



# Integrated Annual Report

# 2019





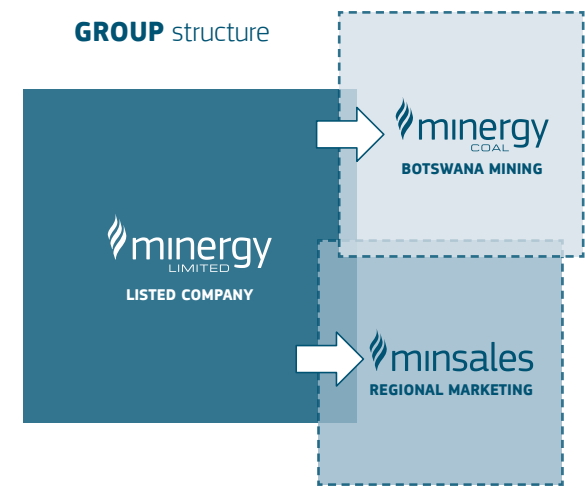




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# ABOUT this report

This Minergy Limited (“Minergy”) Integrated Annual Report aims to provide a balanced, understandable and complete view of our business by reporting on the financial performance and non-financial aspects of the Group.

## Minergy Limited

“Minergy” or “the Group” or “the Company” are all terms used interchangeably across this Integrated Annual Report

Incorporated in accordance with the laws of Botswana  
Company number: 2016/18528

The Group was awarded a Mining License in August 2018, allowing for mine development to take place together with the construction of a washing and processing plant. No coal was sold in the 2019 financial year and the financial information contained in this report remains typical of a mine development company.

The report covers the Masama Coal Project, the status of the project and future developments, stakeholder relations, an extract from the Competent Persons Report (“CPR”), the management of risk as well as the current status of coal markets regionally and internationally. It contains the consolidated annual financial statements of Minergy for the financial year from 1 July 2018 to 30 June 2019.

The Minergy Board (“the Board”) confirms its responsibility for the integrity of the report, the content of which has been collectively assessed by the Directors, who believe that all material issues have been addressed. The annual financial statements have been audited by the independent auditor, Grant Thornton Botswana, in terms of the Botswana Companies Act, CAP 42:01, as amended (“the Companies Act”), as indicated in their report, but no other information contained in the Integrated Annual Report has been independently assured apart from the CPR. 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”)). The financial statements were prepared under the supervision of the Chief Financial Officer (“CFO”), Morné du Plessis, CA(SA)<sup>1</sup>.

## THE 2019 INTEGRATED ANNUAL REPORT COMPRISES:

- › A review of the Group as it pertains to the Masama Coal Project. The project experienced a delay in the construction and commissioning of the processing and washing plant. The first saleable coal was produced post year-end in August 2019. The strategic positioning of Minergy based on regional and global demand for coal is discussed.
- › Social, environmental, governance, prospects and leadership of the Group.
- › Annual financial statements prepared and presented in accordance with International Financial Reporting Standards (“IFRS”) and in accordance with the laws of Botswana.

<sup>1</sup> On 1 August 2019, Morné du Plessis was made Chief Executive Officer (“CEO”) of Minergy upon the retirement of André Bojé, who will remain involved with the Company as a Non-executive Director and Strategic Consultant, assisting with coal marketing as well as the listing on the Alternative Investment Market (“AIM”) in London.

## THE REPORT IS GUIDED BY:

- › The King Code of Governance Principles for South Africa (“King IV™”) (the King IV™ application summary is contained on the website: [www.minergycoal.com](http://www.minergycoal.com))
- › The Botswana Companies Act, CAP 42:01 as amended
- › The Botswana Stock Exchange (“BSE”)
- › Where applicable, the CPR is guided by The South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (“SAMREC”)

## BOARD APPROVAL

The Board acknowledges responsibility for ensuring the integrity of this Integrated Annual Report. Following collective assessment, the Audit and Risk Committee, responsible for oversight of the Integrated Annual Report, recommended approval of the report by the Board.

In the Board's opinion, the Integrated Annual Report provides a fair and balanced representation of the integrated performance of the Company and addresses all material issues and presents the performance of Minergy fairly. The Board accordingly approved the 2019 Integrated Annual Report on 30 October 2019.



**Mokwena Morulane**

Independent Non-Executive Chairman



**Morné du Plessis**

Chief Executive Officer



# MINERGY

## and the Masama Coal Project

Minergy is a coal mining and trading company committed to becoming the supplier of choice to industrial customers and power utilities across southern Africa.

Our mission is to leverage the significant product and logistics cost advantage over other producers supplying the target market to secure short and longer-term coal sales.

**“We are extremely proud of what has been achieved in a relatively short period of time, not only for Minergy but for the development of the coal sector in Botswana. Minergy has pioneered a process that will support the regional industrial demand for coal and in so doing, benefit the people of Botswana through job opportunities and vital coal skills development. To adapt those famous words from Neil Armstrong – this is one small step for Minergy and a giant leap for the Botswana coal industry.”**

**Morné du Plessis**  
Newly appointed CEO Minergy

### OPERATIONS UPDATE

Targets after ramp-up period:



**130 000 tons**

PER MONTH RUN OF MINE PRODUCTION



**70 000 – 80 000 tons**

SALEABLE COAL PER MONTH

- › In-pit coal stocks sufficient for plant feed
- › Plant commissioned and in operation
- › Qualities produced are consistent with earlier test results
- › Product transported and tested successfully in South Africa, Botswana and Namibia
- › Plant upgrades ongoing to improve efficiencies and consistency in quality and size
- › During ramp-up period, water supply and dust challenges were addressed

### SALIENT FEATURES

2018/19



POST 30 JUNE 2019

**ENVIRONMENTAL IMPACT ASSESSMENT (“EIA”) APPROVED** AND MINING LICENSE AWARDED  
AUGUST 2018

**SURFACE** RIGHTS LEASED

**DEVELOPMENT** OF MINING INFRASTRUCTURE ESTABLISHED AND SIGNIFICANT COMPLETION OF WASH PLANT

**ELECTRIFICATION** OF MINE AND MEDIE VILLAGE CONNECTIVITY

**2.4 MILLION M<sup>3</sup>** OF OVERBURDEN REMOVED AND 14 000 TONS OF COAL EXTRACTED

**340 000 TONS** IN-PIT COAL EXPOSED

**BENEFICIATION** PLANT COMMISSIONED

**P70 MILLION** ADDITIONAL DEBT FUNDING SECURED

**FIRST LONG-TERM** CONTRACT SIGNED FOR 30% OF CURRENT SALEABLE PRODUCTION

**NEW CEO AND CFO** APPOINTED (POST YEAR END) TO TAKE MINERGY FORWARD

**AIM LISTING** PROGRESSED



## MASAMA PROJECT STATUS



**WASHING AND PROCESSING**  
PLANT COMMISSIONED



**PROVIDING EMPLOYMENT**  
TO 249 PEOPLE\*, MORE THAN **90%**  
OF WHICH ARE BATSWANA

IMPACT: **TRAINING AND SKILLS**  
**DEVELOPMENT**

NO REPORTABLE INCIDENTS SINCE MINE  
DEVELOPMENT BEGAN IN SEPTEMBER 2018

\* SEE PAGE 39 FOR ADDITIONAL INFORMATION ON OUR PEOPLE



**OFF-TAKE AGREEMENT**  
WITH A SOUTH AFRICAN CEMENT  
PRODUCER CONCLUDED FOR A  
MINIMUM AMOUNT OF **P240 MILLION**



**ELECTRIFICATION**  
CONNECTIVITY TO THE VILLAGE OF MEDIE

## YEAR UNDER REVIEW

**YEAR-END 2018** → **AUGUST 2018**  
EXPLORATION AND EVALUATION PHASE      MINING LICENSE AWARDED

→ **YEAR-END 2019** → **POST YEAR-END 2019**  
MINE DEVELOPMENT COMPLETED      COMMISSIONING AND PRODUCTION AT MINE

Financial comparison between 30 June 2018 and 30 June 2019 is not practical on a like-for-like basis. During the year under review, Minergy transitioned from exploration and evaluation to a mine development company. Subsequent to year-end, the Group moved into production status at its Masama Coal Project, only 12 months after it was granted a Mining License in August 2018.

## PROSPECTS





# 01. Group overview

25 years

MINING LICENSE

50 years

LIFE OF MINE

130 000 tons

PER MONTH MINE PRODUCTION  
TARGET AFTER RAMP-UP

**“Minergy is the holding company of the Minergy Group and the development of the Masama Coal Project represents the first step in our strategy of becoming a mid-tier southern African coal mining company.”**

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## WHAT we do

Minergy is a Botswana registered company listed on the main board of the BSE, with a proposed listing on AIM in London (see further information in the outgoing CEO's Report on page 24 of this Integrated Annual Report).

Minergy's 100% owned Masama Project, located in the Mmamabula Coalfield of Botswana, is the Group's cornerstone asset. The size and location of this shallow resource supports its competitive cost structure, which is underpinned by cost-effective opencast mining of high-quality coal. The resource is near to existing rail, road and water infrastructure, and has significant distance advantages over existing coal suppliers to regional markets. The project further holds large tonnages of export quality coal, ideally suited for export to Africa, India, Asia and China should the economics be attractive for thermal seaborne coal.

Minergy's near-term focus is the development of the Masama Coal Mine within the scope of the Mining License. The coal mine is located on the southwestern edge of the Mmamabula Coalfield in southern Botswana.

Minergy's wholly-owned subsidiary Minergy Coal holds the Mining License (ML 2018/9L) and the 352km<sup>2</sup> Prospecting License for Coal and Coal-Bed Methane, where a 389 million-ton ("MT") Coal Resource has been independently delineated in the Mining License area. The Mining License was granted on 27 August 2018, stating that Minergy can mine coal in the Mining License area for a period of 25 years.

Management has significant mine development and operational experience and a wide range of expertise underpinned by strategic and practical knowledge of coal and energy markets in the region and internationally. Complete corporate structures with a functioning Board, including local representation, executive management are all in place.

Main shareholders in the Company as at 30 June 2019 are African Alliance Botswana Limited with 22.86% and Allan Gray Botswana (Pty) Ltd with 15.62%. (Please see detailed information under the heading "Shareholder analysis" on page 45 of this Integrated Annual Report.)



# SALES strategy

Minergy will focus on selling coal directly to industrial end-users based in southern Africa.

Demand for the correct coal size, quality and consistent supply remains high. Minergy will focus on ensuring industrial customers across southern Africa receive this steady volume and quality of coal.

## P240 million

MINIMUM VALUE OF AN OFF-TAKE AGREEMENT WITH A SOUTH AFRICAN CEMENT PRODUCER

### REGIONAL INDUSTRIAL MARKET

The smaller fraction product (<8mm) or “duff” will be targeted for sale on longer-terms contracts. In this regard, Minergy has, post year-end, concluded an off-take agreement with a South African cement producer for a minimum value of P240 million over the next three years.

The sale of larger fraction (“peas” and “nuts”) on short-term contracts and on a spot basis will be pursued. Various customers are currently trial-testing product. The Company will focus on ensuring industrial customers across southern Africa receive this steady volume and quality of coal. This sales strategy affords Minergy exposure to local pricing, which is more stable than international spot prices.

Minergy’s target market is depicted in the graphs alongside indicating that in South Africa the industrial market, according to the SA Coal Report 2018, comprises 29MT and this industrial component is broken down into domestic trades, industrial, steelworks, chemical, cement and other — this is the Minergy target market.

### POWER GENERATION

The Group has coal seams with the necessary qualities to supply coal for power generation.

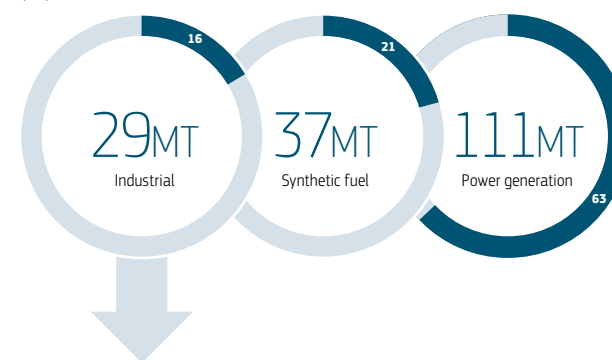
### EXPORT

The qualities of produced coal are attractive to export customers. Depending on the availability of adequate rail infrastructure such as the proposed Lepahale link between Botswana and the Waterberg region of South Africa as well as favourable seaborne thermal coal prices, Minergy may enter into agreements with established international coal traders on a free-on-mine basis.

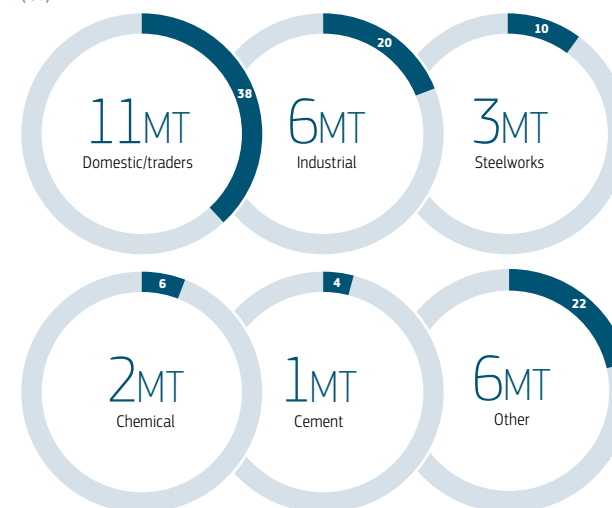
Accessing both the power generation and export markets will require Minergy having to establish an additional processing and washing plant and develop new box cuts.

However, these opportunities will only be considered once Minergy has a steady supply and additional off-take agreements with industrial users.

### SOUTH AFRICAN DOMESTIC DEMAND 177MT (%)



### INDUSTRIAL BREAKDOWN 29MT (%)



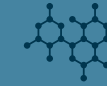


# PROJECT location

The Masama Coal Project can deliver a steady stream of coal product to the local and regional industrial customers as well as to international markets.



