



**CONDENSED GROUP AUDITED  
FINANCIAL RESULTS  
FOR THE YEAR ENDED  
30 JUNE 2020**

**[minergycoal.com](http://minergycoal.com)**

**Minergy Limited**

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



## INTRODUCTION

During the financial year substantial achievements and milestones were met, despite a significant part of the year being impacted by COVID-19. The 2020 financial year can best be described as unprecedented and comprises two distinct parts.

### **PART 1 — FINANCIAL YEAR: JULY 2019 TO FEBRUARY 2020**

Minergy reached substantial milestones:

- ❑ **Commissioning stage 1 of the Coal Handling and Preparation Plant (CHPP), supported by mobile solutions**
- ❑ **Construction of the required mining infrastructure including water and power supplies sufficient for targeted production**
- ❑ **Delivering on the first signed off-take agreement with a South African cement producer**
- ❑ **Moving purchased saleable product into South Africa, Namibia and within Botswana successfully and consistently**
- ❑ **Completing the rail siding including the readiness to transport coal**
- ❑ **Securing P150 million in debt funding and raising P35 million in equity**
- ❑ **Strengthening the executive management team**

At this stage Minergy was on track to complete the planned plant upgrades necessary to achieve nameplate production and efficiencies.



## **PART 2 — FINANCIAL YEAR: MARCH 2020 TO JUNE 2020**

The worldwide devastating impact of COVID-19 did not escape Minergy, Botswana and the southern African target market. Minergy communicated the impact of COVID-19 on the business to shareholders on 20 April 2020, and in its pre-close statement of 2 July 2020 further reported the consequential effects of the virus, specifically outlining the following:

- **The closure of target markets from the latter part of March 2020**
- **Although Minergy was categorised as an essential service provider, 90% of its customer base in South Africa did not qualify for essential service provider status**
- **Force Majeure was called by off-take customer**
- **Sales volumes dropped dramatically to roughly 10 -15% of volumes supplied prior to the lockdown, with coal stockpiles at Masama sufficient to cater for the limited demand during this period**
- **Fixed costs remained payable including full staff complements for Minergy and its contractors**
- **The stage 2 plant upgrade was delayed as the South African service provider could not manufacture critical sections nor order parts due to the non-essential classification of its subcontractors and had applicable funding on hold to complete the second stage**
- **Even with the later relaxation of lockdown restrictions, access to the border between South Africa and Botswana remained largely restricted, making the delivery of coal both difficult and inconsistent**
- **Crossing of vital technical staff from South Africa across the border into Botswana was severely impeded by strict regulations, impacting servicing and availability of equipment**

## **TARGETED SALEABLE PRODUCTION**

The COVID-19 pandemic forced Minergy to critically relook at its strategy to achieve full production capacity. Ramp-up has always assumed a fully functioning and participative market without restrictions. Although the original targeted production target of 80,000 saleable tonnes per month is still within the nameplate capacity, given the structural change in the market and uncertainty in terms of its recovery, a decision was made to revise targeted production down to 60,000 saleable tonnes per month. The completion of stage 2 of the CHPP is imperative irrespective of whether market conditions improve.

Minergy shares concerns raised by the South African Junior Mining Association that “the road back to full production will be long and hard”. The focus for the next six months is to operate at breakeven level in line with market demand and outlook.



## STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

Figures in Pula	GROUP	
	2020	2019
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	<b>340 602 189</b>	168 615 430
Deferred tax asset	<b>39 095 799</b>	13 346 576
	<b>379 697 988</b>	181 962 006
<b>Current assets</b>		
Inventories	<b>48 355 150</b>	47 246 445
Trade and other receivables	<b>13 960 609</b>	23 190 740
Cash and cash equivalents	<b>1 712 055</b>	294 085
	<b>64 027 814</b>	70 731 270
<b>Total assets</b>	<b>443 725 802</b>	252 693 277
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Stated capital	<b>165 563 026</b>	130 563 026
Accumulated Loss	<b>(139 695 949)</b>	(48 675 336)
Other reserves	<b>17 258 242</b>	2 063 988
<b>Equity attributable to owners of the parent</b>	<b>43 125 319</b>	83 951 678
<b>Total equity</b>	<b>43 125 319</b>	83 951 678
<b>Non-current liabilities</b>		
Borrowings	<b>252 348 149</b>	—
Rehabilitation provision	<b>69 760 293</b>	22 665 812
	<b>322 108 442</b>	22 665 812
<b>Current liabilities</b>		
Borrowings	<b>7 913 719</b>	45 526 612
Trade and other payables	<b>70 578 322</b>	100 549 175
	<b>78 492 041</b>	146 075 787
<b>Total liabilities</b>	<b>400 600 483</b>	168 741 599
<b>Total equity and liabilities</b>	<b>443 725 802</b>	252 693 277



## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

Figures in Pula	GROUP	
	2020	2019
Revenue	80 650 039	—
Cost of sales	(149 918 714)	—
<b>Gross loss</b>	<b>(69 268 675)</b>	—
Other income	97 614	—
Operating expenses	(31 093 212)	(35 139 496)
<b>Operating (loss)/profit</b>	<b>(100 264 273)</b>	(35 139 496)
Finance income	101 097	241 066
Finance costs	(17 458 743)	(1 135 285)
<b>(Loss)/profit before income tax</b>	<b>(117 621 919)</b>	(36 033 715)
Income tax	25 749 223	6 686 122
<b>(Loss)/profit for the year</b>	<b>(91 872 696)</b>	(29 347 593)
Other comprehensive income for the year	—	—
<b>Total comprehensive (loss)/profit for the year</b>	<b>(91 872 696)</b>	(29 347 593)
<b>Total comprehensive loss attributable to:</b>		
Owners of the parent	(91 872 696)	(29 347 593)
Non-controlling interest	—	—
	<b>(91 872 696)</b>	(29 347 593)
Loss per share (thebe)	(20.69)	(701)
Diluted loss per share (thebe)	(20.69)	(701)



## STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

Figures in Pula	Stated capital	Accumulated loss	Other reserves	Total equity
<b>GROUP</b>				
<b>Balance at 1 July 2018</b>	<b>109 779 735</b>	<b>(19 327 743)</b>	<b>—</b>	<b>90 451 992</b>
Total comprehensive loss	—	(29 347 593)	—	(29 347 593)
Transactions — owners in their capacity as owners of equity				
Subscription for shares	21 346 204	—	—	21 346 204
Share issuance costs on subscription	(562 913)	—	—	(562 913)
Share-based payment expense	—	—	2 063 988	2 063 988
<b>Balance at 1 July 2019</b>	<b>130 563 026</b>	<b>(48 675 336)</b>	<b>2 063 988</b>	<b>83 951 678</b>
Total comprehensive loss	—	(91 872 696)	—	(91 872 696)
Transactions — owners in their capacity as owners of equity				
Subscription for shares	<b>38 500 000</b>	—	—	<b>38 500 000</b>
Share issuance costs on subscription	<b>(3 500 000)</b>	—	—	<b>(3 500 000)</b>
Borrowings — conversion option reserve	—	<b>852 083</b>	<b>15 928 522</b>	<b>16 780 605</b>
Share-based payment expense	—	—	<b>(734 268)</b>	<b>(734 268)</b>
<b>Balance at 30 June 2020</b>	<b>165 563 026</b>	<b>(139 695 949)</b>	<b>17 258 242</b>	<b>43 125 319</b>



## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

Figures in Pula	GROUP	
	2020	2019
<b>Cash flows from operating activities</b>		
Cash utilised in operations	(98 301 534)	(93 350 192)
Finance costs paid	(6 856 583)	(1 135 285)
<b>Net cash used in operating activities</b>	<b>(105 158 117)</b>	(94 485 477)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(39 893 316)	(26 186 301)
Decrease/(Increase) in investment in subsidiary	—	—
Finance income	101 097	241 066
<b>Net cash utilised in investing activities</b>	<b>(39 792 219)</b>	(25 945 235)
<b>Cash flows from financing activities</b>		
Proceeds from shares issued	—	20 785 291
Proceeds from borrowings	152 283 310	44 050 168
Repayment of borrowings	(5 915 004)	—
<b>Net cash from financing activities</b>	<b>146 368 306</b>	64 833 459
<b>Total cash movement for the period</b>	<b>1 417 970</b>	(55 597 253)
Cash at the beginning of the period	294 085	55 891 338
<b>Total cash at end of the period</b>	<b>1 712 055</b>	294 085



## FINANCIAL REVIEW

It is important to note that a comparison between the results for the 12 months ended 30 June 2020 (“current year”) and the previous financial year to 30 June 2019 (“previous year”) is not practical on a like-for-like basis. During the previous year, the Group was developing the Masama coal mine (“the mine”) and advancing it toward operational status. During the current period, the Group moved into commissioning, ramping up production and sales at the mine.

