



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

MARKET UPDATE

UPDATE AND OPERATIONAL BACKGROUND

Minergy Limited is providing the market with this voluntary update as it has entered a closed period. The closed period will end when the full year results for the year ended 30 June 2021 are released, which is expected to be during the week of 27 September 2021. Minergy will update the market by means of a cautionary announcement which will be followed by the full year results and commentary.

This update is aimed at supplementing the commentary released with the publication of the interim results for the six months ended 31 December 2020 completing the full year update. This update also provides a high-level update on the six-month period ending 30 June 2021 ("the last six-month period").

The last six-month period is characterised by two distinct chapters:

- The first two months were heavily impacted by extraordinarily high rainfall in Botswana as tropical storm Eloise moved through region, resulting in interrupted operations from pit flooding, impassable roads, and other related operational challenges;
- A stable production environment during the following four months yielded increased production volumes, albeit just short of nameplate capacity, as well as an increase in sales in an exceedingly receptive and bullish market.

A further achievement in the last six-month period was the commissioning of additional water management infrastructure, being the dewatering circuit and filter press, where water recovery has exceeded expectations.

These achievements were reached, notwithstanding short-term funding constraints arising from a delay in finalising funding that impacted Minergy's ability to move beyond breakeven and nameplate capacity volumes.

COAL SALES

Minergy is pleased to report that it exported more than 615,000 tonnes of coal in a 22-month period from late 2019, notwithstanding that this period included three months of halted operations due to COVID-19. Sales volumes for the 2021 financial year have doubled from the prior year. Record sales volumes were achieved in May 2021 and surpassed in June 2021.

With operations nearing nameplate capacity, this supported increased local sales in Botswana and internationally in South Africa and Namibia. A further 12-month off-take agreement was signed, supplementing the existing three-year off-take agreement in place. Both these off-take agreements are to operators in the South African cement industry. Additional off-takes are currently being negotiated, including for the larger fraction products.

Minergy has benefited from the price momentum of a burgeoning commodity market, including South African coal which has seen the highest export coal pricing in a decade. In addition, average pricing has increased from a stronger South African Rand which resulted in higher Pula recovered prices at the mine in the last six-month period and a better product mix featuring larger fraction products.

HEALTH AND SAFETY

Minergy continues to uphold an outstanding safety record, with more than 1 000 days since mine inception with zero injuries. COVID-19 remains stringently managed according to a COVID-19 action plan in place, which is thoroughly implemented. The mine has recorded around 50 positive cases with no loss of life and the impact on operations were effectively managed.

FUNDING

Minergy is pleased to announce that additional convertible debt funding was secured through the Minerals Development Company Botswana (Proprietary) Limited (“MDCB”) amounting to P125 million as was previously reported. Of this amount:

- 50% was drawn down in December 2020; and
- The balance transferred in July 2021.

This final and critical funding will allow the business to reach nameplate capacity.

In conjunction with the major funders, Minergy has successfully restructured its debt to support a stabilised mining operation.

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.

OUTLOOK

Completion of Stage 4 of the Processing Plant (Rigid Screening and Stock Handling section) remains a key operations optimisation step to be completed. The completion was unfortunately delayed as a result of a Southern African wide shortage of structural steel and is expected to be completed during August 2021. Completing this final stage will provide additional material handling and associated processing costs savings and stabilise supply at nameplate capacity.

Minergy expects the momentum in the international coal pricing for southern Africa coal to remain in place. Higher coal prices have resulted in coal being withdrawn from the inland market to the attractively priced international markets. The regional market is currently under supplied which supports pricing and new customer opportunities.

The objective for the 2022 financial year is to achieve nameplate capacity during this calendar year by completing final ramp-up of operations. This will enable the Company to generate sufficient cash flow to stabilise the business and break even or better. The bullish coal market is also providing support.

Minergy remains optimistic that the COVID-19 vaccine will stem the rampant spread of the virus in Botswana. To date Botswana has administered 150,000 vaccines and continues the roll out as vaccines become available. However, the current third wave in South Africa does pose a risk in terms of cross border logistics.

The booming commodity markets have allowed Minergy to reconsider a listing in London, with evaluations currently taking place to understand the best way to achieve this.

The Eskom due diligence process is gaining momentum and Minergy’s looks forward to closing this out during the current calendar year.

FINANCIAL EFFECTS

Minergy reported a loss for the half year ended 31 December 2020. As operations continued below breakeven on the journey towards nameplate capacity further operating losses are as expected, albeit at lower levels with better cost recoveries at increased volumes, especially during the latter part of last six-month period. A cautionary announcement will be issued once the financial year results have been audited and reviewed.

COMMUNITY SUPPORT AND INVOLVEMENT

Minergy takes community relations seriously and the success of the mine has been supported by the goodwill received from communities, government, and regional governing structures. There are many good stories of entrepreneurship, support for the local school and growth in the nearby village and surrounding areas. The Company recognises Minergy's responsibility to mine and operate responsibly and will continue to do so together, and with stakeholder support to the benefit of the community.

By Order of the Board

Morné du Plessis
Chief Executive Officer
16 July 2021

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