Potential of additional resources with further exploration



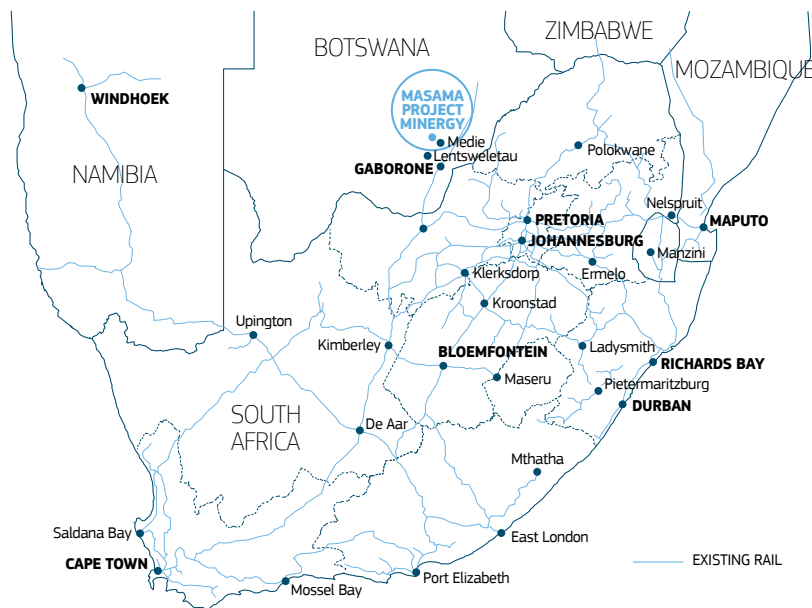
Simple structure with very few faults and no dolerite



Gently dipping coal seams (0.5° to 3.5°)



Shallow 20m to 130m sub-crop to maximum depth



## 389MT

HIGH QUALITY COAL RESOURCE (A AND E SEAMS WEST BLOCK)

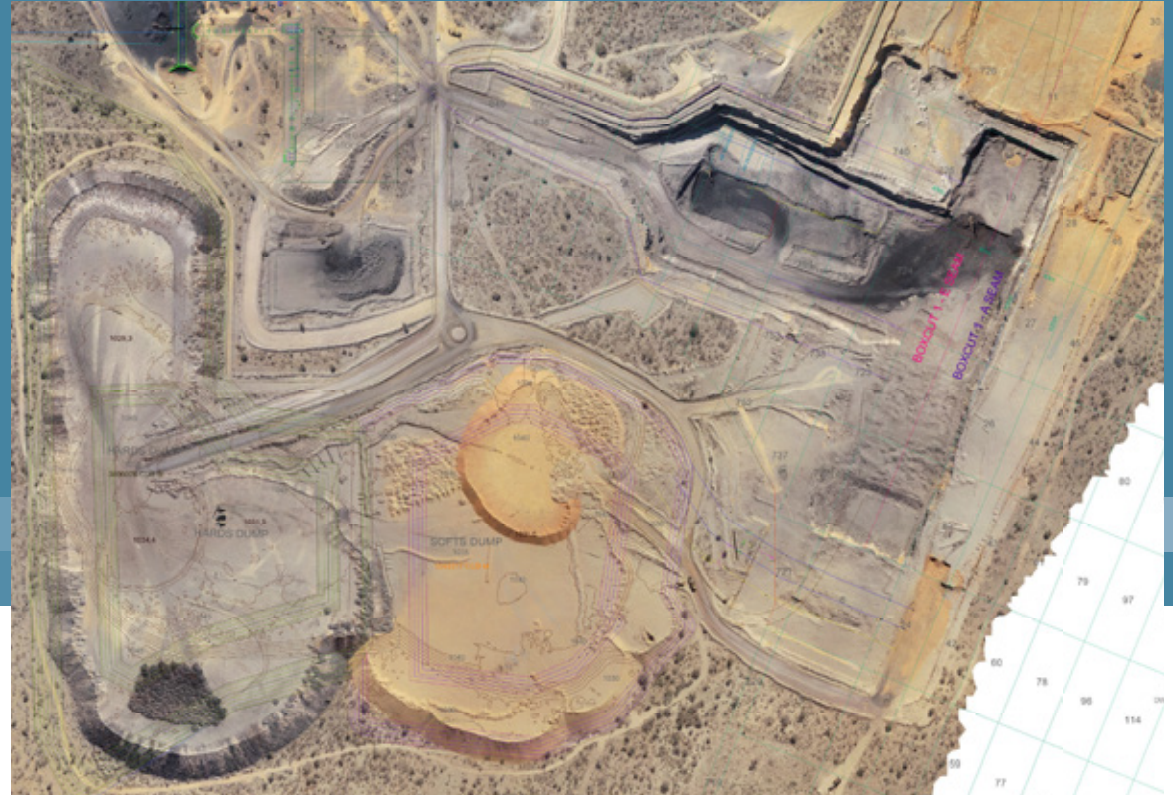
## 6m

MAXIMUM COAL SEAM THICKNESS





Mine infrastructure layout



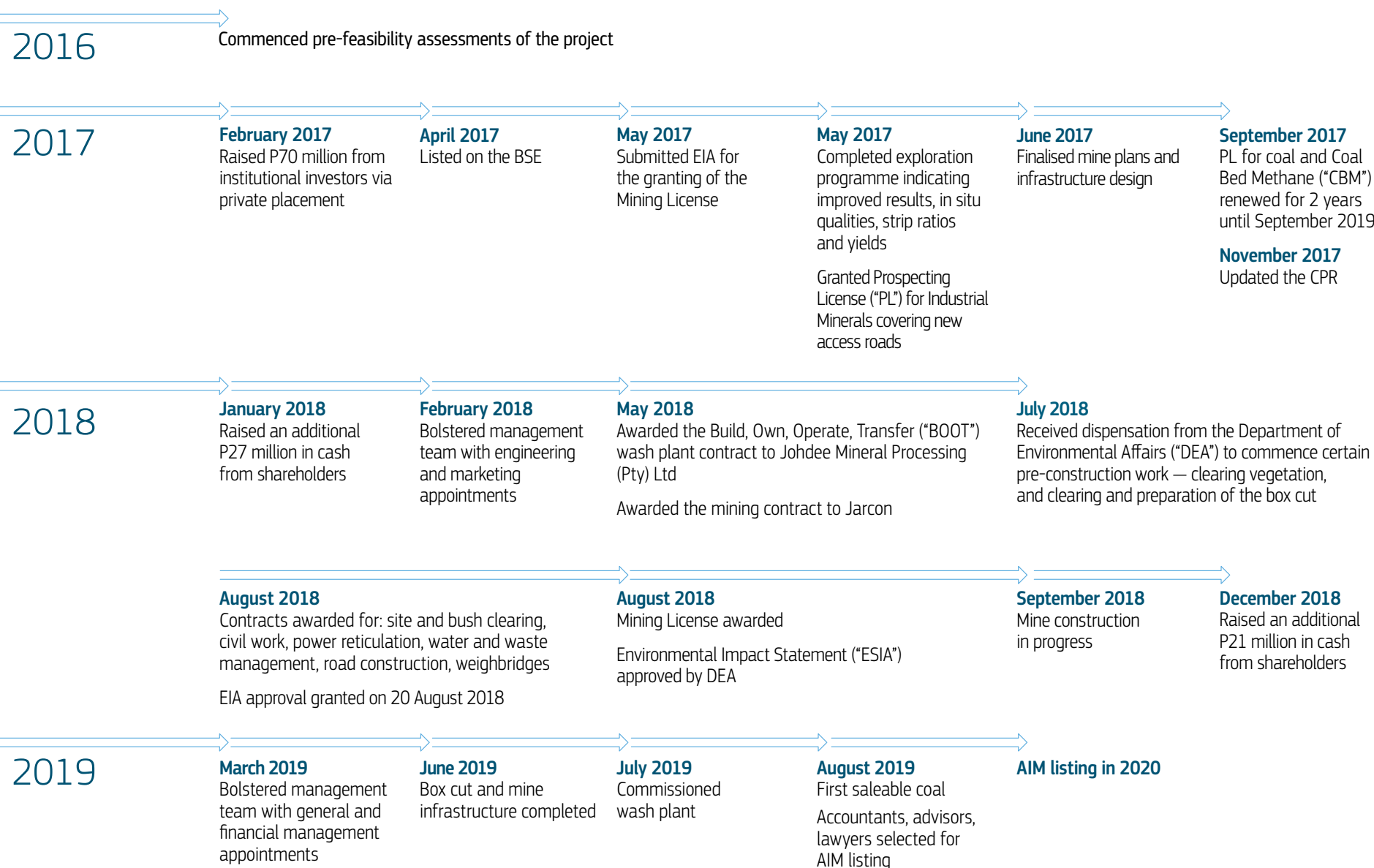
Mine box cut

# MINE

infrastructure and box cut layout



# DEVELOPMENT milestones achieved







# THE AFRICAN coal story

## Coal is a crucial source of energy.

Despite negative sentiment, coal will, for the foreseeable future, be the major energy source for Africa.

**“We, South Africa, will be burning coal for a very long time until we can replace it.”**

**Andries Rossouw**  
PwC Africa Energy Utilities and Resources Leader

\* Source: Business Day, 27 September 2019.

**1 160 coal plants**  
**ARE PLANNED OR CURRENTLY UNDER CONSTRUCTION IN**  
**62 countries worldwide\***

The world still needs coal no matter what. If it does not have it, billions of people in developing nations will be without power. It is Minergy's belief that developed nations would not want this for developing nations as access to power has a direct impact on human longevity, enhancing the lives of millions who would otherwise risk dying from smoke inhalation and other illnesses caused by the burning of wood, charcoal, kerosene or paraffin in their homes.

It is not a matter of coal versus renewables, but rather a case for a controlled transition from fossil fuel to renewables to benefit all people, particularly those in developing nations.

The PricewaterhouseCoopers (“PwC”) SA Mine 2019 report indicates a clear reduction in deep mining activity due to increasing costs and depths of mines. The only commodity to maintain its value in terms of revenue was coal, at 28% across the surveyed universe. Although globally it is shunned by funders and investors alike for climate and omission concerns, Minergy has previously highlighted that the coal industry has worked for decades on clean coal technology in the form of High Efficiency Low Emission (“HELE”) and Carbon Capture and Storage (“CCS”).

### THE COAL LANDSCAPE

South African coal production is largely static and in a decline going forward, with no new significant greenfield operations being developed to fill this gap. In addition, it is believed that Eskom will suffer a cumulative shortfall in coal supply of 474MT by 2030. As the state utility cannot be allowed to fail, pressure will be placed on existing larger producers to channel non-export capacity into the power generation market, thereby creating an expected shortfall of supply into the regional industrial market.

The regional industrial market, excluding power generation and synthetic fuels, has an annual demand of 32MT of which the relevant market Minergy is targeting is approximately 18MT per annum. This market uses sized coal for energy generation and includes industries

such as cement, steel and other industries. This market has shown compounded annual growth of 17% from the start of 2016, despite having to be content with inconsistent supply over time.

International seaborne coal prices have decreased from a high of \$100 per ton in August 2018 to the current pricing of around \$60 per ton. This is on the back of tighter import and quality control by China creating prolonged clearances at ports and a slowing world economy. The effect on local prices is not significant albeit that larger producers have started to move product onto the local markets resulting in the softening of prices. Minergy believes that this is short-term in nature as international demand in Asia and Africa will remain high for cheap feedstock in these growing economies.

**South Africa earns more than R73 billion per annum from coal exports.**

**Coal value chain in South Africa (fuel, feedstock for chemical manufacturing) directly and indirectly employs about 700 000 people.**

Source: Fossil Fuel Foundation research

**“Coal will continue to play a major role in delivering energy access and security long into the future and is likely to remain the most affordable fuel for base-load power generation in many developing countries, and certainly in Africa, for decades.”**

— Morné du Plessis, CEO Minergy.

This was confirmed in October this year by South Africa's Mineral Resources and Energy Minister Gwede Mantashe stating that coal will continue to play a significant role in electricity generation for the country. He was quoted in a well-known South African mining publication as saying: “[They will] be around for a long time,” he said. “We are going to still have a big volume of electricity generation of coal. Therefore, we are cautioning [those] who are saying coal is coming to an end - we have 16 power stations which are coal-fired. That is the reality of today. Coal will continue to play a significant role.”





Graph excludes power generation and synthetic fuels  
Source: Depart of Mineral Resources / South African Coal Report

## THE CASE FOR COAL IN AFRICA

In the African context and as highlighted by Miriam Mannack in the article “Power for Progress”, Africa urgently needs power.

### WHAT CAN BOTSWANA CONTRIBUTE?

- › Botswana coal reserves estimated to be more than 200 billion tons
- › Stable geopolitical environment
- › Botswana coal is high quality and highly economical
- › Botswana wants to diversify from natural income sources such as diamonds and tourism

The unearthing of coal in Botswana will not increase the volume of coal available on the planet, it will simply take over from the South African mines coming to end-of-life, until such time as renewables can absorb base load requirements.

# 620m

AFRICANS RELY ON FIREWOOD, KEROSENE AND CHARCOAL FOR COOKING, HEATING AND LIGHTING

# 2.5bn

AFRICA'S POPULATION IS EXPECTED TO DOUBLE BY 2050

Off and on grid renewables have a role but cannot support base load requirements. Base load to be provided by coal as the cheapest form of energy requiring the lowest capital outlay.

# 600 000

AFRICANS, MAINLY WOMEN AND CHILDREN, DIE PREMATURELY ANNUALLY DUE TO ILLNESSES CAUSED BY THIS — 1 643 DEATHS PER DAY

# 250 000ha

ARE LOST ANNUALLY IN ZAMBIA ALONE, SOURCING FIREWOOD AND CHARCOAL HAS LED TO ALARMING DEFORESTATION

During 2017, **seven million tons** of coal was exported from South Africa to the African continent. This is forecast to rise to **38 million tons** by 2030 and Botswana has a significant role to play going forward by utilising the South Africa handling facilities, the most sophisticated in Africa.



# MANAGEMENT of risk

**The Audit and Risk Committee has adopted a risk policy with the purpose of establishing the requirement for implementing and maintaining effective risk and compliance risk management throughout the Minergy Group of companies.**

Minergy has transitioned from exploration and evaluation to mine development to operational status within an 18-month period. Different risks are associated with different development cycles of the business.

An Enterprise Risk Management Framework is in the process of being developed in support of this policy to provide guidelines to the Minergy Group of companies for a sound, consistent, transparent and efficient method of managing risk specific to the operational and production status of the Group, will be completed by the end of the 2020 financial year, and will incorporate the current operational risks.

