)
Movement in provisions		(31)	(105)
Finance costs (net)		4,639	2,394
Disposal of assets		(904)	(10)
Foreign exchange loss/(gains) on operating activities		(244)	2,211
Changes in working capital:			
Increase in inventories		(401)	938
Decrease in trade and other receivables		1,656	728
Decrease in trade and other payables		(1,735)	2,448
Cash used in operations		(5,277)	2,002

37. Contingencies and commitments

Contingent liabilities

The Group has no significant contingent liabilities at the reporting date.

Commitments

In addition to the commitments of the parent entity as disclosed under note 41, subsidiary companies have typical financial commitments associated with their MRs granted by the South African DMR.

38. Related party disclosures

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

	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Short-term employee benefits	1,347	1,308
Post-employment benefits	4	4
Termination benefits	–	178
Share-based payments	328	273
	1,679	1,763

The Group has not provided any of its key management personnel with loans.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

39. Controlled entities

Particulars in relation to controlled entities.

	Country of incorporation	Year ended 30 June 2019 %	Year ended 30 June 2018 %
Bakstaan Boerdery (Pty) Limited [1]	South Africa	100	100
Baobab Mining & Exploration (Pty) Limited [2]	South Africa	95	95
Chapudi Coal (Pty) Limited [3]	South Africa	74	74
Coal of Africa & ArcelorMittal Analytical Laboratories (Pty) Limited	South Africa	50	50
Cove Mining NL	Australia	100	100
Freewheel Trade and Invest 37 (Pty) Limited	South Africa	74	74
Fumaria Property Holdings (Pty) Limited	South Africa	100	100
Golden Valley Services (Pty) Limited	Australia	100	100
GVM Metals Administration (South Africa) (Pty) Limited	South Africa	100	100
Harrisia Investments Holdings (Pty) Limited	South Africa	100	100
Kwezi Mining Exploration (Pty) Limited [3]	South Africa	74	74
Limpopo Coal Company (Pty) Limited	South Africa	100	100
Makhado Centre of Learning NPC [2]	South Africa	95	95
MbeuYahsu (Pty) Limited	South Africa	74	74
Newshelf 1384 (Pty) Limited	South Africa	100	100
Nyambose Mining (Pty) Limited	South Africa	100	100
Pan African Resources Coal Holdings (Pty) Limited	South Africa	100	100
Regulus Investment Holdings (Pty) Limited	South Africa	100	100
Silkwood Trading 14 (Pty) Limited	South Africa	100	100
Tshikunda Mining (Pty) Limited [4]	South Africa	–	60
Tshipise Energy Investments (Pty) Limited [4]	South Africa	–	50
Uitkomst Colliery (Pty) Limited	South Africa	100	100

[1] Subsidiary company of Fumaria Property Holdings (Pty) Limited
[2] 69% on completion of the Makhado Project BBBEE transactions
[3] Subsidiary companies of MbeuYashu (Pty) Limited
[4] Sold during the year

40. Events after the reporting period

IDC debt funding secured

The IDC approved a term loan facility (the Term Loan) to fund the construction of Phase 1 of the Makhado Project.

The salient features of the Term Loan are, subject to documentation:

- The IDC will advance $17,397 thousand (R245,000 thousand) to MC Mining
- Draw-down can take place any time before 30 June 2021 and the loan will endure for a period of seven years following draw-down
- Coupon of the South African prime interest rate (currently 10%) plus a margin that reflects the significant progress made on Makhado as well as the increased confidence that the IDC has in the execution of the Project
- Capital repayments will only commence 24 months after the first draw-down and will be repaid in 20 equal quarterly instalments

The loan is subject to various conditions precedent including:

- MC Mining issuing additional equity to shareholders for a minimum of $14,201 thousand (R200,000 thousand); and
- Settlement of the existing 2017 loan facility between the IDC, MC Mining and Baobab, which at 30 June 2019 amounted to $13,116 thousand (R184,700 thousand), and termination of all agreements in this regard

Sale of land in Harrisia Investments Holdings (Pty) Limited

Subsequent to year-end, the Company finalised the sale of land and buildings held by its subsidiary Harrisia. These land and buildings were classified as assets held for sale at 30 June 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2019

