



**CONDENSED
GROUP AUDITED
FINANCIAL RESULTS
FOR THE YEAR ENDED
30 JUNE 2021**





Minergy Limited

(Incorporated in accordance with the laws of Botswana)

(Company Number: BW00001542791)

www.minergycoal.com

("Minergy" or "the Company")

Minergy achieved record breaking production and sales during the year, despite operational constraints resulting from the impact of COVID-19 restrictions on logistics, excessive rain, and the consequences of delays in concluding funding. The Company has made great strides towards nameplate capacity despite trying conditions and expects to reach consistent steady-state levels of production in the 2022 financial year.

OVERVIEW OF THE 2021 FINANCIAL YEAR

The main features of the 2021 financial year are summarised by quarter as follows:

- Quarter 1:** A recovery in production and processing levels on the back of the reopening of economies post initial COVID-19 lockdowns.
- Quarter 2:** The successful completion of the rail siding, facilitating the export of coal via rail, and commissioning of Stage 2 of the coal handling and preparation plant ("CHPP") crushing section. Delays were experienced in concluding funding, creating restrictions on operations by contractors managing arrears together with further COVID-19 implications on cross-border logistics, reducing the production and sale of product. The international pricing of coal showed a recovery from low COVID-19 levels.
- Quarter 3:** Production and sales during most of this quarter was heavily impacted by extraordinarily high rainfall experienced in Botswana, which was exacerbated by tropical storm Eloise moving through the region. Positive COVID-19 cases were recorded on the mine for the first time with associated impacts on production such as lost shifts. There was, however, a continued recovery of international seaborne thermal coal prices.
- Quarter 4:** A stable production environment yielded increased production volumes, nearing nameplate capacity as well as increases in sales underpinned by a bullish market.



HIGHLIGHTS OF THE 2021 FINANCIAL YEAR

FINANCIAL

- ▶ Revenue, which includes transport recoveries, increased by 139% to P193 million (2020: P81million).
 - ▶ Net cash used in operating activities improved to P36.5 million.
 - ▶ Debt funding amounting to P125 million was secured.
-

OPERATIONAL

- ▶ Mining and plant throughput volumes increased by 50% and 37% respectively.
 - ▶ Coal sales increased to 416 185 tonnes.
 - ▶ Additional off-take agreement concluded.
 - ▶ Commissioning of rigid crushing section completed.
 - ▶ Dewatering circuit and filter press commissioned, reducing water usage by 60% per tonne of coal.
-

HEALTH AND SAFETY

- ▶ More than 1 000 days since mine inception with zero injuries, no lost time or fatalities.
 - ▶ Mine recorded 60 positive COVID-19 cases with no loss of life.
 - ▶ COVID-19 plan remains in place, which has allowed for effective management.
-

SOCIAL

- ▶ 95% of workforce is Batswana.
- ▶ Corporate social responsibility remains core to Minergy for communities in and around the mining area.
- ▶ Implementation of a Citizen Economic Empowerment Plan.



STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

Figures in Pula

	2021	2020
ASSETS		
Non-current assets		
Property, plant and equipment	390 835 008	340 602 189
Deferred tax asset	68 103 074	39 095 799
	458 938 082	379 697 988
Current assets		
Inventories	42 632 873	48 355 150
Trade and other receivables	40 941 636	13 960 609
Cash and cash equivalents	911 485	1 712 055
	84 485 994	64 027 814
Total assets	543 424 076	443 725 802
EQUITY AND LIABILITIES		
Capital and reserves		
Stated capital	165 563 026	165 563 026
Accumulated loss	(245 269 838)	(139 695 949)
Other reserves	23 676 115	17 258 242
Equity attributable to owners of the parent	(56 030 697)	43 125 319
Total equity	(56 030 697)	43 125 319
Non-current liabilities		
Borrowings	365 377 304	252 348 149
Rehabilitation provision	82 498 832	69 760 293
	447 876 136	322 108 442
Current liabilities		
Borrowings	17 967 584	7 913 719
Trade and other payables	133 611 053	70 578 322
	151 578 637	78 492 041
Total liabilities	599 454 773	400 600 483
Total equity and liabilities	543 424 076	443 725 802



STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

Figures in Pula

	2021	2020
Revenue	192 948 727	80 650 039
Cost of sales	(255 579 306)	(149 918 714)
Gross loss	(62 630 579)	(69 268 675)
Other income	254 091	97 614
Operating expenses	(23 107 529)	(31 093 212)
Operating loss	(85 484 017)	(100 264 273)
Finance income	93 612	101 097
Finance costs	(50 520 479)	(17 458 743)
Loss before income tax	(135 910 884)	(117 621 919)
Income tax	29 007 275	25 749 223
Loss for the year	(106 903 609)	(91 872 696)
Other comprehensive income for the year	—	—
Total comprehensive loss for the year	(106 903 609)	(91 872 696)
Total comprehensive loss attributable to:		
Owners of the parent	(106 903 60)	(91 872 696)
Non-controlling interest	—	—
	(106 903 609)	(91 872 696)
Loss per share (thebe)	(22.75)	(20.69)
Diluted loss per share (thebe)	(22.75)	(20.69)



STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

Figures in Pula	Stated capital	Accumulated loss	Other reserves	Total equity
Balance at 1 July 2019	130 563 026	(48 675 336)	2 063 988	83 951 678
Total comprehensive loss	—	(91 872 696)	—	(91 872 696)
Transactions — owners in their capacity as owners of equity				
Subscription for shares	38 500 000	—	—	38 500 000
Share issuance costs on subscription	(3 500 000)	—	—	(3 500 000)
Borrowings — conversion option reserve	—	852 083	15 928 522	16 780 605
Share-based payment expense	—	—	(734 268)	(734 268)
Balance at 1 July 2020	165 563 026	(139 695 949)	17 258 242	43 125 319
Total comprehensive loss	—	(106 903 609)	—	(106 903 609)
Transactions — owners in their capacity as owners of equity				
Borrowings — conversion option reserve	—	—	7 381 764	7 381 764
Share-based payment expense	—	1 329 720	(963 891)	365 829
Balance at 30 June 2021	165 563 026	(245 269 838)	23 676 115	(56 030 697)



STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

Figures in Pula

	2021	2020
Cash flows from operating activities		
Cash utilised in operations	(35 675 470)	(98 301 534)
Finance costs paid	(796 809)	(6 856 583)
Net cash used in operating activities	(36 472 279)	(105 158 117)
Cash flows from investing activities		
Purchase of property, plant and equipment	(19 357 819)	(39 893 316)
Finance income	93 612	101 097
Net cash utilised in investing activities	(19 264 207)	(39 792 219)
Cash flows from financing activities		
Proceeds from borrowings	62 500 000	152 283 310
Repayment of borrowings	(7 564 084)	(5 915 004)
Net cash from financing activities	54 935 916	146 368 306
Total cash movement for the period	(800 570)	1 417 970
Cash at the beginning of the period	1 712 055	294 085
Total cash at end of the period	911 485	1 712 055



FINANCIAL REVIEW

For the 2021 financial year, the Company generated revenue of P193 million (2020: P81 million), incurred costs of sales of P256 million (2020: P150 million) and operating costs of P23 million (2020: P31 million), resulting in an operating loss of P86 million (2020: P100 million). Finance costs of P51 million (2020: P17 million) were incurred, bringing the net loss before taxation to P136 million (2020: P117 million). Financial performance during the 2021 financial year can be divided into two distinct periods with very different operating environments, namely:

- ▶ the first eight-month period (July 2020 – February 2021), which was negatively impacted by delayed funding, COVID-19 impacts and excessive rain; and
- ▶ the last four-month period (March – June 2021), which was a more stable production environment moving toward nameplate capacity.

The adverse conditions in the first eight-month period contributed to 86% of the total gross loss. The stable four-month period alone contributed to 50% of total sales value, which helped decrease monthly gross losses, albeit below breakeven levels.

Initially production and sales recovered in July and August 2020, with the easing of COVID-19 restrictions and was bolstered by the successful opening of the rail siding. However, as noted above, mining and plant throughput challenges impacted sales output.

Heavy rain experienced from December 2020 to February 2021 flooded the mine pits, affecting production and made mine accessibility difficult, also impacting sales. The rain subsided in March 2021, and Minergy entered a more stable environment with a positive impact on operations. Good recoveries in production and sales were experienced during the last four-month period of the year, moving closer toward breakeven.

The first tranche of additional funding provided by the Minerals Development Company Botswana (Proprietary) Limited (“MDCB”) was received in December 2020, which allowed Minergy to settle the majority of the contractor’s arrears at the time and allowed for their teams to be remobilised.

COAL SALES PERFORMANCE

During the financial year Minergy sold 416 185 tonnes (2020: 198 057 tonnes), a 110% increase compared to the previous year, supported by increased sales in Botswana and internationally in South Africa and Namibia. Sales for June 2021 exceeded 56 000 tonnes, a record since inception. Average sales pricing back on the mine increased late in the financial year on the back of buoyant international prices and a strengthening South African Rand.

ADDITIONAL OFF-TAKE AGREEMENTS

Minergy has added a further 12-month off-take agreement to the off-take agreements already in place.



MINING AND PLANT PERFORMANCE

Mining performance was initially impacted by the delayed conclusion of funding, which took longer than expected. As a consequence, the contractor had to manage arrears which culminated in limiting mining teams to coal extraction, sacrificing pre-stripping. Unfortunately, once funding was secured and accelerated operations commenced, the mine was subjected to excessive flooding resulting from unusually high rainfall.