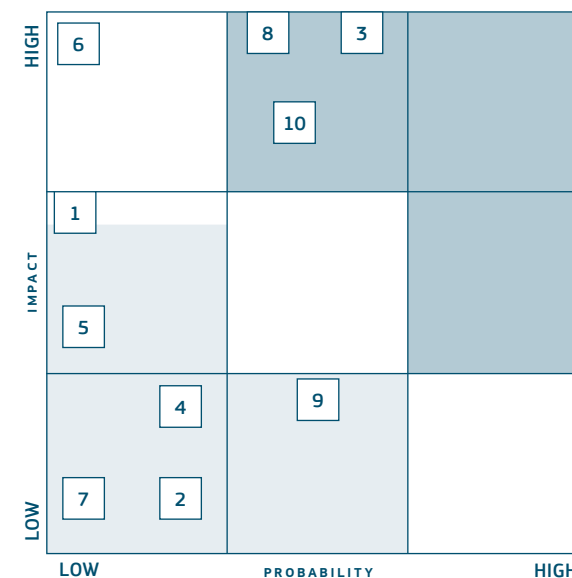
The following risks have been identified:

## RISK MANAGEMENT

	IDENTIFIED RISK	KEY RESPONSE/MITIGATION	TYPE OF RISK
1.	<b>Loss or lack of key management skill for specialised project</b>	<ul style="list-style-type: none"> <li>› The Remuneration and Nominations Committee evaluates succession planning, sources qualified staff and reviews incentives for retention.</li> <li>› 2017 Share Option Plan approved and implemented.</li> <li>› Strategic positions have been filled during the year including General Manager: Mining and Financial Manager and further key positions associated with operations will be filled.</li> </ul>	Strategic and operational
2.	<b>Macro-economic factors impacting the execution of the business plan</b>	<ul style="list-style-type: none"> <li>› The Group believes that the demand for coal will remain high, especially from Africa.</li> <li>› There is a shortage of supply into the targeted regional domestic market with no greenfield coal developments to fill the gap. Conversely, demand from the target market has seen compounded annual growth of 17% from 2016. Minergy is poised to take advantage of these opportunities.</li> <li>› The Group's product is diversified to supply a local/regional product, which is less price sensitive, and export product.</li> <li>› Location to regional market allows logistical competitive advantage.</li> </ul>	Strategic and operational
3.	<b>Impact of environmental challenges on the sustainability of the business model</b>	<ul style="list-style-type: none"> <li>› Fully compliant EIA Report approved by DEA.</li> <li>› Environmental monitoring forms part of day-day operational management.</li> <li>› Water management and sourcing is a key risk to ensure sustainable plant operations. Detailed water programmes have been prepared.</li> </ul>	Compliance
4.	<b>Undesirable geo-political and social events</b>	<ul style="list-style-type: none"> <li>› Botswana is ranked as one of the top investor-friendly countries in the world.</li> <li>› The Group has regular interaction with Government and has received support at all levels of Government.</li> </ul>	Strategic

IDENTIFIED RISK	KEY RESPONSE/MITIGATION	TYPE OF RISK
5. <b>Not delivering on strategic growth objectives</b>	<ul style="list-style-type: none"> <li>Specific business plan in place to achieve milestones.</li> <li>Developed mine within 12 months from award of Mining License and commissioned beneficiation plant.</li> <li>Sales, which commenced post year-end, included concluding an off-take agreement.</li> <li>Business plan targets set and measured.</li> </ul>	Operational
6. <b>Lack of in-country logistics and infrastructure</b>	<ul style="list-style-type: none"> <li>In-country infrastructure such as rail, access roads and electricity required to support operations.</li> <li>Electricity infrastructure installed at own cost.</li> <li>Support received from local rail agency for building siding and promotion of rail transport.</li> </ul>	Strategic and operational
7. <b>Currency risk</b>	<ul style="list-style-type: none"> <li>Currency risk is limited to the current weaker South African Rand.</li> <li>Hedging instruments evaluated and hedging strategy formulated.</li> </ul>	Financial
8. <b>Insufficient capital and related funding to complete final development and ensure operational performance</b>	<ul style="list-style-type: none"> <li>The Group was successful in raising P21 million from shareholders for mine development for the year under review together with cash resources carried forward from the previous year.</li> <li>Successfully raised debt funding of P110 million to substantially complete mine development.</li> <li>Further short-term financing facilities in the ordinary course of business are pursued.</li> <li>Processing plant is vendor-financed with agreements concluded.</li> </ul>	Financial and operational
9. <b>Sustained resources and quality of product</b>	<ul style="list-style-type: none"> <li>The CPR confirms 389MT of coal, which represents 100 years of life.</li> <li>Qualities confirmed by continuous trials and tests from customers. Feedback is in line with theoretical qualities. Concluded off-take confirms qualities are fit for purpose.</li> </ul>	Operational
10. <b>Operational and capital cost control</b>	<ul style="list-style-type: none"> <li>Detailed budgeting process including all expenditure approved by the Board.</li> <li>Delegation of Authority framework governs approval for all major expenditure and capital expenditures.</li> <li>Reporting of expenditure against budget on regular basis and reporting to the Board.</li> </ul>	Financial

The impact of the risks on the risk matrix is as follows:





# STAKEHOLDER engagement

As promoted by King IV™, inclusive stakeholder engagement is encouraged, whereby the Board considers the legitimate interests and expectations of stakeholders on the basis that is in the best interests of the Company, and not merely as an instrument to serve the interests of the shareholders.

Minergy has a Social and Ethics Committee that monitors and assists with stakeholder engagement. Stakeholders are also considered when assessing the materiality of issues.

We believe that open and transparent communication with stakeholders is important and use many avenues to facilitate the engagement with our stakeholders in a regular and constructive manner.

STAKEHOLDER GROUP

GOVERNMENT MINISTRIES AND DEPARTMENTS

LOCAL COMMUNITIES

SHAREHOLDERS, POTENTIAL INVESTORS AND MEDIA

STAFF

SUPPLIERS OF PRODUCTS AND SERVICES

BUSINESS PARTNERS



## DETAILS

- › Discussions and meetings regularly take place with various Government Ministries and Departments in Botswana including with: Department of Mines; Ministry of Mineral Resources, Green Technology and Energy Security Kwaneng and Kgatleng District Councils and Local Land Boards.
- › Partnering for training;
- › Partnering to address specific issues;
- › Participation in ad hoc discussions; and
- › Written communications.

- › Minergy is engaged with local communities around the mining area; and
- › Chiefs and local representatives are regularly engaged with at the Kgotle (community council or traditional law court of a Botswana village).

- › Regular results and business update presentations;
- › 1:1 meetings;
- › Project updates;
- › Site visits;
- › Outsourced Investor Relations function in place;
- › Regular press releases;
- › Annual General Meeting;
- › Annual Integrated Report and published results;
- › Feedback emails;
- › Ad hoc telephonic dialogues;
- › Company website; and
- › Roadshows.

- › The majority of staff at the mine are employed with the mining sub-contractors. However, Minergy still retains responsibility to ensure employee contracts, health, safety and basic conditions of employment are within the legal and best practise framework and that all labour relations comply to the highest standards. At the year-end Minergy employed 249 employees of which 13 were expatriates.

- › Regular staff communications
- › Briefings, meetings and presentations
- › HR policy and procedure, including staff induction, health and safety and mine procedures
- › Regular training for staff (internal and external)
- › Management maintains an “open-door” policy where ad hoc discussions are taken up and issues resolved accordingly

- › Meetings
- › Progress and financial reports
- › Updates
- › Monthly Steering Committee meetings
- › Business partner and industry forums
- › Co-facilitation sessions
- › Emails
- › Telephone calls

- › Meetings;
- › Face-to-face engagements;
- › Telephonic conversations;
- › Emails;
- › Industry conferences;
- › Training of local suppliers; and
- › Other coal project developers.

## EXPECTATIONS OF MINERGY

- › Statutory and legal compliance;
- › Local economic development; and
- › Ease of conducting business

- › Employment and economic development;
- › Cultural heritage sites, protecting biospheres and endangered species; and
- › Socio-economic and related issues.

- › Prudent capital allocation and utilisation of cash and working capital;
- › Growth and sustained returns on investment; and
- › Regular communication.

- › Fair work practice through open communication and fair management practices
- › Hands-on senior management involvement to address and resolve labour issues
- › Health and safety
- › Offer skills development opportunities (internal and external providers) to staff and sub-contractors alike
- › Employer of choice

- › Long-term value maximisation where skills and knowledge are shared and transferred
- › Joint growth and development opportunities where any potential risk is co-managed using defined processes
- › Long-term financial sustainability and security, ensuring that appropriate reporting and financial strategies are in place
- › Open and clear communication
- › Clear lines of accountability and ownership
- › Corporate cultural integration and alignment

- › Clear understanding of Company strategies and priorities;
- › On-time payment;
- › Growth opportunities; and
- › Development of a coal mining sector in Botswana.

Minergy's corporate social responsibility so far has exceptional effects on the community;

- › Contributing to the school's prize giving events, both in Medie and Lentsweletau
- › Electrification of the village, school, clinic and kgotle
- › Contributing to anti-corruption initiatives by the Land Boards
- › Supporting local entrepreneurs and encouraging community to form businesses and giving those businesses
- › Funding the clean-up campaigns






# BOARD of Directors

Established corporate structures with a functioning Board, including local representation, executive management and an effective corporate governance and ethics structure.

**Both the Board and the executive management team have significant mine development and operating experience and a wide range of coal expertise underpinned by strategic and practical knowledge of coal and energy markets.**

## Key to membership of Board Committees

-  Member of Audit and Risk Committee
-  Member of Remuneration and Nominations Committee
-  Member of Social and Ethics Committee



Committee Chairman is indicated by solid icon

## André Bojé Chief Executive Officer

63

CTA

André has more than two decades of experience in the South African coal industry and founded focused coal trading company Chandler Coal (Pty) Ltd in 1997 following a successful executive management career in various industries. In 2005, the company was listed on the Johannesburg Stock Exchange ("JSE") as Wescoal Holdings Limited, enabling a transition from purely coal trading activities to a fully-fledged coal miner and trader. Wescoal, with three fully operational mines, is now one of the leading junior coal mining and trading companies in southern Africa.

André was appointed to Minergy in 2016 and led the Group as the CEO until July 2019. He remains on the Board as a Non-executive Director and Strategic Advisor, and is involved with Minergy to assist with the AIM listing as well as with marketing and sales of coal.



## Morné du Plessis Chief Financial Officer

50

CA — South Africa, MBA

Morné is a South African citizen relocating to Gaborone. He is a chartered accountant with an MBA from Heriott Watt University Edinburgh, Scotland. He has extensive experience in the mining industry including having been CFO of several mining groups, such as domestic coal trader MacPhail, contract mining and beneficiation service provider Genet SA, junior coal miner Umcebo Mining Group, and JSE-listed junior coal miner Wescoal Holdings limited. He was appointed to the Board of Directors of Minergy in January 2017 and as its CFO in February 2017. On 1 August 2019 he took over the reigns as CEO of the Group.



## Mokwena Morulane

Independent  
Non-executive  
Chairman



47

**BA Accounting (Hons)**

Mokwena is a chartered accountant by training, and has over a decade's experience in Botswana's mining and resources sectors. He has held senior management positions in companies such as Botswana Oil Limited and Discovery Metals Limited and effective 10 October 2017 took on the role of Managing Director of Cresta Marakanelo Limited, a BSE listed hotel group. Mokwena was appointed as the independent Non-executive Chairman of Minergy in January 2017.



## Leutlwetse Tumelo

Non-executive  
Director



39

**B.Acc**

Leutlwetse is the Executive Director of Afinitas Limited a pan-African investment holding company. Afinitas is focused on developing a portfolio of world-class Africa focused companies. As the Executive Director, Leutlwetse has overall responsibility for monitoring regulatory compliance of all the investee companies in the jurisdictions that they operate as well as ongoing compliance with the BSE Equity Listings Requirements. He is also responsible for providing support to the Board of Directors to effectively discharge its duties. He is also the chairman of the Social and Ethics Committee in Minergy Limited.



## Claude de Bruin

Non-executive  
Director



42

**LLB; BMS. (Fin)**

Claude de Bruin is a New Zealand citizen, who is a lawyer and entrepreneur with more than a decade and a half of experience in the international mining industry focusing on Africa. He is a Barrister of the High Court of New Zealand and member of the Auckland District Law Society and New Zealand Law Society. He has held senior management positions with several private and public companies including Platmin (now Sedibelo Platinum — previously listed on the Toronto Stock Exchange ("TSX") and the AIM of the London Stock Exchange ("LSE")), with leading roles in significant equity raisings through private and public placements and stock exchange listings in several jurisdictions. Claude is Chairman of the Remuneration and nominations Committee.



## Jean-Pierre van Staden

Chief Financial  
Officer\*

47

**CA — South Africa**

Jean-Pierre is a CA(SA) has been an Audit Partner at PricewaterhouseCoopers in South Africa since 2004. He has extensive auditing experience, having worked with listed multinational companies operating across a variety of industries in Africa and internationally. Importantly he has extensive experience working with and providing services to junior and major mining and construction companies, industrial products companies, and private equity investment entities. He is a JSE and TSX accredited auditor and has extensive regulatory and stock exchange experience across several well recognised 'mining' stock exchanges, including the JSE, the TSX, the AIM of the LSE, and the main board of the LSE.






\* Post the financial year-end a new CFO was appointed, starting on 2 January 2020.



# OPERATIONAL management

## Key to membership of Board Committees

-  Member of Audit and Risk Committee
-  Member of Remuneration and Nominations Committee
-  Member of Social and Ethics Committee

## Martin Bartle

66

Managing Director,  
Minergy Coal

Martin has more than 40 years of experience, 30 years of which were in the South African coal mining industry having worked in management positions for Rand Mines, Eyesizwe Exxaro, Anglo Coal, Homeland Energy, and most recently as Managing Director of Wescoal Mining, a group company of JSE listed Wescoal. Martin is the Managing Director of Minergy Coal (Pty) Limited where he is also a member of the Board. He has extensive experience with coal mining Safety, Health, Environment and Quality regulatory compliance and management, Risk Management, Human Resource and Personal Management and Optimisation, with significant experience in coal mine operations management.



## John Astrup

47

Director and General Manager,  
Minergy Coal

(BSc. (Hons) Geology;  
MSc. — Exploration Geology

John Astrup is a geologist (registered with SACNASP and a member of the GSSA) with more than two decades of experience in the mining industry, having held senior management positions in both public and private companies. He previously held positions with Falconbridge, Harmony, Council for Geoscience and Platmin (now Sedibelo Platinum). John is a co-founder of the Minergy Group alongside Claude de Bruin. John was appointed as a Director of Minergy Coal (Pty) Limited on 7 November 2012.



## Lynette Kruger

48

Marketing  
Manager

Lynette has 20 years of coal marketing experience in the southern African region at companies including Glencore and Shanduka Coal. She honed her experience in South Africa as well as having worked in a number of African countries and has a good grasp on the commodity itself, market dynamics as well as the critical logistics and quality components of the product.



## Bonkie Baeletse

48

Corporate Services  
Manager

Having joined Minergy almost three years ago, Bonkie — whose current role encompasses a number of critical functions, including Community Relations, Public Relations, Government Liaison, Human Resources, Logistics and Security — has over nine years of experience gained in the local mining sector. She previously worked for Boteti Mining (Karowe Diamond Mine) and Debswana (Orapa Lethakane Mines), and also served as the Senior Anti-Corruption Officer on the Directorate on Corruption and Economic Crime. Bonkie has a Post Graduate Diploma in Education and a Bachelor of Arts in Humanities from the University of Botswana.



## **Siyani Makwakwago**

52

**General Manager  
Mining**

Siyani holds professional qualifications which include a B.Bc Part 1 from the University of Botswana, a Bachelor of Engineering in Mining Engineering Degree from the Camborne School of Mining associated with the University of Exeter and a Diploma in Business Management from the Cambridge Tutorial College in the UK. As General Manager Mining Siyani oversees all mining activities at the Masama Coal Project. He has extensive mining experience having previously held executive posts at Debswana, BCL and Morupule Coal Mine.



## **Julius Ayo**

38

**Financial  
Manager**

**Association of Certified Chartered Accountants ("ACCA") of Botswana and also holds a Bachelor of Accounting (BACC) from the University of Botswana**

Within Minergy Julius is responsible for the full financial function within the subsidiary. He has over 15 years of experience, including six years in the mining sector, specifically at Gem Diamonds.