41. Parent entity financial information

	Parent entity	
	Year ended 30 June 2019 $'000	Year ended 30 June 2018 $'000
Summary financial information		
Non-current assets	133,026	171,397
Current assets	886	2,051
Total assets	133,912	173,448
Non-current liabilities	–	2,017
Current liabilities	1,771	697
Total liabilities	1,771	2,714
Net assets	132,141	170,734
Shareholders' equity		
Issued capital	1,040,950	1,040,950
Accumulated deficit and reserves	(908,809)	(870,216)
	132,141	170,734
Profit/(loss) for the year	(23,871)	(110,839)
Total comprehensive loss	(23,871)	(110,839)

Contingencies and commitments

- MC Mining has subordinated all loans to subsidiary companies
- MC Mining has provided surety for the IDC borrowing facility entered into by Baobab (refer note 24)

INDEPENDENT AUDITOR'S REPORT

To the members of MC Mining Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of MC Mining Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended

(b) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2019
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of US$33,726 thousand during the year ended 30 June 2019 and a net cash outflow from operating activities of US$5,412 thousand. The Group is dependent on obtaining additional financing or raising additional capital in the next 12 months to enable it to continue its normal business activities, including progression of Phase 1 of the Makhado project and its subsequent ramp-up to planned levels of production. These conditions, along with other matters set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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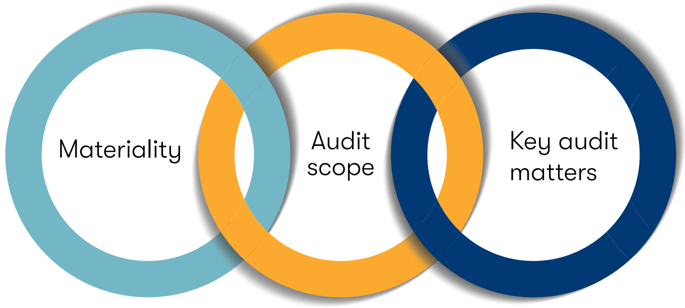
Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality	Audit scope	Key audit matters
▪ For the purpose of our audit we used overall Group materiality of US$1,700 thousand, which represents approximately 1% of the Group's total assets.	▪ Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.	▪ Amongst other relevant topics, we communicated the following *key audit matters* to the Audit and Risk Committee: – Impairment assessment of Exploration and evaluation assets, Development assets and Property, plant and equipment.
▪ We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. ▪ We chose the Group's total assets, as in our view, it is the metric which reflects the key focus of users of the financial report. ▪ We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	▪ Given that the Group's main operations, management and accounting records are located in South Africa, local auditors in South Africa assisted in performing audit procedures.	▪ These are further described in the *Key audit matters* section of our report, except for the matter which is described in the *material uncertainty related to going concern* section.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of Exploration and evaluation assets, Development assets and Property, plant and equipment. (Refer to note 3.1, 15, 16 and 17) At 30 June 2019, the Group held Exploration and evaluation assets of US$94,871 thousand, Development assets of US$26,919 thousand and Property, plant and equipment assets of $32,713 thousand. The Group considered whether there were any indicators of impairment for any individual assets or cash generating units (CGU's). Indicators of possible impairment were identified by the Group for all CGUs due to the carrying amount of the Group's net asset value being higher than its market capitalisation and commodity prices having declined. Australian Accounting Standards require the carrying value of assets tested for impairment to be compared to their recoverable amount. The Group estimated the recoverable amount for all CGUs based on 'fair value less costs of disposal' assessments. The recoverable amount was determined from a combination of discounted cash flow models and valuation of mineral resources based on recent comparable market transactions. As described in note 15, the Group has recognised impairment charges in relation to the Makhado Project of US$23,268 thousand during the year ended 30 June 2019. This was a key audit matter because of the significant judgement required by the Group in estimating the recoverable amounts of the CGUs, and the financial significance of the impairment charge.	We performed the following procedures amongst others: ▪ Evaluated the Group's assessment of whether there were indicators of asset impairment by comparing the Group's net asset value with its market capitalisation and considering trends in thermal and hard coking coal prices. This led us to focus on all CGU's, given the pervasive nature of these indicators. ▪ Assessed whether the division of the Group's Exploration and evaluation assets, Development assets and Property, plant and equipment assets into CGUs, which are the smallest identifiable groups of assets that can generate largely independent cash inflows, was consistent with our knowledge of the Group's operations and internal Group reporting. ▪ Assessed whether the CGUs included assets, liabilities and cash flows directly attributable to each CGU and a reasonable allocation of corporate assets and overheads. ▪ Obtained the Group's 'fair value less cost of disposal' assessments for all CGU's and considered if the impairment models were consistent with the requirements of Australian Accounting Standards. ▪ Tested the mathematical accuracy of the discounted cash flow models used by the Group. ▪ Compared key market related assumptions used in the discounted cash flow models, including thermal and hard coking coal prices as well as forecast South African Rand versus United States Dollar exchange rates to a range of observable external forecasts developed by market analysts. ▪ Evaluated the discount rates used in the discounted cash flow models by calculating a range of weighted average cost of capital discount rates using relevant comparable third-party sources and market data such as the cost of debt, risk-free rates, market risk premiums, debt to equity ratios and betas of comparable companies. ▪ Considered whether the Group's assumptions related to production volumes and operating cash outflows used in the discounted cash flow models were consistent with the Group's mine plans and operating budgets, as well as actual performance outcomes achieved to date (where applicable). ▪ Considered recent comparable transactions in the South African coal industry supporting the resource multiple values used to evaluate the recoverable amount. ▪ Considered the Group's sensitivity analysis on the key assumptions used in the discounted cash flow models to assess under which assumptions an impairment would occur and whether this was reasonably possible. ▪ Evaluated the adequacy of the disclosures made in note 3.1, including those regarding the key assumptions and sensitivities to changes in such assumptions in light of the requirement of Australian Accounting Standards.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Directors' report. We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the remuneration report included in pages 56 to 61 of the directors' report for the year ended 30 June 2019.