The operational impacts were exacerbated by COVID-19, with one daily mining shift lost, reducing operations to 50% capacity in February 2021. From March 2021 mining and plant operations normalised, achieving increased volumes. Overburden removed during the reporting period increased by 86% to 2.6 million m³ and extracted coal increased by 50% to 665 964 tonnes. Coal mined in June 2021 alone exceeded 100 000 tonnes.

The wash plant was starved of coal due to the factors noted above. Despite this, overall plant throughput performance was 37% higher than 2020 with 674 712 tonnes. Consistent output was supported by the completion of the Stage 2 rigid crushing section as well as the water saving dewatering screen with filter press contributing to a record output of more than 84 000 tonnes achieved in March 2021.

FUNDING

Minergy is pleased to announce that P125 million of additional convertible debt funding was secured through the MDCB. The final tranche was paid post the financial year-end with the earlier tranche received in December 2020. This final and critical debt funding will allow the business to reach nameplate capacity in the 2022 financial year.

In conjunction with the major funders, Minergy has also successfully restructured its debt to support stabilised mining operations. Minergy continues to assess strategic investment partners to fund growth opportunities and to ensure operational sustainability of the Masama Coal Mine.

The capital raise, as approved by shareholders in February 2021, is gaining momentum with positive developments expected.

COST OF SALES

Mining costs (57%) make up the bulk of the cost of sales. Production in the last four-month period showed significant improvement but at additional cost. It is worth noting that transport costs are recorded in cost of sales but is recovered in and reflected in sales. There was a notable increase in cost incurred to maintain the roads in and from the mine including dust suppression, grading and rebuilds. Non-cash depreciation increased with increased volumes. Additional staff has been appointed to support the increase in volumes and to comply with regulatory requirements.



OPERATING EXPENSES

Overall operating expenditure was well managed and showed a decrease from the prior year. Significant reductions included the following:

- ▶ salary cuts were taken by management;
- ▶ holding company management and consulting services were reduced and eventually terminated;
- ▶ preparatory international exchange listing costs were incurred in the prior year but not in the current year with the postponement of the listing; and
- ▶ mine development costs, such as road development and electrification, were expensed in the prior year but not in the current year.

FINANCE COSTS

Finance costs of P51 million were incurred during the financial year compared to P17 million in the prior year. The increase resulted from the following events:

- ▶ funding from the 2020 financial year now carried the full 12-month cost whilst the prior year only covered a pro rata portion;
- ▶ capitalisation of borrowing costs ceased at the end of December 2020 where the previous financial year carried a full 12-month capitalisation
- ▶ the additional P63 million funding received in December 2020;
- ▶ from April 2021 finance costs were incurred on the Build, Own, Operate, Transfer (“BOOT”) plant facility typical to an instalment sale agreement with the majority of the plant completed; and
- ▶ from April 2021 finance costs also increased with the revision of a funder’s interest rate, emanating from the debt restructuring agreement.

INVESTMENT IN PROPERTY PLANT AND EQUIPMENT (“PPE”)

Increased investment in PPE was mainly driven by additions to the washing plant, as financed through the BOOT capital agreement with Johdee Mineral Processing (Pty) Ltd. With the commissioning of the front-end crushing section, the dewatering circuit and filter press, as well as the work in progress on the back-end screening section progressing, the plant’s overall value increased by P26 million. Other large acquisitions included the non-cashflow increase in the rehabilitation asset of P9 million, P8 million for mine development asset (plant civil works, power reticulation and water reticulation), P3 million for plant and machinery (mobile screen) and P1 million for motor vehicles (mine LDVs).

DEBTORS

Debtor and credit risk management remains a high priority and continue to run at 30 days with no credit losses recorded to date. The accounts, however, include a required non-cashflow IFRS provision for credit losses.



PROVISION FOR REHABILITATION

As part of the financial year-end, the cost of rehabilitation was reassessed and revised from P70 million at the end of last financial year, to P82 million in the current financial year. Ongoing rehabilitation continues.

GOING CONCERN

In-light of the progress made towards nameplate capacity at the year-end, and the future outlook, the directors are confident that the Group will be successful in achieving its goals and will have sufficient funds to meet its obligations. The assumptions pertaining to the going concern can be found in section 11 of the Directors Report in the Integrated Annual Report 2021 that will be available by mid-October 2021.

COVID-19

The COVID-19 pandemic continues to disrupt border crossings and manning of full production shifts but thankfully, despite recording a total of 60 cases during the financial year, no fatalities were recorded, with all those infected making a full recovery. Minergy continues to be diligent, vigilant, and dedicated to the health and safety of employees.