Following commissioning of stage 1 of the CHPP during early August 2019, the Group recorded its first revenue. Sales volumes gradually increased in line with ramp-up operations between October 2019 and March 2020.

COVID-19 lockdowns impacted the Group from the third week in March 2020, with the most severe effects being felt in April 2020 and May 2020 when sales were limited to certain “essential supply” customers from stockpiles existing at the end of March 2020. 90% of the target market was shut down during this period. Sales volumes showed a slow recovery in June 2020 as customers started to return to operations following the lifting of certain of the lockdown restrictions applicable in South Africa.

Despite border restrictions between South Africa and Botswana (a minimum of 15 weeks), Minergy, in its first year of operations, sold ~198 000 tonnes for the financial year generating P81 million in revenue (including coal transport of P6 million).

Subsequent to year-end, July 2020 and August 2020 have seen further recoveries in sales volumes, including record sales levels achieved in August 2020. To put this into perspective, post the year-end to the end of August 2020, Minergy has already sold 40% of the year-end 2020 volumes.

Targeted average pricing was not achieved and was exacerbated by a weakening of between 8% and 15% in the South African Rand between the end of March and June 2020 affecting back on mine converted pula prices.

Operating expenditure remained relatively constant from month-to-month, consisting mainly of employee and advisory costs. Operating expenditure in the prior year included development costs related to public access road, power and other community spend not recurring in the current year. The sudden market closures following COVID-19 resulted in the implementation of temporary salary reductions of between 10% and 25% for most employees and other cost-cutting initiatives.

Finance costs increased as a result of additional debt being incurred to fund the operational ramp-up and further mine development as equity raising efforts were unsuccessful.

Earnings before interest, tax, depreciation and amortisation (“EBITDA”) for the year amounted to a loss of P95.3 million (2019: loss of P34.6 million) after adding back depreciation of P5 million (2019: P0.5 million).



Looking at the Statement of Financial Position, one of the largest items contributing to the increase in Property, Plant and Equipment relates to amounts capitalised for the portion of the CHPP that was commissioned in September 2019.

Trade Receivables now includes outstanding sales to customers. The balances are lower than average as result of slower sales in June 2020 as volumes were still recovering from the COVID-19 lockdowns. Debtors days continue to run at around 30 days, with no bad debts recorded to date.

Trade and Other Payables consist mainly of trade creditors. The top five suppliers, making up 85% of the balance, consist of the contractors providing mining, beneficiation, plant civil construction, diesel and transport services.

During February 2020, the Group's mining contractor converted P35 million of its outstanding debt into equity in Minergy Limited.

The mine rehabilitation provision was reassessed during June 2020 and resulted in an increase of P46 million (with a reciprocal increase in the rehabilitation asset accounted for under Property, Plant and Equipment). This was due mainly to an increased mine footprint, a larger and deeper open-cast pit as well as alignment with evolving industry closure cost estimation practices.

The Group secured various sources of debt finance in order to continue funding the operational ramp-up and further mine development.

- › The Botswana Development Corporation ("BDC") advanced P40 million to Minergy during the previous year (a bridging facility with a three-year term and interest at 18%). During the current year, an additional P40 million was advanced and, together with the initial advance of P40 million, converted into a new six-year P80 million secured, convertible preference share facility with interest at 18%. Interest owing on the original P40 million bridging loan of P6.1 million was paid in full in February 2020 and not rolled into the new facility.
- › The Mineral Development Company Botswana ("MDCB") advanced a total of P110 million to Minergy during the 2020 financial year. These secured convertible debentures have a six-year term and accrue interest at 15%. The MDCB's equity conversion option into Minergy Coal (Pty) Ltd on this facility required a split between debt and equity for accounting purposes, with P16 million being created as an equity reserve.
- › Botrail — Minergy received an advance of P4.6 million from Botswana Railways ("Botrail") toward the upgrade of the Tshele Hills rail siding. This facility is interest-free and will be repaid on a per tonne of coal loaded basis for rail transport from this siding. As announced subsequent to year-end, Minergy loaded three trains in July with a further three loaded in August 2020.