In our opinion, the remuneration report of MC Mining Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

Douglas Craig

Douglas Craig
Partner

Perth
30 September 2019

ADMINISTRATION

TENEMENT SCHEDULE

Tenements held by MC Mining and its controlled entities

Project name	Tenement number	Location	Interest %
Chapudi Project*	Albert 686 MS	Limpopo~	74
	Bergwater 712 MS		74
	Remaining Extent and Portion 2 of Bergwater 697 MS		74
	Blackstone Edge 705 MS		74
	Remaining Extent & Portion 1 of Bluebell 480 MS		74
	Remaining Extent & Portion 1 of Bushy Rise 702 MS		74
	Castle Koppies 652 MS		74
	Chapudi 752 MS		74
	Remaining Extent, Portions 1, 3 & 4 of Coniston 699 MS		74
	Driehoek 631 MS		74
	Remaining Extent of Dorps-rivier 696 MS		74
	Enfield 512 MS (consolidation of Remaining Extent of Enfield 474 MS, Brosdoorn 682 MS & Remaining Extent of Grootvlei 684 MS)		74
	Remaining Extent and Portion 1 of		74
	Grootboomen 476 MS		74
	Grootvlei 684 MS		74
	Kalkbult 709 MS		74
	Remaining Extent, Remaining Extent of Portion 2, Remaining Extent of Portion 3, Portions 1, 4, 5, 6, 7 & 8 of Kliprivier 692 MS		74
	Remaining Extent of Koodoobult 664 MS		74
	Koschade 657 MS (was Mapani Kop 656 MS)		74
	Malapchani 659 MS		74
	Mapani Ridge 660 MS		74
	Melrose 469 MS		74
	Middelfontein 683 MS		74
	Mountain View 706 MS		74
	M'tamba Vlei 654 MS		74
	Remaining Extent & Portion 1 of Pienaar 635 MS		74
	Remaining Extent & Portion 1 of Prince's Hill 704 MS		74
	Qualipan 655 MS		74
	Queensdale 707 MS		74
	Remaining Extent & Portion 1 of Ridge End 662 MS		74
	Remaining Extent & Portion 1 of Rochdale 700 MS		74
	Sandilands 708 MS		74
	Portions 1 & 2 of Sandpan 687 MS		74
	Sandstone Edge 658 MS		74
	Remaining Extent of Portions 2 & 3 of Sterkstroom 689 MS		74
	Sutherland 693 MS		74
	Remaining Extent & Portion 1 of Varkfontein 671 MS		74
	Remaining Extent, Portion 2, Remaining Extent of Portion 1 of Vastval 477 MS		74
	Vleifontein 691 MS		74
	Portion3, 4, 5 & 6 of Waterpoort 695 MS		74
	Wildebeesthoek 661 MS		74
	Woodlands 701 MS		74