## **Gabotshwarege Tshekiso**

62

**Project Manager,  
Minergy Coal**

A mechanical engineer having over three decades of experience in the mining industry under his belt, Gabotshwarege previously worked as a Director at the Department of Mines responsible for Gaborone and Francistown offices. He was a member of the Technical Committee of the BCL Limited Board. He holds a Master's degree in Mechanical Engineering.



## **Herbert Kebafetotse**

45

**Safety, Health and Environment  
("SHE") Manager**

**Bachelor of Arts and Post Graduate Diploma in Education (Environmental Science)**

Herbert has both extensive qualifications and experience in the field, having worked for a number of Botswana-based exploration and mining companies, including most recently Botswana Ash (Pty) Ltd, Khoemacau Copper Mining (Pty) Ltd, and Boteti Mining (Pty) Ltd in this capacity. Herbert is responsible for overseeing Minergy's SHE effectiveness, including the processes that ensure the preservation of lives, conservation of the environment and monitoring these to ensure compliance to legislative and procedural requirements. He also has a focus on aligning all Minergy's SHE processes and programmes with international best practice.





## 02. Leadership feedback



**“Our coal mine remains on track to produce 2MT/pa, which will be sold primarily into the southern African regional industrial market.”**

**Mokwena Morulane**  
INDEPENDENT NON-EXECUTIVE CHAIRMAN

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Chief executive officer's report	24

## CHAIRMAN'S report

Minergy remains committed to supporting the Government of Botswana through job creation, skills development, training and to ensure a thriving coal industry remains in place for the country. We will do this while remaining conscious of shareholder returns.

It is my pleasure to present my third report to shareholders. The year under review was a milestone year for Minergy — after being granted a mining licence in August 2018, a massive amount of development has taken place at the Masama Coal Project. This has resulted in coal production and the confirmation of an off-take agreement with a South African cement producer for a minimum amount of P240 million, post the year-end.

Our coal mine remains on track to produce 2MT/pa, which will be sold primarily into the southern African regional industrial market. While doing this, Minergy remains committed to supporting the Government of Botswana through job creation, skills development, training and to ensure a thriving coal industry remains in place for the country. Of course, shareholder returns remain a priority too.

Minergy has benefited tremendously from the support we have received from the Minerals Development Corporation of Botswana (“MDCB”) and the Botswana Development Corporation (“BDC”). Debt was incurred for the first time to supplement funding for the development of the mine. Bridging finance was provided by the BDC late in the current year, and subsequent to the year-end, additional funding in the amount of P55 million was provided by the MDCB. Minergy has also secured a further P15 million, also from the MDCB, which will be enough to bring the mine into production and commissioning. The total amount of external debt sourced amounts to P110 million. The bridging finance provided by the BDC is in the process of being refinanced over a longer term.



# 93%

**BATSWANA WORKFORCE**

# P240 million

**MINIMUM VALUE OF AN OFF-TAKE  
AGREEMENT WITH A SOUTH AFRICAN  
CEMENT PRODUCER**

It is important to highlight that a comparison between the financial results for 30 June 2019 ("current year") and 30 June 2018 ("prior year") is not practical on a like-for-like basis. Minergy was in the exploration and evaluation phase of the project during the prior year and transitioned into mine development during the current year, with production status achieved post year-end. Additional information pertaining to the financial performance is discussed in the outgoing CEO's Report on pages 24 to 26 of this Integrated Annual Report.

## **ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG)**

We remain resolutely committed to ESG across the business and being a mining operation, we are intolerant of any substandard when it comes to mine safety. In this regard we are proud to report that there have been no reportable incidents since mine development began in September 2018.

Our stated intention remains to uplift our communities by employing as many local members of the community as possible. In this light, of the total workforce of 249 people currently employed at the mine, 93% are Batswana and the majority of the people we employ come from the Kweneng district. Good community relations are managed through frequent and consistent stakeholder engagements.

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

Our Sustainability Report has been improved and carries information pertaining to our environmental awareness and our Corporate Governance Report (to be found on pages 30 to 33) reports on all governance-related matters.

## **MANAGEMENT CHANGES AND TEAM STRENGTHENING**

During the year the operational management team was bolstered by the appointment of Siyani Makwakwago as General Manager Mining and Julius Ayo as Group Financial Manager.

On 14 May 2019, Minergy announced that André Bojé would be retiring and stepping down as CEO, but that he would remain involved in Minergy to retain oversight and strategic responsibility for Group coal marketing and sales. He also remains part of the team tasked with ensuring the successful listing of Minergy on AIM. André will further continue to serve as a Non-executive Director of the Group until additional Directors are appointed to the Board.

The Board and I convey our sincere gratitude to André for the vision and leadership he brought to the Group and for steering Minergy to the verge of being a fully producing mine.

Effective 1 August 2019, Morné du Plessis, previously the CFO of Minergy, took over at the helm as CEO of the Group. Morné has extensive experience in coal mining and trading, particularly in southern Africa, and has significant listed public company director experience. I have full confidence in Morné taking Minergy forward.

On 10 September 2019, Minergy announced the appointment of Jean-Pierre van Staden as CFO, effective 2 January 2020. Jean-Pierre is a Chartered Accountant (SA) who has been an Audit Partner at PricewaterhouseCoopers in South Africa since 2004. He has extensive auditing and related experience working with and providing services to junior and major mining and construction companies and industrial products companies. I join the Board and the executive team in welcoming Jean-Pierre to Minergy, and to the insight he will no doubt bring to Minergy.

Full details of the Board of Directors are available on page 18 to 19 of this Integrated Annual Report.

## **APPRECIATION**

I would like to thank my fellow board members as well as the executive team for their valuable input, and the care and diligence they have exercised during the past year. The AIM listing continues to be pursued and aside from getting a mine up and running efficiently and coal traded; many of these individuals have been involved in overseas roadshows, as well as in preparing circulars and undertaking many other administrative requirements to ensure a smooth listing process. For this time, energy and painstaking focus I am very appreciative.

To the staff, contractors and sub-contractors of Minergy, your support and dedication to ensuring the plants were up and running in record time, is invaluable to us. Thank you for the support.

We are grateful to our shareholders and funders for the continued support and faith they have in our operations.

It is once again a privilege to be involved and watch the project blossom into production and I look forward to its continued success in the coming year and beyond.



**Mokwena Morulane**

Independent Non-executive Chairman  
30 October 2019



# OUTGOING

chief executive  
officer's report



**André Bojé**  
CHIEF EXECUTIVE OFFICER

**“Minergy is proud to report that, during the year under review, it transitioned from exploration and evaluation to a mine development company. Subsequent to year-end, the Company moved into production status at its Masama Coal Project, only 12 months after it was granted a Mining License in August 2018.”**

## OPERATIONAL OVERVIEW

Minergy exposed 340 000 tons of coal during the year under review, representing approximately three months of nameplate production. In doing so, over 2.4 million m<sup>3</sup> of overburden was removed. The Group is extremely pleased with both the timing and the progress made at the project.

This is my last report as CEO of Minergy as I hand the reigns of leadership over to Morné du Plessis. Morné has been working alongside me since the start of the Masama Coal Project (“Masama” or “the project”) back in 2016 and was appointed Chief Financial Officer in 2017. I am confident that Morné and his team will lead this Company well into the future.

# 340 000 tons

**COAL EXPOSED DURING THE YEAR  
UNDER REVIEW**

Subsequent to year-end Minergy successfully commissioned the beneficiation plant and at the time of reporting, the plant had produced saleable coal to the expected qualities. The Group recorded its first commercial coal sales during September 2019. Operations are in the ramp-up phase to achieve its target of mining 130 000 tons per month to produce 70 000 to 80 000 tons of saleable coal. The saleable coal target is expected to increase to 100 000 tons per month in 2020.

Minergy has concluded its first long-term customer contract, representing approximately 15% of estimated annual nameplate saleable coal or 30% of current saleable production during ramp up phase. Discussions are underway with several other interested regional industrial customers, many of whom have already tested samples of Minergy's coal. The Group is accordingly confident of generating additional customer orders.

Overall, the team is extremely proud of what has been achieved in a relatively short period of time, not only for Minergy and its shareholders but for the development of the coal sector in Botswana. Minergy has pioneered a process that will support the regional industrial demand for coal and in so doing, benefit the people of Botswana through job opportunities and vital coal skills development. This marks the beginning of an exciting growth period in the Botswana coal industry.

# 100 000 tons

**EXPECTED MONTHLY SALEABLE COAL  
TARGET IN 2020**

# 389MT

**DEFINED COAL RESOURCE**





## COAL RESOURCES AND RESERVES

Minergy has engaged a firm of experts to undertake significant technical work to finalise a revised mine plan at Masama. The Group is pleased to announce that based on work completed to date, extremely encouraging results are expected.

A Coal Resource of 389MT has been defined in terms of the preliminary workings for the project and comprises Opencastable and Underground Mineable Resources.

## FINANCIAL OVERVIEW<sup>1</sup>

The Statement of Comprehensive Income is dominated by the increase in operating expenditure, including expenditure, not reflected in the comparative period. The increases are to be viewed in the context of moving from exploration and evaluation to mine development and include the following variances:

- › mine site overheads for site operations, which include additional staff and site costs that are typical of a project in the mine development phase, but which were not incurred in the exploration and evaluation environment;
- › additional costs to support the administration, finance and marketing departments;
- › preparatory AIM listing and advisory costs;
- › expensing of certain infrastructure costs such as electrifying the mine (which includes the main connection to the community village), renovating the town hall and upgrading various roads, all of which Minergy is not the beneficial owner of;
- › additional charges for the share-based payment, which includes the vesting of Tranche 1 of the approved 2017 Share Option Plan;
- › incurring debt with an increase in related finance costs and facility charges to fund the completion of the mine development; and
- › decreased interest income earnings from depleting cash resources to develop the mine, for activities such as the box cut development, washing plant civil work, power and water reticulation as well as surface right compensations.

<sup>1</sup> It is important for readers to note that a comparison between the results for 30 June 2019 ("current year") and 30 June 2018 ("prior year") is not practical on a like-for-like basis. The Company was in the exploration and evaluation phase of the project for the prior year and has transitioned into mine development during the current year with production status achieved post the year-end.

<sup>2</sup> Effective 1 August 2019, Morné du Plessis, previously CFO of Minergy, took over at the helm as CEO of the Group.

The Statement of Financial Position has also seen significant change, with Property, Plant and Equipment increasing in excess of P139 million. Variances from the prior year include:

- › mine assets developed specifically including items such as bush clearing, the box cut, mine access roads, beneficiation plant civils, water reticulation, internal power and surface rights acquisitions all of which account for 87% of this variance;
- › reallocation of Exploration and Evaluation assets ("EE assets") to Property, Plant and Equipment/Intangible Assets as the project has transitioned from exploration to commercially viable status with a decrease in EE assets shown for the prior year; and
- › raising of a rehabilitation asset of P22.7 million, which has a reciprocal liability reflected under non-current liabilities and represents the estimated present value of future costs of rehabilitating the exposed void.

During the financial year, Minergy has recorded inventory that reflects the work done to liberate the coal and feed the plant. Most of the inventory value relates to coal exposed in the pit awaiting blasting and is classified as work in progress.

Trade and Other Receivables mainly represent Value Added Tax ("VAT") claims owing by Botswana Unified Revenue Service ("BURS") and advances made to the Build-Own-Operate-Transfer ("BOOT") operator on construction of the plant to expedite commissioning.

Cash balances have been depleted in developing the mine, which is evident from the increased investment in assets and inventory.

Minergy was again fortunate during the current year to receive support from shareholders and additional capital of P20.7 million was raised net of costs. The capital raise was lower than the P70 million on offer.

Debt was incurred for the first time to supplement funding for the development of the mine. Bridging finance was provided by the BDC late in the current year. Subsequent to year-end additional funding was procured from the MDCB, details of which are provided below in the funding update.

Minergy is extremely grateful for the support received from service providers during the development phase. Jarcon Opencast Mining (Pty) Ltd ("Jarcon") requires special mention. The bulk of the trade and other payables relates to Jarcon, which afforded Minergy extended payment terms during the box cut phase of operations until additional funding was finalised and secured. Without their support the project would not have advanced to its current state. We received similar support from VIVO Energy Botswana for which we are equally thankful.

## FUNDING UPDATE

Minergy successfully raised additional funding of P55 million from the MDCB subsequent to year-end and secured a further P15 million, also from the MDCB. The funding will be sufficient to bring the mine into production and commissioning. The bridging finance provided by the BDC is in the process of being refinanced over a longer term.

## LOOKING FORWARD

Management has prioritised the next few months as a period to stabilise production and optimise efficiencies in the beneficiation plant. The goal is to produce consistent volumes at consistent qualities continuously.

Depending on economics at the time, opportunities to significantly increase production include increased supply to industrial customers, export opportunities, and power generation. Increased production would require additional capex primarily to increase the capacity of the washing plant and plant infrastructure, and completion of an additional box cut.

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

Minergy is progressing towards its previously stated objective of listing on AIM and looks forward to providing further updates in due course.

## APPRECIATION

My sincere thanks is extended to my fellow Directors on the Board of Directors — your assistance and guidance across the year was meaningful. In respect of the ongoing support received from all our shareholders and stakeholders, we remain encouraged by your faith in the management team. To all the staff that ensure operations are in working order and who keep the wheels turning, we salute your dedication and will continue with our training effort and skills development.

To Morné, may your leadership of Minergy be a wonderful journey and may you grow the business from strength to strength.




André Bojé<sup>2</sup>

Outgoing CEO  
30 October 2019









### 03. Resource information

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## MINING license

**Minergy was granted a Mining License by the Ministry of Mineral Resources, Green Technology and Energy Security in August 2018. This marked a significant milestone for the Company.**

While the award was later than the initial projected timeline of late-2017 for the granting of the license as announced when Minergy listed, the license is a substantial step forward in terms of Minergy's intention of focusing on delivering high-quality coal to the regional market, including Botswana and South Africa, and entering the international seaborne thermal coal export market. The granting of the Mining License followed the authorisation of the Environmental Impact Statement by the DEA in Botswana.

**MINING LICENSE** No. 2018/9L

**PERIOD** of 25 years

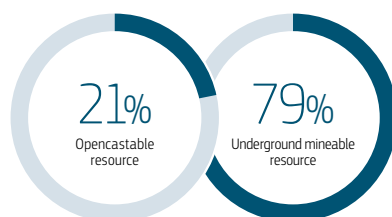
**CARRY OUT** mining operation within the Mining License area and in accordance with the approved programme of mining

# COMPETENT person's report

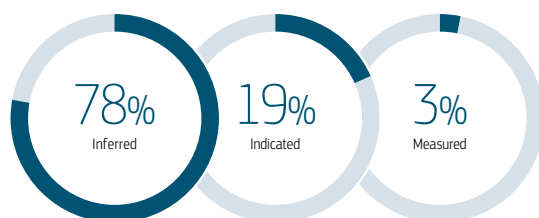
In 2017, GM Geotechnical Consultants CC ("GM Geotech") was commissioned to prepare an updated resource estimate and CPR on the Coal Resources of the West Block (Focus Area) of the Masama Coal Project in accordance with the SAMREC Code (2016 Edition).