International Financial Reporting Standard ("IFRS") 16 became effective from 1 July 2019. This accounting standard requires a 'right-of-use' asset, with reciprocal liability, to be created for operating and finance leases. During the current year the Group created IFRS 16 right-of-use assets and related liabilities amounting to P66.2 million for the in-part completed washing plant and P10.5 million for qualifying property and machinery rental agreements.



Cash utilised in operating activities amounted to P98.3 million, compared to an operating loss of P100.3 million.

In addition, finance cost was paid to the BDC on the previous bridging facility before conversion into the new aforementioned six-year facility.

Cash utilised on additional capital expenditure for mine development activities amounted to P38.9 million, compared to a Statement of Financial Position movement in Property, Plant and Equipment of P172 million. Non-cash additions include capitalisation of the in-part completed washing plant (P66.2 million), the accounting increase in the rehabilitation asset (P46 million), capitalised borrowing costs (P14.3 million) and accounting for 'right-of-use' assets in line with the newly adopted IFRS 16 (P10.5 million).

Cash reserves and cash generation capabilities of the Group were severely affected as the operational ramp-up phase was delayed by the impact of COVID-19 lockdowns and therefore did not achieve commercial/steady-state levels of production. The Group has and will be experiencing cash shortfalls as result of this.

Additional funding is required to restore the Group's working capital deficits and provide a buffer to complete the ramp-up phase. To this end, additional debt facilities are being sought through existing debt provider channels where significant progress has been made in securing these facilities and further announcements will follow when concluded.

In addition, the Group will raise funding through the specific issue of shares for cash to bolster working capital and cash reserves and afford specific capital expenditure to complete outstanding infrastructure.

The Group has a history of successful debt and capital raisings to meet its funding requirements. There are reasonable grounds to believe that the Group will be successful in achieving the matters set out above and that the use of the going concern basis remains appropriate.

## COVID-19

Minergy undertook a detailed and strategic risk assessment pertaining to COVID-19. The Minergy COVID-19 Action Plan as well as the impact of it on the business were released via XNews and is available on the website at <https://www.minergycoal.com>.

The impact of this pandemic will continue to be assessed based on the formal plan in place to deal with COVID-19 protocols, which was vetted by the relevant regulatory authority and safety protocols such as temperature testing, hand washing and face masks are vigorously managed. Minergy has had no positive cases of COVID-19.



## **FUTURE FOCUS**

Despite the difficult operating environment, primarily as a result of COVID-19 and its continuing effects, Minergy's future is supported by:

- › An outstanding safety record with an absolute care for people, with zero COVID-19 cases reported, zero injuries on the mine, and still no lost time due to injury
- › Imminent completion of stage 2 of the CHPP, which will introduce efficiencies, improved product distribution, cost savings and stability in supply
- › Favourable Government support
- › Ongoing negotiations with potential funders and shareholders to address working capital and cash flow shortfalls arising from COVID-19
- › A business optimisation plan to focus on 10 key areas which strives to meet the following objectives:
  - » Operational and admin cost savings
  - » Operational efficiencies
  - » Sales mix and price improvements
  - » Optimal cash flow management

Certain of these initiatives are more advanced than others, but we remain encouraged at the results this plan has already delivered:

- › Sales order activity improvement post year-end with record sales achieved in August 2020
- › Improved pricing opportunities on the back of a recovering market
- › Access to rail and successful delivery of six trains post year-end to August
- › Game-changing opportunities in anticipation of the submitted Eskom supply tender and progression of the Mmamabula-Lephalale rail link for exports

## **CHANGES TO THE BOARD OF DIRECTORS**

In September 2019 Minergy announced that subsequent to Mr. André Bojé's recent retirement from operational responsibilities and as an Executive Director, he continued as a Non-executive Director of the Company.

In addition, Mr. J-P van Staden was appointed to the Minergy Board in conjunction with his appointment as the Chief Financial Officer ("CFO") of the Group effective 2 January 2020.