Project name	Tenement number	Location	Interest %
Kanowna West and Kalbara	M27/41	Coolgardie^	2.99
	M27/47		2.99
	M27/59		2.99
	M27/72,27/73		2.99
	M27/114		2.99
	M27/181		7.24
	M27/196		2.99
	M27/414,27/415		2.99
	P27/1826-1829		2.99
	P27/1830-1842		2.99
	P27/1887		2.99
Abbotshall Royalty	ML63/409,410	Norseman^	Royalty
Kookynie Royalty	ML40/061	Leonora^	Royalty
	ML40/135,136		Royalty
Makhado Project	Fripp 645 MS	Limpopo~	69#
	Lukin 643 MS		69#
	Mutamba 668 MS		69#
	Salaita 188 MT		69#
	Tanga 849 MS		69#
	Daru 848 MS		69#
	Windhoek 847 MS		69#
Generaal Project*	Beck 568 MS--	Limpopo~	74
	Bekaf 650 MS-		74
	Remaining Extent & Portion 1 of Boas 642 MS-		74
	Chase 576 MS-		74
	Coen Britz 646 MS-		74
	Fanie 578 MS-		74
	Portions 1, 2 and Remaining Extent of Generaal 587 MS-		74
	Joffre 584 MS-		74
	Juliana 647 MS		74
	Kleinenberg 636 MS-		74
	Remaining Extent of Maseri Pan 520 MS-		74
	Remaining Extent and Portion 2 of Mount Stuart 153 MT--		100
	Nakab 184 MT--		100
	Phantom 640 MS--		74
	Riet 182 MT--		100
	Rissik 637 MS-		100
	Schuitdrift 179 MT-		100
	Septimus 156 MT--		100
	Solitude 111 MT-		74
	Stayt 183 MT--		100
	Remaining Extent & Portion 1 of Terblanche 155 MT--		100
	Van Deventer 641 MS-		74
	Wildgoose 577 MS-		74

TENEMENT SCHEDULE CONTINUED

Project name	Tenement number	Location	Interest %
Mopane Project*	Ancaster 501 MS--	Limpopo~	100
	Banff 502 MS-		74
	Bierman 599 MS-		74
	Cavan 508 MS		100
	Cohen 591 MS--		100
	Remaining Extent, Portions 1 & 2 of Delft 499 MS-		74
	Dreyer 526 MS--		74
	Remaining Extent of Du Toit 563 MS-		74
	Faure 562 MS		74
	Remaining Extent and Portion 1 of Goosen 530 MS --		74
	Hermanus 533 MS-		74
	Jutland 536 MS--		100
	Krige 495 MS-		74
	Mons 557 MS-		100
	Remaining Extent of Otto 560 MS (Now Honeymoon)-		74
	Remaining Extent & Portion 1 of Pretorius 531 MS-		74
	Schalk 542 MS-		74
	Stubbs 558 MS-		100
	Ursa Minor 551 MS--		74
	Van Heerden 519 MS--		74
	Portions 1, 3, 4, 5, 6, 7, 8, 9, Remaining Extent of Portion 10, Portions 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 26, 27, 29, 30, 35, 36, 37, 38, 39, 40, 41, 44, 45, 46, 48, 49, 50, 51, 52 & 54 of Vera 815 MS		74
	Remaining Extent of Verdun 535 MS-		74
	Voorburg 503 MS—		100
	Scheveningen 500 MS-		74
Uitkomst Colliery and prospects	Portion 3 (of 2) of Kweekspruit No. 22	KwaZulu-Natal~	70
	Portion 8 (of 1) of Kweekspruit No. 22		70
	Remainder of Portion 1 of Uitkomst No. 95		70
	Portion 5 (of 2) of Uitkomst No. 95		70
	Remainder of Portion1 of Vaalbank No. 103		70
	Portion 4 (of 1) of Vaalbank No. 103		70
	Portion 5 (of 1) of Vaalbank No. 103		70
	Remainder of Portion 1 of Rustverwacht No. 151		70
	Remainder of Portion 2 of Rustverwacht No. 151		70
	Remainder of Portion 3 (of 1) of Rustverwacht No. 151		70
	Portion 4 (of 1) Rustverwacht No.151		70
	Portion 5 (of 1) Rustverwacht No. 151		70
	Remainder of Portion 6 (of 1) of Rustverwacht No. 151		70
	Portion 7 (of 1) of Rustverwacht No. 151		70
	Portion 8 (of 2) of Rustverwacht No. 151		70
	Remainder of Portion 9 (of 2) of Rustverwacht No. 151		70
	Portion 11 (of 6) of Rustverwacht No. 151		70

