



Minergy Limited
(Incorporated in accordance with the laws of Botswana)
(Company Number: BW00001542791)
www.minergycoal.com
("Minergy" or "the Company")

MINERGY – CAUTIONARY ANNOUNCEMENT

In accordance with section 5.4 of the Listing Requirements of the Botswana Stock Exchange ("BSE"), Minergy Limited (share code: MIN) is required to announce through the BSE and in the press, any circumstances or events that may have an effect on the financial results of the Company. In addition companies must publish a cautionary announcement as soon as they are satisfied that a reasonable degree of certainty exists that the expected profit or loss (before tax) for the period to be reported upon next will differ by at least 10% to the corresponding comparative period.

Minergy is currently finalising results for the six months ended 31 December 2020 ("interim period"), which are expected to be released through the BSE during the week of 15 March 2021. The corresponding comparative period for this cautionary announcement is the six months ended 31 December 2019 ("previous interim period").

During the six-months ended 31 December 2020, the Group continued operating below break-even levels resulting in strain on working capital and its ability to continue its ramp-up to steady state levels. The Company achieved higher production and sales volumes during the interim period when compared to the previous interim period, including sending its first coal via rail to South Africa and the fulfilment of coal delivery to the Namibian Power Corporation in accordance with tender terms. The interim period was however affected by significant challenges resulting from COVID-19, short term funding constraints arising from a delay in obtaining additional funding and related plant and mining operational difficulties.

The reported loss before tax for the previous interim period was P56.5 million. The Board of Minergy advises shareholders that the loss before tax for the interim period will be between 20% and 40% higher than the previous interim period. This equates to an additional loss before tax of between P11.4 million and P22.7 million for the interim period ended 31 December 2020.

The reported headline loss per share ("HEPS") and loss per share ("LPS") calculated on losses after tax for the previous interim period was 10.19 thebe. The Company's HEPS and LPS for the interim period is expected to increase by between 10% and 30%.

The increased loss before tax is attributable to:

- continued pressure on gross margins, albeit that the gross loss margin has reduced significantly due to a lower unit cost (driven mainly by higher sales volumes);
- an increase in finance costs as a result of additional debt to fund the operational ramp-up and further mine development; and
- offset by a saving in other operating expenses due to cost containment initiatives and exchange gains resulting from the strengthening of the South African Rand (being the currency in which almost all sales are denominated).

The Company requires additional funding, to fund cash and working capital shortfalls arising from the COVID-19 pandemic and the related slower operational ramp up to steady-state production levels also affected by excessive rainfall.

The Company has achieved several important milestones during the interim period, including the continuation of production and successful evacuation and sale of coal to customers in Botswana, South Africa and Namibia, during a severely depressed and COVID-19 affected market. This enabled it to protect the meaningful market share that it had established. Obtaining additional debt funding at the end of the interim period under review enables the Company to boost its ramp-up activity in the second half of the financial year.

The Company has a history of successful debt and capital raisings to meet its funding requirements. The raising of additional equity funding has been approved by shareholders and the process of seeking interested investors is underway.

Shareholders are therefore advised to exercise caution when dealing in the Company's shares. The financial information on which this cautionary announcement is based has not been audited by the Company's external auditor.

Morné du Plessis
Chief Executive Officer
12 March 2021

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