On 6 August 2020, post the year-end, Minergy announced the appointment of Mr. Cross Kgosiile as a Non-executive Director to the Board of Minergy Limited. He is an experienced company executive and board member, with more than two decades of experience across a range of sectors. The Board welcomes Mr. Kgosiile's appointment and looks forward to building Minergy together.



## CONTINGENT LIABILITY

The Company has provided securities in the normal course of business for the funding facilities of the subsidiary.

## BASIS OF PREPARATION

The consolidated group financial statements have been prepared in accordance with the framework, concepts, and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), and financial pronouncements as issued by the International Accounting Standards Board. The signed audit report of the independent auditor on the summary financial statements is presented as a separate attachment to this announcement. The audited full year consolidated financial statements were prepared by the Financial Manager, Julius Ayo (Bachelor of Accounting ("BACC") and Association of Certified Chartered Accountants ("ACCA")) under the supervision of the CFO, JP van Staden, CA(SA), and approved by the Board of Directors on 22 September 2020.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period except for the impact of adopting IFRS 16 Leases. The Company has adopted IFRS 16 Leases retrospectively from 1 July 2019, but has not restated comparatives for the 2019 comparative reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. The adoption of IFRS 16 had no net impact on opening retained earnings.

## APPRECIATION

Minergy is blessed and would not have been able to operate in this difficult environment without the exceptional team that is in place. This includes the Board, our employees, as well as committed contractors and customers. The assistance, guidance and perseverance displayed by all is appreciated and does not go unnoticed.

We wish to extend sincere gratitude to our funders, shareholders and business partners, who have gone above and beyond in their assistance and understanding of Minergy. Your commitment and continued support of our company will in turn ensure that Botswana has a vibrant coal sector, based on excellent resources that the country has. This will be sustainable not only because of the training and skills development of local people offered by companies such as yours, but also because it creates vast opportunities for villages in the areas of operation. May God bless Minergy.

On behalf of the board

**Mokwena Morulane**

Non-executive Chairman

**Morné du Plessis**

Chief Executive Officer

24 September 2020



## CORPORATE AND GENERAL INFORMATION

### CORPORATE INFORMATION

#### REGISTERED OFFICE AND BUSINESS ADDRESS

Unit B3 and Unit B4  
1st Floor  
Plot 43175  
Phakalane  
Gaborone

#### POSTAL ADDRESS

PO Box AD 10 ABC  
Phakalane  
Gaborone

#### COMPANY SECRETARY

Desert Secretarial Services (Pty) Ltd  
Telephone: +267 7329 7384

#### WEBSITE

[www.minergycoal.com](http://www.minergycoal.com)

#### TRANSFER SECRETARIES

Corpserve Botswana

#### ATTORNEYS

Akheel Jinabhai & Associates

#### BANKERS

RMB Botswana

#### AUDITORS

Grant Thornton (Botswana)  
Registered auditors

#### REGISTRATION NUMBER

BW00001542791

### GENERAL INFORMATION

#### COUNTRY OF INCORPORATION AND DOMICILE

Botswana

#### NATURE OF THE BUSINESS

The Group is invested in the exploration, development, mining and trading of thermal coal.

#### DIRECTORS

M Morulane (appointed 25 January 2017)  
L Tumelo (appointed 19 September 2016)  
C de Bruin (appointed 3 October 2016)  
A Bojé (appointed 25 January 2017)\*  
M du Plessis (appointed 25 January 2017)\*  
JP van Staden (appointed 2 January 2020)  
C Kgosiidile (appointed 29 July 2020)

*(\*) On 1 August 2019, Morné du Plessis was appointed Chief Executive Officer of Minergy upon the retirement of André Bojé, who remains involved with the Company as a Non-executive Director and Strategic Consultant.*

#### LEVEL OF ASSURANCE

The financial statements have been audited in compliance with the applicable requirements of the Companies Act of Botswana.

#### PREPARER

The audited full year consolidated financial statements were prepared by the Financial Manager, Julius Ayo (Bachelor of Accounting ("BACC") and Association of Certified Chartered Accountants ("ACCA")) under the supervision of the Chief Financial Officer ("CFO"), JP van Staden, CA(SA).