Project name	Tenement number	Location	Interest %
	Portion 12 (of 9) of Rustverwacht No. 151		70
	Portion 13 (of 2) of Rustverwacht No. 151		70
	Portion 14 (of 2) of Rustverwacht No. 151		70
	Portion 15 (of 3) of Rustverwacht No. 151		70
	Portion 16 (of 3) of Rustverwacht No. 151		70
	Portion 17 (of 2) of Rustverwacht No. 151		70
	Portion 18 (of 3) of Waterval No. 157		70
	Remainder of Portion 1 of Klipspruit No. 178		70
	Remainder of Portion 4 of Klipspruit No. 178		70
	Remainder of Portion 5 of Klipspruit No. 178		70
	Portion 6 of Klipspruit No. 178		70
	Portion 7 (of 1) of Klipspruit No. 178		70
	Portion 8 (of 1)of Klipspruit No. 178		70
	Portion 9 of Klipspruit No. 178		70
	Remainder of Portion 10 (of 5) of Klipspruit No. 178		70
	Portion 11 (of 5) of Klipspruit No. 178		70
	Portion 13 (of 4) of Klipspruit No. 178		70
	Remainder of Portion 14 of Klipspruit No. 178		70
	Portion 16 (of 14) of Klipspruit No. 178		70
	Portion 18 of Klipspruit No. 178		70
	Portion 23 of Klipspruit No. 178		70
	Remainder of Portion 1 of Jackhalsdraai No. 299		70
	Remainder of Jericho B No. 400		70
	Portion 1 of Jericho B No. 400		70
	Portion 2 of Jericho B No. 400		70
	Portion 3 of Jericho B No. 400		70
	Remainder of Jericho C No. 413		70
	Portion 1 of Jericho C No. 413		70
	Remainder of Portion 1 of Jericho A No. 414		70
	Remainder of Portion 2 (of 1) of Jericho A No. 414		70
	Portion 3 (of 1) of Jericho A No. 414		70
	Portion 4 (of 1) of Jericho A No. 414		70
	Portion 5 (of 2) of Jericho A No. 414		70
	Portion 6 (of 1) of Jericho A No. 414		70
	The Farm Margin No. 420		70
Vele Colliery and prospect	Portions of Overvlakte 125 MS (Remaining Extent, 3, 4, 5, 6, 13, 14)	Limpopo~	100
	Bergen Op Zoom 124 MS		100
	Semple 155 MS		100
	Voorspoed 836 MS		100
	Alyth 837 MS		100
Tshikunda	Certain portions of unsurveyed state land known as Mutale	Limpopo~	60

* Form part of the GSP

\- Lapsed – Mining Right application lodged

-- Valid – Mining Right application lodged

~ Tenement located in the Republic of South Africa

^ Tenement located in Australia

\# MC Mining's interest will reduce to 69% on completion of the 26% Broad-based BEE transaction