The full document, available on our website at [www.minergycoal.com](http://www.minergycoal.com), details the estimate of the Coal Resources as at 29 September 2017. It incorporates all valid exploration and other relevant data available up to this date, viz historic Shell Coal Botswana (Pty) Ltd data, information collected by Minergy during an exploration and drilling programme conducted during 2012 and 2016, as well as the new information collected by Minergy during an exploration and drilling programme conducted during the second quarter of 2017.

## RESOURCE COMPOSITION



## RESOURCE CLASSIFICATION



Diagrams related to the 389MT resource.

# COAL resource estimate

The Coal Resource Estimate was conducted in accordance with the SAMREC Code (2016 Edition) as well as considering the South African guide to the systematic evaluation of coal resources and coal reserves (SANS10320:2004).

As part of the resource estimation process all available geological and geophysical data were reviewed in detail and during classification of the resource consideration was given to the consistency of the coal seam thickness and coal quality over the West Block, as well as the larger Masama Coal Project prospecting license area.

## MASAMA COAL RESOURCES, RAW COAL QUALITIES AND MODELLED THEORETICAL PRODUCT YIELDS AND QUALITIES AS AT 29 SEPTEMBER 2017<sup>1</sup>

						RAW COAL QUALITIES ON AN AIR DRIED BASIS						
Mining method	Resource classification	Seam	Geo-loss (%)	Mineable tonnes in situ (tonnes)	Seam thickness (m)	Raw RD (g/cm <sup>3</sup> )	Raw CV (MJ/kg)	Raw ash (%)	Raw inherent moisture (%)	Raw volatile content (%)	Raw fixed carbon (%)	Raw total sulphur (%)
OC <sup>2</sup>	Measured	A	8	12 706 952	4.80	1.51	22.5	19.1	5.73	25.5	49.7	2.10
	Indicated	A	12	47 649 094	5.02	1.57	22.3	19.6	5.69	25.1	49.6	1.75
	Indicated	E	12	18 486 934	1.55	1.55	21.6	24.3	4.83	25.9	45.0	2.26
	Inferred	AU	20	3 420 903	1.27	1.66	18.0	33.2	4.70	22.1	40.0	1.53
<b>Opencastable resource</b>			<b>12</b>	<b>82 263 884</b>								
UG <sup>3</sup>	Indicated	A	12	7 069 391	4.70	1.58	21.8	20.6	5.83	24.4	49.2	1.51
	Inferred	A	20	206 375 994	4.68	1.55	22.9	19.3	4.71	25.5	50.4	1.90
	Inferred	E	20	94 208 868	1.71	1.52	22.0	23.2	5.20	25.9	45.7	1.91
<b>Underground mineable resource</b>			<b>20</b>	<b>307 654 254</b>								
<b>Total coal resource</b>				<b>389 918 137</b>								
						PRODUCT COAL QUALITY AND THEORETICAL YIELDS						
Mining method	Resource classification	Seam	Geo-loss (%)	Mineable tonnes in situ (tonnes)	Product float RD (g/cm <sup>3</sup> )	Product CV (MJ/kg)	Product ash (%)	Product inherent moisture (%)	Product volatile content (%)	Product fixed carbon (%)	Product sulphur (%)	Product yield (%)
OC <sup>2</sup>	Measured	A	8	12 706 952	1.55	26.0	10.1	6.55	26.7	56.7	0.40	66.4
	Indicated	A	12	47 649 094	1.53	26.0	9.7	6.62	26.7	57.0	0.34	58.3
	Indicated	E	12	18 486 934	1.63	26.5	10.4	5.61	30.7	53.4	0.47	71.3
	Inferred	AU	20	3 420 903	1.72	21.0	24.4	5.44	24.6	45.6	1.00	66.0
UG <sup>3</sup>	Indicated	A	12	7 069 391	1.53	26.0	9.0	6.94	26.7	57.3	0.40	56.3
	Inferred	A	20	206 375 994	1.61	26.0	11.2	5.31	26.5	56.9	0.37	70.1
	Inferred	E	20	94 208 868	1.69	26.5	11.2	4.74	30.6	53.4	0.73	71.6

<sup>1</sup> Due to the Mining License only being granted in August 2018, this CPR (as at 29 September 2017) remains relevant.

<sup>2</sup> Opencast.

<sup>3</sup> Underground.



## 04. Governance and sustainability

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# CORPORATE governance report

The Board's role includes ensuring that Minergy complies with all relevant laws, regulations and codes of good business practice.



## KEY TO MEMBERSHIP OF BOARD COMMITTEES



Member of Audit and Risk Committee



Member of Remuneration and Nominations Committee



Member of Social and Ethics Committee



**Committee Chairman** is indicated by solid icon



**Mokwena Morulane**  
Independent Non-executive Chairman



**Leutlwetse Tumelo**  
Non-executive Director



**Claude de Bruin**  
Non-executive Director



**John Astrup**



Through delegation to the CEO and CFO, Minergy communicates with its shareholders and relevant internal and external stakeholders openly and promptly. Internal governance structures and roles are regularly reviewed and improved at Board and management levels. Minergy accepts its position as a responsible corporate citizen and will, wherever possible, contribute towards enhancing its role as such.

Minergy endeavours to incorporate into its actions the best possible mutual interests of all stakeholders, including shareholders, employees, suppliers, customers, and the community in which it operates.

The Board has reviewed the information contained in the Integrated Annual Report and believes it would not be cost-effective to have independent assurance of the information contained therein apart from the annual financial statements.

## COMMITMENT AND APPROACH TO CORPORATE GOVERNANCE

The Board provides oversight of the Company's corporate governance management system and remains ultimately responsible for its implementation and performance. In discharging this responsibility, the Board is guided by its charters and policies to ensure that effective corporate governance is practised consistently throughout Minergy.

## ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP

The Company adheres to the shared values of integrity, honesty and transparency. A set of formalised values is scheduled to be developed and approved in the coming year. Minergy's corporate governance structures and policies are evaluated on an ongoing basis and are amended, as appropriate. The Social and Ethics Committee, plays an integral part in this process.

## COMPLIANCE WITH KING IV™

A gap analysis was conducted and measurement against the principles of King IV™ is scheduled to be undertaken at least annually to assess Minergy's application of the recommended principles. As reported in last year's Integrated Annual Report, the Board only expects full reporting in terms of King IV™ to be reflected in the 2020 Integrated Annual Report. However, the Board is satisfied that the Company complies with the majority of the principles of the King IV™ Code, where applicable to its current status. A summary of the application of the King IV™ principles and explanations can be found on the website: [www.minergycoal.com](http://www.minergycoal.com).

## BOARD OF DIRECTORS

Minergy's Board normally comprises three Non-executive Directors (two of whom are independent) and two Executive Directors. At the date of the report the Board consisted of one Executive Director and four Non-executive Directors (two of whom are independent). Minergy recently announced the appointment of a CFO who will start in January 2020, with Minergy's CEO also fulfilling the CFO role until January 2020. After the recent retirement of the outgoing CEO, André Bojé, he remains on the Board as a Non-executive Director. Two of the Directors are ordinarily resident in Botswana. It is expected that at least four Directors, including the current CEO, will in the near future also be resident in Botswana. An assessment of Group governance structures, including Board and committee composition, is currently underway to align with best practice for its planned listing on the AIM of the LSE.

The roles of the Chairman and the CEO are separate. The Chairman is an Independent Non-executive Director. The Non-executive Directors are not directly involved in the day-to-day management of the Company's activities and are not full-time employees. The Non-executive Directors are individuals of high calibre and credibility and have the necessary skills and experience to bring judgement to bear, independently



of management, on issues of strategy formulation, performance management, resources planning and allocation, transformation and employment equity, standards of conduct, and other important decisions.

Executive management is the responsibility of the CEO and the other Executive Directors. The Executive Directors are involved in the day-to-day management and operation of Minergy's activities and are full-time employees. The Board meets at least quarterly, with additional meetings convened if necessary. The Board is responsible for ensuring that there is effective management and control of the Company and sets the strategic direction and policies. The Board approves all merger acquisitions and disposals, major capital expenditure, oversight of financial and administrative activities, and other matters that may materially impact the business of Minergy. Directors are entitled to seek independent and professional advice relating to the affairs of the Company. The Board and its committees are supplied with full and timely information which enables them to discharge their responsibilities and they have unrestricted access to all company information, records, documents and property. Non-executive Directors have access to all employees and may meet separately with the management of operating entities without the attendance of Executive Directors.

## INDEPENDENCE OF DIRECTORS

The independence of Directors is overseen annually by the Board, following an analysis of the circumstances of Independent Non-executive Directors. As noted, the Board normally consists of two Executive Directors and three Non-executive Directors, of which two are independent. The Remuneration and Nominations Committee and the Audit and Risk Committee consist of three Non-executive Directors, two of whom are independent. Although King IV™ recommends that all members of committees of the Board should be independent, the Board is of the view that the composition of the committees is practical and appropriate at this time, considering the size of the Board and the Company and its near term growth path.

Mr Tumelo is an independent Non-executive Director of the Board, and a member of the Audit and Risk Committee, the Remuneration and Nominations Committee, and is Chairman of the Social and Ethics Committee. He brings valuable expertise, experience and skills to the Company. His shareholding and options holdings in Minergy of less than half a percent is not considered sufficient to exercise undue influence on the affairs of the Company, and he does not provide any consulting services to Minergy.

Mr de Bruin presently serves as a Non-executive Director of the Board, is a member of the Audit and Risk Committee, and is Chairman of the Remuneration and Nominations Committee. The Board believes that Mr de Bruin brings valuable legal and corporate expertise, experience and skills to the Company. Although his beneficial shareholding of just under 10% is not sufficient to exercise undue influence on the Company and represents one of many investments in his portfolio, considering his shareholding in conjunction with various consulting services that he renders to the Company he is not considered to be independent.

Mr Morulane serves as independent Non-Executive Chairman of the Board, Chairman of the Audit and Risk Committee, and is a member of the Remuneration and Nominations Committee. The Board believes that Mr Morulane brings valuable accounting and financial expertise, experience and skills to the Company. He does not provide any consulting services to Minergy, and does not hold any shares in the Company, with his options representing less than half a percent of the Company's share capital. He is therefore considered to be independent as he is not in a position to exercise undue influence on the affairs of the Company.

## BOARD RESPONSIBILITY, ACCOUNTABILITY AND CONTROL

The Board retains full and effective control over Minergy and monitors the executive management and decisions in the subsidiary companies. The Board assumes overall responsibility for the Company and its activities, including risk management and governance. The Board is also responsible for setting the direction of the Company through the establishment of strategic objectives and key policies.

The Board is responsible for the proper management and ultimate control of Minergy. The Board is further responsible for setting the strategic objectives, determining investment and performance criteria, and taking responsibility for the proper management and ethical behaviour of the business. There is a clear division of responsibility at Board level that ensures a balance of power and authority.

The Board has appointed three permanent sub-committees to assist in fulfilling its governance role: The Audit and Risk Committee, the Remuneration and Nominations Committee and the Social and Ethics Committee. A more detailed report from each of these committees is set out later in this section (on pages 34 to 38).

Practically, a decision was taken to assign the nomination responsibilities to the Remuneration Committee and have a single Remuneration and Nominations Committee. Similarly, risk responsibilities have been assigned to a combined Audit and Risk Committee.

The Board is satisfied that the Chairman of the Audit and Risk Committee, as an independent Non-executive Director and qualified chartered accountant, has the appropriate qualifications and skills to fulfil this role, and that the members of the committee collectively have the required knowledge and experience. The Board is also comfortable that the Chairman of the Board is also the Chairman of the Audit and Risk Committee. This is a practical consideration given the Chairman's financial qualifications, independence as well as the smaller size of the Board. The requirements for becoming an AIM-listed company will dictate whether this remains as is for the foreseeable future.

The Board is further satisfied that the Chairman of the Remuneration and Nominations Committee, being a Non-executive Director of the Board and a qualified lawyer (NZ), is appropriate and has the required qualifications and skills to fulfil this role and that the members of the committee collectively have the required knowledge and experience.

The Board has ultimate responsibility for the internal financial controls and operating systems of the Group and for monitoring their effectiveness. These systems are designed to provide reasonable assurance against material misstatement and loss. Various policies and procedures exist to address conflicts of interest. These cover areas such as full disclosure of all the interests of Directors of the Company and strict approval requirements for the trading of Minergy shares.

The Directors are of the opinion that the internal accounting controls are adequate, so that the financial records may be relied on for preparing the financial statements and maintaining accountability for assets and liabilities. This opinion is based on the information and explanations given by management, and on comments by the auditors and the results of their audit.

## DIRECTORS' ATTENDANCE AT BOARD MEETINGS

NAME	26 NOV 2018	5 MAR 2019	23 SEP 2019
<b>Independent Non-executive Chairman</b>			
Mokwena Morulane	✓	✓	✓
<b>Non-executive Directors</b>			
Leutlwetse Tumelo	✓	✓	✓
Claude de Bruin	✓	✓	✓
<b>Executive Directors</b>			
André Bojé	✓	✓	✓
Morné du Plessis	✓	✓	✓

The table only records formally held meetings. Numerous telephonic calls and teleconferences have been held during the year discussing specific matters requiring board involvement and this is not included in the table presented.

## EVALUATION OF THE BOARD

An evaluation of the Board, its committees and the individual members is scheduled to be undertaken annually, and self-evaluation is to be conducted through questionnaires. Given that the Company has only recently come into production, it is anticipated that evaluation will only be undertaken during 2020.

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

Appointments of Directors are made by the Board as a whole, taking into consideration transparent and formal recommendations from the Remuneration and Nominations Committee. At every AGM, subject to any contractual arrangements between Directors and the Company, at least one-third of the Directors shall retire from office by rotation. The Directors to so retire in each year, shall be those who have been longest in office, where any Director who had held office for a period of three years since his last election or appointment, shall in satisfaction of the aforementioned retire.

All Directors are subject to election by shareholders at the first opportunity after their initial appointment by the Board. New appointments and rotations are ratified by shareholders annually at the AGM. There is no set retirement age for Executive and Non-executive Directors.

## SHARE TRADING

A formal Share Trading Policy, approved by the Board, has been implemented, which prohibits Directors, officers and other selected employees dealing in the Company's shares from the end of each reporting period to the date of announcement of the financial results or in any other period when Directors and senior management could be in possession of price sensitive information.

The policy includes various provisions that regulate the share dealings of Directors and ensures disclosures are made as required by the BSE Equity Listings Requirements. No trading by Directors is authorised without prior clearance being received from the CEO. Should the CEO wish to trade in his shares, clearance must be obtained from the Board prior to any dealing. This policy is reviewed and updated from time to time to ensure that it is compliant with any changes in applicable rules, legislation, and related regulations.

