

Minergy makes good progress with Masama Coal Project

Gaborone, 7 August 2019 – Botswana Stock Exchange (BSE)-listed Minergy Limited, the coal mining and trading company owning 100% of the 390-million tonne Masama Coal Project in the Mmambula Coalfield, today provided the market with an update on the status of the project.

Morné du Plessis, Minergy CEO, said, “We have come such a long way and are pleased with developments at the mine site. We are extremely excited about the future of the project, our ability to supply coal into the region, the highly experienced team responsible for executing the plan, as well as our capacity to contribute towards a viable coal sector in Botswana.”

Operational update

Minergy previously reported in its interim results announcement on 29 March 2019 that mine infrastructure, including extensive civil work, power reticulation, water reticulation systems, access roads, weighbridge offices and workshops, had been completed. The mine box cut was ahead of schedule.

In terms of the mining operation, in excess of 2.2 million m³ of overburden material was moved by July 2019. The level of service and support received from the opencast mining contractor, Jarcon Opencast Mining, is key to this achievement and speaks clearly of their commitment. Furthermore, the mine site and plant are fully electrified.

“During early July 2019, the plant had successfully passed both electricity connectivity and leak tests and we are pleased to report that it is now fully operational, producing saleable coal.” Additions to the plant are ongoing to improve efficiencies and provide consistency in both product quality and sizing.

“The Masama Coal Project has an excellent quality coal product within sustainable coal seams, and as such, has received significant interest from regional companies. Minergy has successfully moved product to South Africa and Namibia.” The smaller Botswana market is also targeted and Minergy believes it will be able to provide competitive pricing.

As a norm the customer will be responsible for logistics of the coal. Minergy will focus on its core strength, which is the marketing of coal. “From our interactions with sub-contractors moving coal on behalf of our customers, they have experienced smooth border transitions. The logistics companies are highly efficient and ensure all paperwork is in place and their agents do pre-clearance at their offices at the border posts,” du Plessis indicated.

The company is not currently focused on supplying coal to the power generation market and will assess this on a case-by-case basis albeit that a business case is developing with the shortfall of coal experienced by the South African Power utility, Eskom. “We have certain coal qualities that are perfect for power producers and this can easily be accessed and utilised in the future,” du Plessis explained.

Production and sales update

No changes have been made to the original mine plan. Minergy has extracted roughly 39,000 tons of coal to date. In excess of 340,000 tons are exposed in the pit, which only needs to be blasted and put through the plant. This equates to roughly three months of feedstock. According to the mine plans, from August this year it is envisaged that Minergy will be mining 110,000 tons run of mine (ROM) per month. The same quantities will be put through the washing plant and this should result in saleable coal of between 70,000 to 80,000 tons, increasing to 100,000 tons per month next year.

It is envisaged that a steady state of operations will be reached in September 2019.

Demand for the product is high as result of the short supply of coal specifically into the South African industrial market. This was confirmed at the recent Coal Industry Day held in Johannesburg on 24 July 2019, where speakers highlighted the decline in South Africa's coal production by 20 million tons from historical volumes. In addition, it is believed that Eskom will suffer a shortfall in coal supply of 470 million tons by 2030. Large players in the sector, Anglo American and South 32, are respectively withdrawing from the coal sector and disposing of their coal assets, meaning the supply will tighten even more.

Minergy is currently exploring various options for offtake, ranging from longer-term agreements for the finer duff product to spot deals for the bigger fractions.

When asked about additional capex, du Plessis indicated that, "The big-ticket items have been spent. These included ensuring the mine had power and water, and that the mine box cut and the processing plant were established. For the next six months all that we foresee is spend on water, new road construction and the maintenance of access and surrounding roads to the mine."

Funding update

The company is pleased to announce that, despite extremely difficult access to funding, it has successfully raised funding of P90 million from the Botswana Development Corporation ("BDC") as well as from the Minerals Development Corporation of Botswana ("MDCB"). The funding is sufficient to bring the mine into production.

Initial funding includes bridging finance provided by both parties amounting to P70 million for a period of six months. This will be refinanced through long-term agreements with both parties. All the necessary regulatory approvals are in place and agreements have been signed with all paperwork completed.

Safety, community involvement and personnel update

Health and safety remain of paramount importance and the company is pleased to announce that there have been no reportable incidents since mine development began in September 2018. Focus is placed on near-misses and safety protocols are enforced on site.

Community relations are managed through consistent communication. Minergy observed the dire need in the villages surrounding the mining operation, and to this end is committed, with its contractors, to converting training into practical skills. Training is currently mainly related to machine operators. Once production increases it will include a host of new skills training, with skills transfer

again being the ultimate objective. Minergy directly and indirectly employs in excess of 250 people, 92% of whom are local citizens. Approximately one-third is from the local Kweneng district.

The village of Medie was due to get electricity in 2023/24. As part of Minergy's corporate and social investment programme it has paid for electricity connectivity to the village and will continue to do so in critical areas such as the clinic, kgotla and the school.

"We have a remarkable team in place who share core objectives. These include that Minergy must in the medium term ensure stable cash flows, productivity, quality and product. There is blue sky opportunity for Minergy to increase production and supply the export market, but the building of the Lephalale rail link and export price are two factors that are outside of our control. It's prudent for us to focus on our strengths and ensure that customers are well serviced and receive quality coal, said du Plessis."

He added that the Minergy team members are the quintessential part of the project. "I am very glad and blessed to have this team in place," du Plessis added, going on to reiterate that every effort is being made by Minergy and its subcontractors to ensure skills transfer of the highest order.

Du Plessis concluded, "The project team and I have enormous gratitude for the effort and vision shown by the retiring CEO, Andre Boje."

The listing of Minergy on the Alternative Investment Market (AIM) of the London Stock Exchange remains a goal and Andre Boje will continue to be a part of the team tasked with ensuring the listing is successful.

Ends -

Notes to the editor:

- Minergy aims to extract 2,4 million tonnes of coal per annum
- Life of mine is approximately 100 years
- Shallow 20m to 130m sub-crop to maximum depth
- Simple structure with very few faults and no dolerite
- Up to 6m thick coal seams
- As a responsible corporate Minergy is committed to:
 - Uplift communities in which it operates
 - Employ as many local community members as possible
 - Upgrade healthcare facilities
 - Support local schools
 - Provide electricity where feasible
 - Upskill the local community in certain tasks
 - Assist in ancillary business opportunities in surrounding villages including tuck shops, brick making, laundries and boarding facilities
- A video of the box cut and bulk sample blast as well as the most recent mine infrastructure can be viewed on the Minergy website at www.minergycoal.com.

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