



Minergy Limited

(Incorporated in accordance with the laws of Botswana)

(Company Number: BW00001542791)

www.minergycoal.com

("Minergy" or "the Company")

MARKET UPDATE AND CHANGE TO THE BOARD OF DIRECTORS

Minergy Limited is providing this voluntary update to the market as it enters a closed period, which will end when the final results for the year ended 30 June 2022 are released. The results are expected to be released towards the end of September 2022. Minergy will then update the market through a cautionary announcement, followed by the release of the final results and associated commentary.

Shareholders are referred to the interim results announcement issued on 16 March 2022 to allow for context and background which covers the first half of the financial year ("H1"). This update provides high-level feedback on the performance, market conditions and developments surrounding the second half ("H2") for the year ended 30 June 2022 ("the full year period").

SALES AND MARKET CONDITIONS

H1 was characterised by the following:

- increasing sales volumes together with improved selling prices and improvements in product mixes as compared to prior periods;
- however, sales volumes and pricing were under pressure late in H1 and the first two months of H2 as a result of:
 - a reduction in sales to key contract customers arising from customer breakdowns constraining off-take and reduced demand related to kiln maintenance early in 2022; and
 - export-destined coal oversupply in the regional market due to the inability of Transnet Freight Rail ("TFR") to manage cable theft, inadequate resources, the allocation of sufficient trains and vandalism.

Against this backdrop, the Company is pleased to report an improvement in market conditions with related volume increases and pricing opportunities.

Although prices had already started to rise, the advent of the Ukraine-Russia war in late February 2022 introduced unprecedented market dynamics not envisaged or seen before. The negative narrative surrounding coal has been abandoned, and coal has been embraced as the go-to energy source in the energy crises arising from the war and the world's pursuit of alternative suppliers of consistent quantities of high-quality thermal coal.

Minergy has benefited from these dynamics with the following notable achievements recorded in the last three months:

- Successfully transported export coal to and loaded two vessels (circa 30,000 tonnes each) on a Free on Board ("FOB") basis from the Walvis Bay port in Namibia;
- Executed the export of two trains from Minergy's siding at Tshele Hills on a Free on Rail ("FOR") basis to the Maputo port;
- Record sales levels achieved in May 2022 benefiting from the abovementioned but also increased demand in the sized market resulting from significant product shortages and undersupply in the market, the complete opposite from late H1 and early H2;
- Marked improvement in the product mix sold exceeding forecasted parameters in favour of more profitable larger-sized fractions and;
- Surges in pricing driven by:
 - export coal pricing entering the sales mix supported by high market prices;
 - partial price increases successfully passed on to local customers on the back of surging input costs relating to diesel and explosives;
 - general market pricing adjustments catering for the shortfall of product in the regional market; and
 - stability in ZAR exchange rate and benefits from selling exports in US\$ for improved back on mine Pula prices.

Minergy is flooded with requests by the industrial and power generation markets to secure supply (locally and internationally), to the extent that all orders cannot be accepted, due to orders exceeding the current nameplate production capacity. The strategy remains to operate at production capacity to maximise sales.

OPERATIONAL UPDATE

As with the sales update, a summary of the main trends from H1 of the 2022 financial year refers:

- stage 4 of the Processing Plant (Rigid Screening and Stock Handling section) was successfully commissioned in October 2021, which completed plant construction. The whole plant operates as designed subject to the availability of coal mined and market demand; and
- improved mining and feed to plant tonnages, supporting nameplate capacity of 125 000 tonnes per month.

The boom experienced in the coal market worldwide has allowed Minergy to position itself to mine and produce at full production capacity, which up until recently had to be managed within the confines of slowing demand experienced in early 2022, excessive inventories and plant limitations.

Capacity was ramped up during the latter half of H2, which includes mobilising additional mining fleet and securing critical spares. Full capacity is expected to be reached in July 2022 and thereafter on a sustainable basis.

Unfortunately, the energy supply crisis significantly negatively impacted Minergy's cost structure, especially the cost of diesel and explosives, which are functioning in hyperinflationary environments. Local consumer price inflation has also climbed sharply, stemming from the above.

FINANCIAL EFFECTS

The remarkable increase in demand for coal and high prices has benefitted Minergy late in H2 on the back of the supply into seaborne exports, directly translating to profitability. On a standalone basis, May 2022 was the first month in Minergy's history in which a profit was achieved at an operational level.