## SHAREHOLDER COMMUNICATION

All communication with investors and shareholders is conducted in accordance with applicable securities regulations and the BSE Equity Listing Requirements via the BSE's X-News service, including announcements relating to the dissemination of integrated annual reports, interim and final results, the AGM, and all other regulatory and other relevant information.

Minergy has a comprehensive website which is regularly updated and accessed by interested parties, including existing and potential shareholders, analysts, researchers, customers and suppliers.

The Company regularly holds meetings with analysts, institutional and other significant shareholders, following the key announcements, and announcements of the full year and interim results. Shareholder communication is driven by the office of the CEO in conjunction with an appointed external Investor Relations consultancy.

## DIRECTORS' RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

The Directors accept ultimate responsibility for the preparation of the financial statements and related financial information that fairly represents the state of affairs and the results of the Company.

The annual financial statements as set out in this report have been prepared in conformity with IFRS and are based on appropriate accounting policies which have been consistently applied, unless where specifically stated otherwise and are supported by reasonable and prudent judgements and estimates.

## RISK MANAGEMENT

The Board has tasked the Audit and Risk Committee with establishing a framework to review all strategic risks impacting the Company. The major risks facing Minergy have been identified and, where feasible, mitigating strategies are implemented. The Risk Matrix can be found on page 15 of this Integrated Annual Report.

## COMPANY SECRETARY

The Company has appointed Desert Secretarial Services (Pty) Ltd as statutory company secretary with its main function being the maintenance of statutory records in accordance with legal and regulatory requirements.



# AUDIT and Risk Committee Report

## The Audit and Risk Committee is pleased to present its report for the financial year ended 30 June 2019.

The committee has adopted formal terms of reference in the form of a charter, approved by the Board, setting out its duties and responsibilities as prescribed in the Companies Act and incorporating additional duties delegated to it by the Board. The committee has, in addition, approved a workplan encapsulating various tasks and functions for the ensuing financial year. The committee is in the process of reviewing the terms of reference with respect to the requirements of King IV™.

### RESPONSIBILITIES

In summary, the Audit and Risk Committee assists the Board in its responsibilities to cover the following:

- › internal and external audit processes for the Company taking into account any significant risks;
- › adequacy and functioning of the Company's internal controls;
- › integrity of the financial reporting; and
- › risk management and information technology.

Due to the current size and exploration status of the Company, the Board decided to combine the Audit and Risk Committees and attend to both audit and risk responsibilities in one committee.

### MEMBERS OF THE COMMITTEE AND MEETING ATTENDANCE

NAME	10 SEP 2018	5 MAR 2019	10 JUL 2019	23 SEP 2019
<b>Chairman</b>				
Mokwena Morulane	✓	✓	✓	✓
<b>Members</b>				
Leutlwetse Tumelo	✓	✓	✓	✓
Claude de Bruin	✓	✓	✓	✓

The CEO and the CFO have a standing invitation to attend all the committee meetings. The external independent auditors have unrestricted access to the committee members.

### ROLE OF THE AUDIT AND RISK COMMITTEE

The committee:

- › fulfils the duties that are delegated to it by the Board, in order for the Company and the Board to fulfil its duties in terms of the Companies Act and other applicable legislative requirements;
- › assists the Board in overseeing the quality and integrity of the Company's integrated reporting process, including the financial statements and sustainability reporting, and announcements in respect of the financial results;
- › ensures that an effective control environment in the Company is maintained;
- › provides the CFO and external auditors with unrestricted access to the committee and its Chairman as is required in relation to any matter falling within the ambit of the committee;
- › meets with the external auditors, senior managers and Executive Directors as the committee may elect;
- › meets confidentially with the external auditors without other executive Board members and the Company's CFO being present;
- › reviews and recommends to the Board the interim financial results and annual financial statements;
- › conducts annual reviews of the Audit and Risk Committee's work plan and terms of reference; and
- › assesses the performance and effectiveness of the Audit and Risk Committee and its members on a regular basis.

### EXECUTION OF FUNCTIONS

The committee is satisfied that, for the 2019 financial year, it has performed all the functions required to be performed by an Audit and Risk Committee as set out in the Companies Act and the committee's terms of reference as follows:

### EXTERNAL AUDIT

The committee among other matters:

- › recommended the appointment of Grant Thornton Botswana ("GT") as the external auditor and designated auditor respectively to shareholders for appointment as auditor for the financial year ended 30 June 2019, and ensured that the appointment complied with all applicable legal and regulatory requirements for the appointment of an auditor;
- › nominated the external auditor for each material subsidiary company for appointment;
- › reviewed the audit effectiveness and evaluated the external auditor's internal quality control procedures;
- › obtained an annual confirmation from the auditor that their independence was not impaired;
- › pre-approved permissible non-audit services performed by the external auditors including taxation services;
- › maintained a policy setting out the categories of non-audit services that the external auditor may and may not provide, split between permitted, permissible and prohibited services;
- › approved non-audit services with GT in accordance with its policy;
- › approved the external audit engagement letter, the plan and the budgeted audit fees payable to the external auditor;
- › obtained assurances from the external auditor that adequate accounting records were being maintained by the Company and its subsidiaries;
- › considered whether any reportable irregularities were identified and reported by the external auditor to management; and
- › considered any reported control weaknesses, management's response for their improvement and assessed their impact on the general control environment.

The committee is satisfied that GT is independent of the Company after taking the following factors into account:

- › representations made by GT to the committee;
- › the auditor does not, except as external auditor or in rendering permitted non-audit services, receive any remuneration or other benefit from the Company;
- › the auditors' independence was not impaired by any consultancy, advisory or other work undertaken by the auditor;
- › the auditors' independence was not prejudiced as a result of any previous appointment as auditor; and
- › the criteria specified for independence by the Botswana Accountancy Oversight Authority ("BAOA").

### INTERNAL AUDIT

Minergy has not appointed an internal audit function at this early stage of the Company's development.

### INTERNAL CONTROLS

The committee reviewed the plans and work outputs of the external auditors and concluded that these were adequate to address all significant financial risks the business may face. As noted above, it also reviewed the reporting around the adequacy of the internal controls and based on this concluded that there had been no material breakdowns in internal control, including financial controls, business risk management and the maintenance of effective material control systems.

### SIGNIFICANT AREAS OF JUDGEMENT

In arriving at the figures disclosed in the financial statements there are certain areas where judgement is needed. These are outlined in Note 2 to the annual financial statements. The Audit and Risk Committee has assessed the quantum of the assets and liabilities on the statements of financial position and other items that require significant judgement.

### RISK MANAGEMENT AND INFORMATION TECHNOLOGY ("IT") GOVERNANCE

The committee has requested the Company to establish policies on risk assessment and risk management, including fraud risks and IT risks as these pertain to financial reporting and the going concern assessment.

### INTEGRATED ANNUAL REPORT

Following the review by the committee of the consolidated annual financial statements of Minergy for the year ended 30 June 2019, the committee is of the view that in all material aspects they comply with the relevant provisions of IFRS and fairly present the consolidated and separate financial positions at that date and the results of operations and cash flows for the year then ended. The committee has also satisfied itself of the integrity of the Integrated Annual Report and the sustainability of information reported therein.

### RECOMMENDATION OF THE INTEGRATED ANNUAL REPORT FOR APPROVAL BY THE BOARD

Having achieved its objectives, the committee has recommended the annual financial statements and the Integrated Annual Report for the year ended 30 June 2019 for approval to the Board. The Board has subsequently approved the report, which will be open for discussion at the forthcoming AGM.



**Mokwena Morulane**

Chairman of the Audit and Risk Committee





# REMUNERATION and Nominations Committee Report

## The committee is pleased to present its report for the financial year ended 30 June 2019.

The Remuneration and Nominations Committee has adopted formal terms of reference in the form of a charter, which has been approved by the Board. The charter sets out the committee's duties and responsibilities as delegated to it by the Board, in order for the Company and the Board to fulfil certain of its duties in terms of the Companies Act and other applicable legislative requirements, and incorporates additional duties delegated to it by the Board that the Board considers enhances its performance.

The committee plans to update the terms of reference with respect to the requirements of King IV™ where applicable in the ensuing year.

### REMUNERATION PHILOSOPHY

The remuneration philosophy, approved by the Board, applies to all Company operations and is reflected in the Company's Remuneration Policy, which was adopted by the Board during the previous year.

It is Minergy's philosophy to:

- › appropriately compensate employees for the services they provide the Company;
- › attract and retain employees with skills required to effectively manage the operations and grow the business; and
- › motivate employees to perform in the best interests of Minergy and its stakeholders.

### PURPOSE OF THE COMMITTEE

The committee's role is to assist the Board to achieve its objective of ensuring that:

- a. Minergy's remuneration policies, practices and procedures:
  - › are aligned with the Company's business strategy, overall objectives and market practice;
  - › motivate executives to pursue the Company's medium- to long-term growth;
  - › demonstrate a clear relationship between the Company's performance and performance of executives;
  - › align the interests of executives with the creation of value for shareholders; and
- b. the Company has a Board of an effective composition, skills matrix, diversity, size and commitment to adequately discharge its responsibilities and duties.

Due to the current size of the Board and the Company, matters relating to both remuneration and nominations are dealt with by a single combined Remuneration and Nominations Committee.

### MEMBERS OF THE COMMITTEE AND MEETING ATTENDANCE

NAME	26 NOV 2018	8 MAY 2019	15 MAY 2019	23 MAY 2019	11 JUL 2019
<b>Chairman</b>					
Claude de Bruin	✓	✓	✓	✓	✓
<b>Members</b>					
Mokwena Morulane	✓	✓	✓	✓	✓
Leutlwetse Tumelo	✓	✓	✓	✓	✓

### REMUNERATION STRUCTURES

During the project exploration and development phases of the Company, remuneration comprised fixed remuneration. Minergy is in the process of finalising various employee benefits and retirement fund options. Additionally, the Company is investigating various fixed short-term incentives models for concurrent implementation. After the end of a very busy 2018 calendar year, payment of half a 13th cheque requested by the outgoing CEO was recommended by the committee conditional on confirmation that the Company has sufficient funds, which was subsequently paid.

The committee previously recommended, and the Board approved, the 2017 Share Option Plan, which was ratified by shareholders at the AGM held on 7 December 2017. The primary objective of the Share Option Plan is to provide Minergy and its subsidiaries, present and future, with the means to encourage, attract, retain and motivate staff, specifically with respect to the Masama Coal Project. The Company has utilised the 2017 Share Option Plan to incentivise Group team members and service providers through share options to purchase ordinary shares in Minergy's share capital, giving them an ongoing interest in Minergy.

The salient features of the approved Share Option Plan are:

- › maximum shares subject to 2017 Share Option Plan may not exceed 50 000 000 shares;
- › maximum number of ordinary shares which may be issued at any time to any one Service Provider or Insider may not exceed 10 000 000 shares;
- › each option granted shall represent the right to purchase one Ordinary Share in the Company;
- › the exercise price shall be P1 per share;
- › options shall not have a term exceeding 10 years after allotment;
- › options granted shall vest as follows:
  - i. 25% on granting of a Mining License to the Masama Coal Project before 30 September 2018 ("Tranche 1");
  - ii. 35% upon the Masama Coal Project reaching steady state production of 40 000 saleable tonnes of coal per month before 31 March 2019 ("Tranche 2"); and
  - iii. 40% upon there being three consecutive 6 monthly reporting periods of operating profits from Masama Coal Project before 31 December 2020 ("Tranche 3").

› options are exercisable within the following periods after having vested, in whole or in part and from time to time, by payment in full for the resultant ordinary shares purchased by the participant at the time of exercise:

- i. Tranche 1 — 24 months after vesting;
- ii. Tranche 2 — 18 months after vesting; and
- iii. Tranche 3 — 12 months after vesting.

Tranche 1 of the 2017 Share Option plan vested after grant of a Mining License 2018/9L for the Masama Project.

In the case of Tranche 2 and as a result in the delay in the commissioning of the plant Tranche 2 triggers have not been met and the tranche cannot be exercised.

A formal Share Trading Policy is in place. Refer to page 33 for the details.

## NON-EXECUTIVE DIRECTORS' REMUNERATION

Remuneration for Non-executive Directors for the year ended 30 June 2019, was as set out below:

NAME	2019 (Pula)	2018 (Pula)
Mokwena Morulane	131 380	107 760
Leutlwetse Tumelo	76 960	68 640
Claude de Bruin	87 460	78 720

The change in remuneration for Non-executive Directors is purely a function of the number of meetings the committee held, and the related sitting fees paid therefore. In addition to the above sitting fees, Mr de Bruin was also paid P1 668 000 (2018: P1 596 000) with respect to consulting services to the Company.

From the end of the financial year onwards, members and chairpersons of committees of the Company will no longer receive sitting fees.

NAME	2019 (Pula)	2018 (Pula)
Chairman of the Board	13 400	12 840
Non-executive Director	6 500	6 240
Chairman of Governance Committee	10 000	9 600
Member of Governance Committee	6 500	6 240

These fees were approved at the AGM held on 11 December 2018. Recommended fees for the financial year 2019/20 to be presented at the 2019 AGM are retainer fees paid monthly as follows:

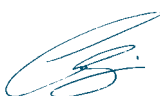
- › Chairman of the Board P25 000
- › Non-executive Directors P17 000

## EXECUTIVE DIRECTORS' REMUNERATION

The remuneration for Executive (inclusive of mandatory severance benefit) for the year ended 30 June 2019, as set out below:

NAME	2019 (Pula)	2018 (Pula)
André Bojé	1 958 387	1 942 381
Morné du Plessis	1 807 742	1 792 967

No benefits other than statutory benefits were accrued during the financial year and the salaries represent a cash-based basic salary. Statutory severance benefits have been calculated but not paid and provided for and included in remuneration for the reported financial year.



**Claude de Bruin**

Chairman of the Remuneration and Nominations Committee





# SOCIAL and Ethics Committee Report

The Social and Ethics Committee was established by the Board of Directors to support the Board with oversight of and report organisational ethics, responsible corporate citizenship, sustainable development and management of stakeholder relationships. The role of the committee is important to ensure that the growth of the Company takes on board the interest of its stakeholders and that the Company is seen as a responsible corporate citizen.

The Social and Ethics Committee is a committee of the Board of Directors and it derives its mandate and powers from the Social and Ethics Committee charter. Although the committee is accountable to the Board of Directors, it has an independent role in its oversight duties and does not assume the functions of management.

The committee comprised a majority of independent directors throughout the period as per the recommendations of King IV™ to ensure that independent judgement is brought to bear. The current members of the committee are:

## MEMBERS OF THE COMMITTEE

NAME	26 NOV 2018
<b>Chairman</b>	
Leutlwetse Tumelo	✓
<b>Members</b>	
Mokwena Morulane	✓
John Astrup	✓

## PROJECTS

During the year, Minergy progressed with a key project of reticulating electricity to the village of Medie. Specifically the company has undertaken to reticulate and connect electricity to the local primary school, clinic and the Kgotla. This is a key project for Medie, which was scheduled to be connected to the national grid in 2024. A number of homes and businesses in Medie have now connected to the power supply.

