

CAUTIONARY ANNOUNCEMENT



Minergy Limited

(Incorporated in accordance with the laws of Botswana) (Company number: BW00001542791)
("Minergy" or "the Group" or "the Company")

minergycoal.com

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 impact 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 year ended 30 June 2020 ("full year"), which are expected to be released through the BSE during the week of 21 September 2020. The comparative period for this cautionary announcement is the year ended 30 June 2019 ("previous reporting year"). Shareholders are advised that the nature and quantum of expenditure incurred during the full year is different to the previous reporting year, which impacts a direct comparison. During the previous reporting year Minergy developed and constructed the Masama coal mine after being awarded a mining licence in August 2018.

The full year represents Minergy's first set of results for a reporting period during which the Masama coal mine was operational. The operations are characterised by plant commissioning, operational ramp-up and sales into the target market. The Company's objective of reaching steady-state operating levels was not achieved during the full year as the momentum of ramp-up was stalled by the impact of COVID-19 pandemic and associated lockdowns implemented. The results were substantially negatively impacted by COVID-19, specifically the last three months of the full year, or 25% of the reporting period. Shareholders are referred to the X-News announcement dated 20 April and 2 July 2020 respectively regarding updates on the COVID-19 impact and the pre-close statement.

The reported net loss before tax for the previous reporting year was P36 million. The Board of Minergy advises shareholders that the net loss before tax for the reporting year will be between 216% and 236% higher than the previous reporting year. This equates to an additional net loss before tax of between P78.0 million and P85.2 million for the year ended 30 June 2020.

The reported headline loss per share ("HEPS") and loss per share ("LPS") calculated on losses after tax for the previous reporting year was 7.01 thebe. The Company's HEPS and LPS for the full year under review, is expected to increase by between 185% and 205%.

The increase in losses before tax is attributable to:

- › cost of product produced exceeded the revenue generated, specifically:
 - › typical of ramp-up operations, volumes produced and sold were below steady-state breakeven volumes, placing pressure on fixed cost recoveries;
 - › COVID-19 interruptions to the ramp-up causing fluctuations in volumes produced and sold, further exacerbating cost pressures typical of the ramp-up phase;
 - › cost effect of utilising mobile solutions for product processing (crushing and screening) vs installed rigid crushing and screening infrastructure. After the year-end, front end and back end infrastructure are now funded and progressing to completion;
 - › mine overhead expenditure associated with cost of product produced
 - new costs that were not relevant to previous year developmental costs; and
 - recording of mining direct expenses in cost of goods sold whereas similar costs were classified as operating expenditure during development activities;
- › foreign exchange losses on payments received from South African customers arising from the sharp weakening of the South African Rand following the country's credit rating downgrade from March 2020;
- › finance costs increased as a result of additional debt to fund the operational ramp-up and further mine development; and
- › depreciating mine development assets, beneficiation plant and other property plant and equipment.

The increase in losses before tax has been partially offset by revenues generated by Minergy.

The Company requires additional funding, either debt or equity (or a combination of both), 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. Traditional credit avenues through institutions such as commercial banks are unavailable and applications are being considered by existing funders. Shareholders will also be requested to approve an issue of shares for cash, or to follow a right issue to further balance the cashflow position. These activities are currently in progress and have not been finalised.

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

Morné du Plessis

Chief Financial Officer

18 September 2020

Minergy Limited

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