SHAREHOLDER INFORMATION

Top 20 shareholders

	Shareholders	Number of shares	%
1	M & G Investment Management Limited	23,346,347	16.57
2	Haohua Energy International (Hong Kong) Resource Co, Limited	23,120,879	16.41
3	Yishun Brightrise Investment PTE Limited	21,413,462	15.20
4	Pan African Resources, Plc	13,064,382	9.27
5	Summer Trees Pte Limited	12,894,230	9.15
6	TMM Holdings (Pty) Limited	10,750,000	7.63
7	Investec Group	6,490,680	4.61
8	ArcelorMittal S.A.	6,306,672	4.48
9	Jun Liu	3,347,535	2.38
10	Barclays, Plc.	2,072,638	1.47
11	Vitol Energy (Bermuda), Limited	1,217,330	0.86
12	Y He	921,499	0.65
13	Shinning Capital Holdings II LP	706,750	0.50
14	HSBC Holdings Plc	517,932	0.37
15	Jan Albert Van Der Merwe	451,524	0.32
16	Ping He	443,444	0.31
17	Justin Collen	379,800	0.27
18	Carla Ferreira	334,455	0.24
19	Jannie Abraham Nel	250,000	0.18
20	National Financial Services Private Clients	237,279	0.17

Substantial shareholders

1	M & G Investment Management Limited	23,346,347	16.57
2	Haohua Energy International (Hong Kong) Resource Co, Limited	23,120,879	16.41
3	Yishun Brightrise Investment PTE Limited	21,413,462	15.20
4	Pan African Resources, Plc	13,064,382	9.27
5	Summer Trees Pte Limited	12,894,230	9.15
6	TMM Holdings (Pty) Limited	10,750,000	7.63

GLOSSARY OF TERMS AND ACRONYMS

$	United States dollar
AGM	Annual General Meeting
AIM	Alternative Investment Market
ASX	Australian Securities Exchange
BEE	Black Economic Empowerment
BOA	Biodiversity Offset Agreement
Boabab	Baobab Mining and Exploration (Pty) Limited
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash generating units
CPR	Competent Persons Report
CRIRSCO	Committee for Mineral Reserves International Reporting Standards
DEA	Department of Environmental Affairs
DMR	Department of Mineral Resources
DWS	Department of Water and Sanitation
EA	Environmental Authorisation
ECLs	Expected Credit Losses
EMC	Environmental Management Committee
EMP	Environmental Management Plan
EMPr	Environmental Management Programme
EMS	Environmental Management System
EPC	Engineering, procurement and construction
ESDP	Enterprise and Supplier Development Programme
ESOP	Employee Share Option Plan
FEED	Front end engineering and design
GSP	Greater Soutpansberg Project
GTIS	Gross tonnes *in situ*
HCC	Hard coking coal
HDCTC	Huadong Coal Trading Center Co, Limited
HDSA	Historical disadvantaged South African
HEI	Haohua Energy International (Hong Kong) Resource Co, Limited
ICMM	International Council on Mining and Metals
IDC	Industrial Development Corporation of South Africa Limited
IFRS	International Financial Reporting Standards
IMPLATS	Impala Platinum Holdings Limited
IWUL	Integrated Water Use License
JORC Code	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
JSE	Johannesburg Stock Exchange
Khethekile	Khethekile Mining (Pty) Limited
KPI	Key performance indicators
LEDET	Limpopo Department of Economic Development, Environment and Tourism
LMF	Last Mile Fund (Pty) Limited
LoM	Life-of-mine
LSE	London Stock Exchange
LTI	Lost time injury
LTIFR	Lost time injury frequency rate
MCM	MC Mining Limited
MCoL	Makhado Centre of Learning
merSETA	Manufacturing, Engineering and Related Services Sector Education and Training Authority
MPRDA	Mineral and Petroleum Resources Development Act
Mt	Million tonnes
Mpta	Million tonnes per annum
MQA	Mining Qualification Authority
MTIS	Mineable tonnes *in situ*
NDP	National Development Plan
NEMA	National Environmental Management Act
NIHL	Noise induced hearing loss
NOMR	New Order Mining Right
NWA	National Water Act
OEL	Occupational exposure limits
ROM	Run-of-mine
SACNASP	South African Council for Natural Scientific Professions
SAIMM	South African Institute of Mining and Metallurgy
SAMREC	South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves
SANParks	South African National Parks
SEZ	Special Economic Zone
SLP	Social and Labour Plan
SMS	Stakeholder Management System
SVM	Sustainable Value Model
t	Tonnes
TTIS	Total tonnes *in situ*
Uitkomst	Uitkomst Colliery (Pty) Limited
VWAP	Volume weighted average price

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