The Minergy team has also participated in number of community projects through monetary sponsorship or dedicating time to community projects. Some of these including clean up campaigns in the surrounding communities and an anti-corruption sponsored walk.

Minergy has also focused on skills development by training and allocating specific jobs the people it has trained. During the year the Company trained a team to erect boundary fences while another team was trained to construct trenches to prevent soil erosion. Both these team were recruited by Minergy to erect boundary fence and also construct trenches along roads within the mining area.

## PLANS FOR THE YEAR TO JUNE 2020

Minergy has successfully transitioned into a fully operational coal mining company. This achievement of this great milestone requires the committee to provide even greater support to the Board of Directors. In order to meet its mandate the committee will propose a number of new policies for approval by the board. Some of the policies that will be presented to the Board are:

- › an Anti-bribery and Anti-corruption Policy; and
- › a Code of Conduct for the Company.

The introduction of these policies is intended to support the development of a strong ethical corporate culture and ensure that Minergy is seen as a responsible corporate citizen.

The committee will review ethical matters within the Company on an ongoing basis and make recommendations to the Board of Directors on the ideal course of action to be taken.



**Leutlwetse Tumelo**

Chairman of the Social and Ethics Committee

# SUSTAINABILITY report

**Minergy has a defined sustainability strategy, which has clear imperatives, goals, priority areas and targets to enable the Company to meet the respective legislative requirements in Botswana.**

Minergy's strategic sustainability framework focuses on the following elements:

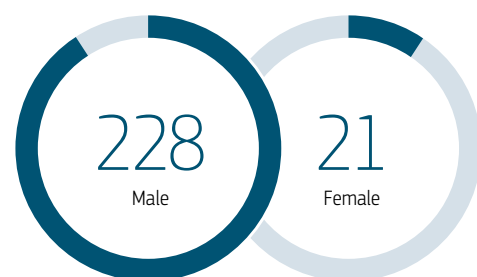
## EMPLOYEES

Our philosophy is to employ Botswana residents as far as this is possible. If skills are not available, then resources will be sought from outside of the country.

93% of the total employees are local citizens and approximately one-third of the current workforce is from the local Kweneng district.

Minergy has a strong drive to transfer skills so that trained skills remain in Botswana. This will also apply to the contractors that Minergy appoints.

## TOTAL EMPLOYEES INCLUDING CONTRACTORS 2019



The Company is currently scouting for talent to prepare for transitioning from project phase to operations.

Staff turnover is currently less than 1% although this may increase as the mine develops.

## LABOUR RELATIONS

Minergy strives for continuous engagement with employees at various levels to ensure harmonious relations and good employee morale. Visible Felt Leadership ("VFL") sessions are conducted on a monthly basis to allow individual employees to engage with management on various work related issues. There is no union representation on the mine and relations are managed through employee representatives, line and senior management.

## TRAINING AND SKILLS TRANSFER

An integrated Human Resources Development Programme ("HRD") is in place, which seeks to maximise the productive potential of people involved with the Masama Coal Project operation, through:

- › formulating and implementing a skills development plan;
- › developing and implementing a career progression plan;
- › formulating and implementing a mentorship plan; and
- › developing and implementing internship and bursary plans.

A socio-economic and skills survey was completed in the region around the mine site to collect baseline information on the characteristics, profiles, and demographics of potential employees. This study formed the basis for the implementation of the HRD and as referenced earlier in this sustainability report, 93% of employees are from Botswana and a large percentage from the Kweneng district.

## TOTAL EMPLOYEES



Currently training and skills transfer are on-going and are mainly focussed on machine operator training. Similarly as the plant commissioning progresses so training and skills development will turn to plant operator training. Weighbridge training was completed in January 2019 in readiness for the coal loading function.

## SAFETY, HEALTH AND ENVIRONMENT

Minergy has developed a Safety, Health, Environment and Quality ("SHEQ") Management System, which details our management policies, processes and procedures. Our goal regarding safety once we are in the construction and operational stage is to:

**Become a leader in workplace safety by creating a safe working environment for our employees which will result in eliminating injuries and fatalities.**

In August 2018 a SHEQ Manager was appointed, who works out of the Medie regional office.

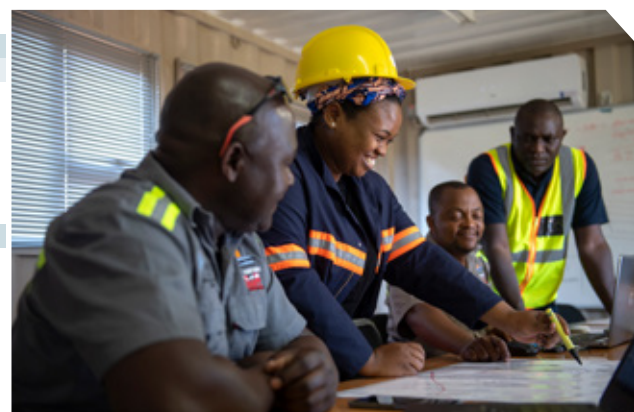
To date several health and safety briefings and training sessions have been undertaken. Minergy also reaches out to the people in the villages of Lentsweletau and Medie to ensure that they are aware of safety issues and that Minergy cares for the health of the people, as well as the animals in and around the village areas.

Minergy is proud to report that there has been no reportable accidents or injuries resulting from activities during and post the financial year.

In addition, a SHE policy, Legal Compliance, Incident/Accident Investigation, Support Orientated Processes ("SOPs") and Customer Orientated Processes ("COPs") are now in place across the mine, as are the Waste Management and Management of Persons Under the Influence of Alcohol and Drugs procedures, and detailed procedures in respect of hydrocarbon spillages.



## SAFETY BRIEFINGS ARE PART OF THE MINERGY DNA



## ENVIRONMENT

The SHE policy addresses Environmental Management and, as mentioned, the Waste Management and Hydrocarbons Management procedures are in place, as are various SOPs and COPs that address environmental conservation.

The Masama Coal Mine has an Environmental Management Plan ("EMP") authorised by the DEA. The EMP dictates how various forms of flora and fauna will be protected during the construction, operation and decommissioning of the mine. All activities at the mine are guided by the EMP for Environmental protection. So far no rehabilitation has taken place as the mine is still in construction.

## HEALTH

Minergy will strive to become a leader in the protection of our employees' health and the community's well-being.

All employees who join the mine undergo medical screening to determine their level of fitness to do the work that they have been employed to do. Subsequent to this there is a man-job analysis to determine if the employee's level of fitness and other underlying health factors are considered when placing them into a position. All employees at the mine are required to use appropriate Personnel Protective Equipment ("PPE") to protect them from exposure to any health stressors such as dust or gases. Furthermore, health stressors such as dust, noise and vibrations are monitored to ensure these are within the occupational exposure limits.

Consultations with the District Multi Sectoral Health Team ("DHMT") are on-going to facilitate training on various health exposures,

accessibility to available government programmes, and how Minergy can facilitate access to such programmes.

All new employees are taken through SHE Induction prior to the commencement of work. The induction programme entails training of occupational health exposures, communicable and non-communicable diseases as well as prevention or protection thereof. Induction also covers HIV/AIDS, tuberculosis ("TB") as well as the prevention of same. The local health facilities provide HIV/AIDS testing and counselling services. Statistics are reported to the DHMT on a monthly basis. Employees who wish to access the HIV/AIDS testing and counselling service use the local clinic in Medie for such services. The same applies to employees who require access to services and testing for high blood pressure, cholesterol and diabetes.

## PROCUREMENT

Minergy will give preference to the maximum extent possible and consistent with safety, efficiency, service or product quality and price, to procure products and materials made in Botswana. Records of such will be kept and a monthly procurement report will be submitted to the Managing Director.

## ETHICS

Minergy is committed to high standards of honesty, integrity, behaviour and ethics in dealing with all stakeholders. The Social and Ethics Committee has overall responsibility for monitoring the application of best practice with regards to the Company's commitment to, governance of, and reporting on sustainable development performance.

## MEASURING PERFORMANCE

### SAFETY AND HEALTH:

#### WORK-RELATED INJURIES

TARGET: **ZERO HARM**

2019 ACHIEVEMENT:

Two minor first aid cases were recorded in the last quarter of 2018.

#### NEW CASES OF OCCUPATIONAL DISEASE

TARGET: **YEAR-IN-YEAR REDUCTION**

2019 ACHIEVEMENT: **ZERO**

#### FATALITIES

TARGET: **ZERO HARM**

2019 ACHIEVEMENT:

#### LOST TIME INJURY RATE (LTIR)

TARGET: **YEAR-IN-YEAR REDUCTION**

2019 ACHIEVEMENT: **ZERO**

## SOCIAL RESPONSIBILITY

Minergy is a socially responsible company and will adhere to all compliance principles and guidelines. As such, Minergy has studies and guidelines in place for:



### NOISE POLLUTION



### DUST (AIR QUALITY)



### WATER (HYDRO CENSUS, GROUND AND SURFACE WATER BASELINE DATA AND MODELLING)



### WASTE MANAGEMENT



### ARCHAEOLOGY



### FLORA AND FAUNA SURVEYS AND BIODIVERSITY MANAGEMENT PLANS



### SOCIAL IMPACT STUDIES ON THE NINE VILLAGES SURROUNDING THE PROJECT



### TRAFFIC MANAGEMENT



### SOILS BASELINE STUDY



### HEALTH AND SAFETY

The write-ups below are in line with updates during the financial year.

### NOISE POLLUTION

A study on noise pollution was carried out in 2017 to determine the existing noise levels and thresholds. The results of this study were then used as a baseline for continuous monitoring during the construction and operational phase of the project. The noise study determined that the construction phase will be a low- to-medium significance reducing to low if mitigation measures are applied. The monitoring of noise pollution is on-going and the results thus far indicate that noise levels are within normal thresholds.

### DUST (AIR QUALITY)

A comprehensive air quality study was carried out at the mine site as well as at Medie to determine potential impacts of mine activities on both the community of Medie and employees. The study focused on the PM10 and PM2.5 evaluation criteria to evaluate particulate load of the area. The air quality study determined that the volumes of dust generated from the mine activities will generally settle within the mine area therefore causing little to no impact on the village.

### SURFACE WATER AND GROUNDWATER MONITORING

Studies on the potential impacts of mining on groundwater levels and also potential pollution of groundwater and surface water were conducted in 2017. As part of these studies groundwater modelling was conducted which predicted potential impacts of mining operations on the groundwater table and also potential migration of pollution plumes. In addition baseline water quality data was also collected prior to the commencement of mining operations. Groundwater and surface water monitoring are ongoing and to date results have been within normal thresholds.

### WASTE MANAGEMENT

A waste management plan and procedures have been developed for the site. The plan shows the various forms of waste generated from the site and the management thereof. A robust waste segregation programme has been developed and is being rolled out, which will ensure that minimum volumes of waste are sent to landfill. Records of volumes of solid and sewage waste collected from the mine are also monitored.

### ARCHAEOLOGY

As a condition of the EMP approval, Minergy is required to carry out archaeological monitoring for all excavation activities. The mine has engaged an archaeologist who visits the site on a monthly basis to carry out a survey of all activities. The reports generated from these surveys indicate that no materials of archaeological value were exposed during excavation works. The reports have since been authorised by the Department of Museums, Monuments and Art Gallery.

### BIODIVERSITY STUDIES

A biodiversity study for the mine has been conducted and results demonstrated that the site contains no species vital to conservation. The trees found on the project area were mostly less than 5 metres in height and less than 10cm diameter. However, the mine has taken the initiative to relocate some of the trees that had a diameter of more than 5 centimetres.

### TRAFFIC MANAGEMENT

The mine has developed a traffic management plan that evolves with various stages of development. The plan focuses on ensuring that there is minimal disruption of communities in the surrounding villages. Appropriate signage has been put up on the access road to ensure drivers adhere to the allowable speed limits.

Minergy has six traffic controllers in place, three in Lentsweletau and three in Medie, in an effort to ensure our safety mandate is thoroughly adhered to. These controllers stop trucks entering the respective village areas and go through a thorough safety induction/briefing with the drivers to ensure they understand and adhere to the speed limit and remain vigilant and cautious of children, people, other vehicles and animals.

### SOILS BASELINE STUDY

The baseline soil study for the mine was carried out as part of the EMP. The study recommended that employees should be trained on treating contaminated soils, ensuring that top soil is recovered and stockpiled to prevent the contamination of soils with heavy metals.

### HEALTH AND SAFETY

The mine has developed a comprehensive Safety and Health Programme, which entails a Baseline Risk Assessment for the activities on site as well as associated SOPs and COPs.



# CORPORATE

## social investment and community development

**Minergy has a Corporate Social Investment plan in place. This includes inter alia upgrading the clinic in Medie, aiding the school, as well as upgrading the roads used to access the mine.**

The mine is situated very close to Medie and given this, Minergy has ensured that it acts as a responsible corporate towards the community ensuring that it assists wherever possible to enhance well being in the village and the surrounding area.

Aside from employing the majority of the labour from the Kweneng district, Minergy has also assisted with the following:

- › cleaning of the Medie village;
- › placing gravel and road signs along the Medie - Lentsweletau road;
- › application of dust suppression on roads close to villages;
- › electrification of key facilities in the Medie village;
- › upgrading of the village clinic into a health post; and
- › rolling out a power line from Letsweletau to Medie.

As part of Minergy's corporate social investment the Company connected the Medie clinic, the Medie Primary School, Kgotla, and community hall to national power grid. The impact of this on the lives of community members is beneficial and Minergy is proud to have assisted in this. This project was commissioned and switched-on on 15 May 2019 and has positively impacted roughly 500 people in Medie.









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# INTERACTION with shareholders

## Minergy maintains an open investor relations approach and dialogue with key financial audiences including institutional and private shareholders as well as analysts.

An Investor Relations consultancy has been appointed that disseminates information to the market, and shareholders are encouraged to contact Minergy management or the consultancy, Keyter Rech Investor Solutions, directly for additional information.

The Group adopts a proactive and open attitude to the timely dissemination of appropriate information to stakeholders and shareholders alike through print, electronic news releases, the Company's website and the statutory publication of the Group's financial performance through both the BSE and local Botswana newspapers.

Minergy has and will continue to host regular shareholder briefings in Botswana in which the results, developments, strategy, prospects and the operating environment are discussed. Site visits will be undertaken when the mine is operational. The website provides the latest and historical financial information, including the prospectus, as well as information on the management of the Group and the operations. Shareholders are encouraged to attend the AGM, notice of which is contained in this Integrated Annual Report, where shareholders will have the opportunity to put questions to the Board and management.