FUTURE FOCUS AND OUTLOOK

Completion of Stage 4 of the Processing Plant (Rigid Screening and Stock Handling section) remains a key optimisation step which has associated operational benefits. The completion was unfortunately delayed by a southern Africa wide shortage of structural steel but has been commissioned post year end. The plant is now fully constructed and functioning.

Minergy expects the positive momentum in international coal pricing for southern African coal to remain. Higher coal prices have resulted in coal being withdrawn from the inland market and redirected to the international seaborne thermal coal markets. The regional market is currently under supplied which supports higher pricing and new customer opportunities.

The objective for the 2022 financial year is to achieve nameplate capacity by completing final ramp-up of operations and supporting required steady state volumes. This will enable the Company to generate sufficient cash flow to stabilise the business at breakeven or better. The bullish coal market is also providing support. COVID-19 will still be closely managed. We look forward to the lifting of the State of Emergency, as announced , and we trust that vaccination programmes will achieve herd immunity in Botswana during the next 12-months.

A listing in London is being investigated further.

The Eskom due diligence process is gaining momentum and Minergy is hopeful of receiving feedback during the current calendar year.

Minergy is also investigating participation in the request by the Botswana Government to provide a 300MW power station and has been shortlisted.



CHANGES TO THE BOARD OF DIRECTORS

There were a few Board changes during the year under review as communicated to the market when these occurred.

Mr. Jean-Pierre van Staden's resignation as Chief Financial Officer ("CFO") and Executive Director in April 2021 led to the appointment of Mr. Julius Ayo as Acting CFO on 6 May 2021.

On 31 May 2021, after having served as Minergy's inaugural Chief Executive Officer ("CEO") at its listing in 2017 and later becoming a Non-executive Director, Mr. André Bojé resigned his directorship and consulting positions.

Mr. Leonard Makwinja was appointed as a Non-executive Director on 1 June 2021, and we look forward to him contributing his significant international mining experience, as well as in-depth engineering, logistics and leadership experience.

CONTINGENT LIABILITY

The Company has provided securities in the normal course of business for the funding facilities of the subsidiary.

BASIS OF PREPARATION

The consolidated group financial statements have been prepared in accordance with the framework, concepts, and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), and financial pronouncements as issued by the International Accounting Standards Board. The signed audit report of the independent auditor on the summary financial statements is presented as a separate attachment to this announcement. The audited full year consolidated financial statements were prepared by the Acting CFO, Julius Ayo (Bachelor of Accounting ("BACC") and Association of Certified Chartered Accountants ("ACCA")) under the supervision of the CEO, Morné du Plessis CA(SA), and approved by the Board of Directors on 21 September 2021. The accounting policies adopted are consistent with those of the previous financial year.

On behalf of the Board

Mokwena Morulane

Non-executive Chairman

Morné du Plessis

Chief Executive Officer

27 September 2021



CORPORATE AND GENERAL INFORMATION

CORPORATE INFORMATION

REGISTRATION NUMBER

BW00001542791

REGISTERED OFFICE AND BUSINESS ADDRESS

Minergy Limited
Unit 2, Ground Floor, Building 3
Pinnacle Park, Setlhoa
Plot 75782
Gaborone, Botswana
Tel: +267 397 2891, Fax: +267 397 2893

POSTAL ADDRESS

PO Box 2330 ABG
Broadhurst
Gaborone, Botswana

COMPANY SECRETARY

Desert Secretarial Services (Pty) Ltd
Tel: +267 7329 7384

WEBSITE

www.minergycoal.com

SPONSORING BROKER

Imara Capital Securities (Pty) Ltd

TRANSFER SECRETARIES

Corpserve Botswana

ATTORNEYS

Akheel Jinabhai & Associates

BANKERS

RMB Botswana

AUDITORS

Grant Thornton (Botswana)
Certified auditors of public interest entities

GENERAL INFORMATION

COUNTRY OF INCORPORATION AND DOMICILE

Botswana

NATURE OF THE BUSINESS

The Group is invested in the exploration, development, mining and trading of sized thermal coal, primarily for sale into the industrial market. The quality and size of the Minergy coal resource is suitable to expand into the supply of coal for the power generation sector and for seaborne export.

DIRECTORS

M Morulane
L Tumelo
C de Bruin
M du Plessis
C Kgosiile
L Makwinja (appointed 1 June 2021)

LEVEL OF ASSURANCE

The financial statements have been audited in compliance with the applicable requirements of the Companies Act of Botswana (CAP 42:01).

PREPARER

The audited full year consolidated financial statements were prepared by the Acting Chief Financial Officer, Julius Ayo (Bachelor of Accounting ("BACC") and Association of Certified Chartered Accountants ("ACCA")) under the supervision of the Chief Executive Officer ("CEO"), Morné du Plessis, CA(SA).