The first half of H2 was negatively impacted by lower demands, as noted, as well as inflationary cost increases, contributing to similar quarterly losses as previously reported for H1. As Minergy concludes its accounting for the full year period, it is expected to achieve improved financial results for the final quarter.

Readers are cautioned to consider the impacts of higher fuel and explosive prices, 127% and 57%, respectively impacting the results. Botswana Consumer Price Index Inflation has surged into double digits, reflecting hyperinflationary pressures and the impact of administered prices, conditions not seen for more than a decade.

HEALTH AND SAFETY

Minergy continues to uphold an outstanding safety record, having had only one minor lost time injury during the period. The Company is grateful to be fatality free on the back of strictly managed health and safety systems.

COVID-19 remains a challenge, with a total of 138 cases reported since the pandemic's start, 78 of which were recorded during the full year period. Thankfully, all staff have fully recovered.

Minergy is committed to providing its workers with a safe work environment. As at the end of the full year period, 89% of employees were fully vaccinated, and a further 8% had received their first vaccine, bringing the total workforce vaccinated to 97%.

OTHER

Minergy was invited to tender for a new 300MW (Net) coal-fired power plant in Botswana, the only bidder with an operational coal mine. The tender was submitted on 27 April 2022 alongside two other competitive bids.

No indication from the Ministry of Mineral Resources, Green Technology and Energy Security ("MMGE") has been received as to when adjudication will be completed. Minergy confidently awaits the outcome.

COMMUNITY SUPPORT AND INVOLVEMENT

The Company recognises Minergy's responsibility to mine and operate responsibly and will continue to do so, along with providing stakeholder support to benefit the community. The Company's contribution to the community, the surrounding areas and Botswana is often not adequately emphasised. Readers are referred to the "Minergy Cares" tab and electronic

brochure on the website for various social investment highlights, which can be accessed by following this link: <https://www.minergycoal.com/wp-content/uploads/2022/03/Minergy-Cares.pdf>.

OUTLOOK

Minergy is executing a business plan aligned to capitalising on the unique opportunity presented within the environment of extraordinary energy shortages, on the back of the world's realisation of reduced dependence on a single energy source, which has led to the recall of coal. During this time, strong relationships with traders and end customers have been forged, which should bode well for future demand.

The opportunity exists to maximise production capacity and sell products at optimum prices. It follows that this will translate into profitability and stable cash flows, ensuring sustainability, decreasing the dependence on debt and increasing the ability to operate within the realm of positive cash flows. Based on interaction with customers and other industry stakeholders, Minergy believes that the strong market for coal will remain at least for the ensuing financial year, if not longer.

The capital structure of the company is heavily skewed to debt funding. Management's prerogative is to actively pursue funding opportunities to align the debt: equity ratios. Focus is given to:

- Refinancing punitive debt arrangements;
- Placing equity, as approved by shareholders in 2021; and
- Pursuing a listing on an international exchange during the 2023 calendar year, subject to appetite and the affordability of such a listing.

These initiatives are in progress, and Minergy believes that the improved demand and general narrative for coal, in the current capital market, provides an opportunity to secure additional investment into the business. With the right partners, the opportunity exists to double capacity, which is saleable in current markets.

DIRECTOR CHANGE AND ACTING CHIEF FINANCIAL OFFICER ("CFO") UPDATE

The Company has received notification of the retirement and related resignation of Claude de Bruin as Non-Executive Director ("NED") and Chairman of the Remuneration and Nominations Committee ("REMCO") with effect on 15 July 2022. Claude is a founding shareholder and was instrumental in the Botswana Stock Exchange listing of Minergy Limited and the establishment of the Company, navigating the set up and rollout of the strategic plan, as an integral part of the team. He has played an essential role as chairman of REMCO, establishing, and implementing related policies and procedures. His efforts, dedication, and strategic inputs are highly valued, and we wish Claude well on his future journey. Leutlwetse Tumelo will replace Claude as Chairman of REMCO with immediate effect.

Shareholders are reminded that Minergy appointed Mr. Julius Ayo as Acting CFO of the Company in 2021. The BSE Regulatory Committee has approved a further extension to 30 April 2023 for the permanent appointment of a CFO.

By Order of the Board

Morné du Plessis
Chief Executive Officer
25 July 2022

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