### SHAREHOLDERS' DIARY

AGM	11 December 2019
Interim period-end	31 December
Interim results	March
Year-end	30 June
Final results	September

# Shareholder analysis

FOR THE YEAR ENDED 30 JUNE 2019

Company	Minergy Limited
Register date	30 June 2019
Issued share capital	431 086 245

## SHAREHOLDER SPREAD

	Number of shareholders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	267	53.83	116 851	0.03
1 001 – 10 000 shares	136	27.42	720 647	0.17
10 001 – 100 000 shares	35	7.06	1 232 870	0.29
100 001 – 1 000 000 shares	21	4.23	8 051 490	1.87
1 000 001 shares and over	37	7.46	420 964 387	97.65
<b>Total</b>	<b>496</b>	<b>100.00</b>	<b>431 086 245</b>	<b>100.00</b>

## DISTRIBUTION OF SHAREHOLDERS

	Number of shareholders	% of total shareholders	Number of shares	% of issued capital
Banks/brokers	1	0.20	1 000	0.00
Endowment Funds	1	0.20	394 486	0.09
Managed Funds	7	1.41	12 957 661	3.01
Other Corporations	2	0.40	1 277 405	0.30
Private Companies	14	2.82	74 704 081	17.33
Public Companies	1	0.20	11 196 813	2.60
Retail Investors	455	91.73	148 206 867	34.38
Retirement Funds	12	2.42	177 972 198	41.28
Trusts	3	0.60	4 375 734	1.02
<b>Total</b>	<b>496</b>	<b>100.00</b>	<b>431 086 245</b>	<b>100.00</b>

## PUBLIC/NON-PUBLIC SHAREHOLDERS

Shareholder type	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
<b>Non-public shareholders</b>	<b>7</b>	<b>1.41</b>	<b>170 315 677</b>	<b>39.51</b>
Directors and Associates of the Company	6	1.21	114 219 980	26.50
Energy Mineral Resources & Mining Limited ("BVI")*	1	0.20	56 095 697	13.01
<b>Public shareholders</b>	<b>489</b>	<b>98.59</b>	<b>260 770 568</b>	<b>60.49</b>
African Alliance	1	0.20	98 530 000	22.86
Allan Gray	3	0.60	67 348 468	15.62
Managed and Retirement funds through fund managers	19	3.83	25 051 391	5.81
Public shareholders	466	93.95	69 840 709	16.20
<b>Total</b>	<b>496</b>	<b>100.00</b>	<b>431 086 245</b>	<b>100.00</b>

\* During the year the shareholders of BVI agreed to unbundle their shares into their own individual shareholdings. At the date of this report their reported holding consisted of 56 095 697 (2018: 227 500 000) or 13.01% (2018: 22.04%) of total shareholding.

## BENEFICIAL SHAREHOLDERS HOLDING 3% OR MORE

	Number of shares	% of issued capital
African Alliance Botswana Limited	98 530 000	22.86
Allan Gray Botswana (Pty) Ltd	67 348 468	15.62
Energy Mineral Resources & Mining Limited ("BVI")	56 095 697	13.01
De Bruin, C	42 634 421	9.89
Astrup, J	40 279 938	9.34
Bojé, AR	15 000 000	3.48
<b>Total</b>	<b>319 888 524</b>	<b>74.21</b>



## 06. Group annual financial statements

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## Directors' responsibilities and approval

The directors are required to maintain adequate accounting records and are responsible for the content and integrity of the consolidated financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Group and the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The consolidated and separate financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Group's cash flow forecast for the year end 30 June 2020 and, in light of this review and the current financial position, they are satisfied that the Group has access to adequate resources to continue in operational existence for the foreseeable future. Refer to the directors' report for further detail.

The external auditors are responsible for the independently auditing and reporting on the Group's annual financial statements. The annual financial statements have been examined by the Group's external auditors and their report is presented on pages 50 to 51.

The annual financial statements set out on pages 52 to 73, which have been prepared on the going concern basis, were approved by the board of directors on 23 September 2019 and were signed on its behalf by:



**Mokwena Morulane**  
Chairman



**Morné du Plessis**  
Chief Executive Officer

# Directors' report

The directors have pleasure in submitting their report on the consolidated annual financial statements for the year ended 30 June 2019.

## 1. NATURE OF BUSINESS

Minergy Limited ("Minergy" or "the Company") is an investment holding Company. Its principal subsidiary holds Mining License 2018/9L (for coal and coal-bed methane) and is invested in the exploration, development, mining and trading of thermal coal. The Group has significantly completed the development of its only project, the Masama Coal Mine on the southern edge of the Mmamabula Coalfield in Botswana.

## 2. LISTING

The Company has been listed on the Botswana Stock Exchange (BSE) Main Board since 27 April 2017. The abbreviated name under which the Company is listed on the BSE is "Minergy" and the Company's Clearing House Code is "MIN".

## 3. REVIEW OF FINANCIAL RESULTS AND ACTIVITIES

The consolidated and Company annual financial statements have been prepared in accordance with International Financial Reporting Standards. The accounting policies have been applied consistently compared to the prior year, except for the adoption of new standards as disclosed in note 3.

Group attributable loss for the financial year ended 30 June 2019 was P29 347 593 (2018: P9 818 365) representing a loss per share of 7.01 thebe (2018: 2.53 thebe). Headline loss per share was 7.01 thebe (2018: 2.53 thebe).

The Company raised P20.7 million through a specific issue of shares during the year. In addition, the subsidiary raised P40 million short term debt. The cash was utilised to finance operational expenditures and develop the Masama Coal Project covered by the Mining License.

Full details of the financial position, results of operations and cash flows of the Group and Company are set out in these consolidated annual financial statements.

## 4. STATED CAPITAL

The following changes were made to the stated capital and number of shares of the Company during the year:

- On 19 November 2018 the Company offered 82 352 941 shares for specific issue of new ordinary shares of the Company for cash, by way of an offer for subscription to selected and qualifying institutional investors, of which the Company issued 25 113 180 shares on 24 December 2018 increasing the gross stated capital to P135 571 068 before accounting for share issuance costs.

The Company has capitalised P562 913 of share issuance costs directly attributable to the raising and placing of funds. This has been set off against the share capital raised in line with accepted accounting practice.

For more detail refer to note 11 of the annual financial statements for the movement in issued share capital.

At 30 June 2019 the number of ordinary shares in issue and the weighted average number of shares was 431 086 245 (2018: 405 973 065) and 418 908 073 (2018: 388 742 595), respectively.

## 5. SHARE OPTION PLAN

Shareholders approved the 2017 Share Option Plan on 7 December 2017 at the Annual General meeting.

The purpose of this 2017 Share Option Plan is to provide Minergy Ltd and its Subsidiaries, present and future (collectively "the Company"), with the means to encourage, attract, retain and motivate Service Providers and Insiders specifically in respect of the new Masama Coal Project by granting such Service Providers and Insiders share options to purchase ordinary shares in Minergy's share capital thereby giving them an ongoing proprietary interest in Minergy.

Salient features of the Share Option Plan include:

- maximum shares subject to 2017 Share Option Plan may not exceed 50 000 000 shares.
- maximum number of ordinary Shares which may be issued at any time to any one Service Provider or Insider may not exceed 10 000 000 shares.
- each option granted shall represent the right to purchase one Ordinary Share in the Company.
- price shall be P1 per share
- options shall not have a term exceeding ten years after allotment.
- options granted shall vest as follows:
  - 25% on granting of a mining license to the Masama Coal Project before 30 September 2018 ("Tranche 1");
  - 35% upon the Masama Coal Project reaching steady state production of 40,000 saleable tonnes of coal per month before 31 March 2019 ("Tranche 2"); and
  - 40% upon there being three consecutive 6 monthly reporting periods of operating profits from Masama Coal Project before 31 December 2020 ("Tranche 3").
- options are exercisable within the following periods after having vested, in whole or in part and from time to time, by payment in full for the resultant ordinary shares purchased by the participant at the time of exercise:
  - Tranche 1 — 24 months after vesting;
  - Tranche 2 — 18 months after vesting; and
  - Tranche 3 — 12 months after vesting

Tranche 1 of the option plan is exercisable as the mining license 2018/9L was awarded to the subsidiary on 28 August 2018. As result of the delay in the commissioning of the plant Tranche 2 triggers have not been met and the tranche cannot be exercised and is not available.

## 6. DIRECTORATE

The directors in office at the date of this report are as follows:

DIRECTORS	NATIONALITY	OFFICE	DESIGNATION
Mokwena Morulane	Botswana	Chairman	Independent non-executive
Morné du Plessis	South Africa	Chief Executive Officer	Executive
Claude de Bruin	New Zealand		Non-executive
Leutlwtse Tumelo	Botswana		Non-executive
André Russel Bojé	South Africa		Non-executive



# Directors' report

CONTINUED

## 7. DIRECTORS' INTEREST IN SHARES

At 30 June 2019, the directors of the Company held direct and indirect interests in 68 940 042 (2018: 69 384 265) Company's issued ordinary shares. Details of shares held per individual director are listed below:

Shares	Direct beneficial	Indirect beneficial	Direct non-beneficial	Indirect non-beneficial	Total	%
<b>2019</b>						
<b>Executive Directors</b>						
André Bojé	15 000 000	—	—	—	15 000 000	3.48
Morné du Plessis	10 000 000	—	—	—	10 000 000	2.32
	25 000 000	—	—	—	25 000 000	5.80
<b>Non-executive Directors</b>						
Claude de Bruin	40 142 781	2 491 640			42 634 421	9.89
Leutlwetse Tumelo	1 305 621	—			1 305 621	0.30
	41 448 402	2 491 640	—	—	43 940 042	10.19
<b>Total Executive and Non-executive Directors' interest</b>	<b>66 448 402</b>	<b>2 491 640</b>	<b>—</b>	<b>—</b>	<b>68 940 042</b>	<b>15.99</b>
<b>2018</b>						
<b>Executive Directors</b>						
André Bojé	15 000 000	—	—	—	15 000 000	3.69
Morné du Plessis	10 000 000	—	—	—	10 000 000	2.46
	25 000 000	—	—	—	25 000 000	6.16
<b>Non-executive Directors</b>						
Claude de Bruin		43 048 948*			43 048 948*	10.60
Leutlwetse Tumelo		1 335 317			1 335 317	0.33
	—	44 384 265	—	—	44 384 265	10.93
<b>Total Executive and Non-executive Directors' interest</b>	<b>25 000 000</b>	<b>44 384 265</b>	<b>—</b>	<b>—</b>	<b>69 384 265</b>	<b>17.09</b>

\* This was an estimate at the time, based on a calculation. No shares have been disposed of between the 2018 and 2019 years.

### Note on non-executive shares for 2018

The move from indirect to direct beneficial holding is the result of the original holding company (BVI) unbundling their shares into the names of the individuals.

## 8. BORROWING POWERS

The directors may raise or borrow for the purposes of the business of the Company and/or its subsidiaries, such sum or sums of money as in aggregate at any time do not exceed half of the fair market value of the assets of the Company, or such higher limit as the shareholders may, by ordinary resolution, in a general meeting determine.

## 9. SPECIAL RESOLUTIONS

The following special resolutions were passed for the reporting period:

- › increase in stated capital for the issue of shares in terms of the 19 November 2018 specific issue
- › that the shareholders waive their pre-emptive rights as set out in clause 5.1 of the Constitution and section 5.2 of the Companies Act in respect of the issue of up to 82 352 941 new ordinary shares in respect of the offer for subscription
- › until the next AGM of the Company, shares representing up to 10% (in aggregate) of the issued ordinary shares of the Company for cash, are placed under the control of the directors for issue and the stated capital of the Company will be increased by the equivalent Pula value with the reciprocal waiver by shareholders
- › The date of tranche 1 of the 2017 Share Option Plan was extended from 30 June 2018 to 30 September 2018 to incentivise the Company's management team as the original date could not be met due to factors not within the control of the Company nor the service providers

## 10. EVENTS AFTER THE REPORTING PERIOD

After the year-end, the washing module section of the beneficiation plant was installed. However the front and back ends were still under construction. As a temporary solution, mobile screens and crushers were utilised, while awaiting completion of these sections and full commissioning of the plant. Through this coal was successfully introduced into the plant for washing in July 2019, with coal sales following thereafter.

This will result in the beneficiation plant asset with its reciprocal liability being recorded in the accounts subsequent to the year end.

Other than the abovementioned the directors are not aware of any material subsequent events as at the date of the report.

## 11. GOING CONCERN

The Group did not generate any revenue during the year under review as the Company was transitioning from exploration and evaluation to mine development. Funding for the development in the subsidiary was provided by the holding Company, Minergy Limited and bridging finance provided by Botswana Development Corporation ("BDC").

As at 30 June 2019 the Group's current liabilities exceeded its current assets with P75,344,516. To address this illiquidity the following have been effected post year end to support the going concern:

- › P70 million funding has been received from Minerals Development Corporation Botswana ("MDCB") in terms of a secured financing facility.
- › The BDC liability classified as current borrowing is in the process of being refinanced as medium term funding and will accordingly be reclassified as a non-current liability.
- › Inventory Work in Progress at P47.3 million is planned to be converted into cash within a 6-month period.
- › An off take agreement will be signed with a South African cement producer for a 3-year period with total value in excess of P240 million with favourable payment terms.
- › The beneficiation plant was commissioned post 30 June 2019 which enables the Company to produce and sell coal for the first time.

# Directors' report

CONTINUED

## 11. GOING CONCERN continued

The commencement of coal production for sale and positive feedback received from customers on product quality substantially reduces the risk for any potential investors and provides the vital key to ensuring project viability, substantially underpinning the investment case.

The financial statements have been prepared based on the accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent liabilities and commitments will occur in the ordinary course of business.

## 12. AUDITORS

Grant Thornton Botswana has been appointed as auditors of the Company and its subsidiaries for financial year.

## 13. COMPANY SECRETARY

The Company secretary is Desert Secretarial Services (Pty) Ltd

Postal address	P O Box 211008 Bontleng, Gaborone Botswana
Business address	Deloitte House, Plot 64518 Fairgrounds Office Park Gaborone Botswana

## 14. DETAILS OF SUBSIDIARIES

Details of the Group's interests in its subsidiaries are set out in note 6 of the consolidated annual financial statements.



# Independent auditor's report



## Chartered Accountants

**Grant Thornton**  
Acumen Park, Plot 50370  
Fairgrounds, Gaborone  
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## Independent Auditor's Report

### To the shareholders of Minergy Limited

#### Opinion

We have audited the consolidated and separate annual financial statements of Minergy Limited (the "company") and its subsidiaries (together the "Group") set out on pages 13 to 54, which comprise the consolidated and separate statement of financial position as at 30 June 2019, and the consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements give a true and fair view of, the consolidated and separate financial position of Minergy Limited as at 30 June, 2019, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the consolidated and separate annual financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of annual financial statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Botswana. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of matter

We draw attention to accounting policy 1(d) in the annual financial statements, which indicates that the group incurred a net loss of P29 347 593 during the year ended 30 June 2019 and, as of that date, the company has accumulated losses of P 48 675 336 and current liabilities exceeded its current assets by P 75 344 516. As stated in accounting policy 1(d), these events or conditions, along with other matters as set forth in accounting policy 1(d), indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements of the current period. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, and we do not provide separate opinion on these audit matters.



Botswana Accounting Oversight Authority registration number: 14P/2018 (Joint Firm of Public Interest Entity)  
Botswana Institute of Chartered Accountants membership number: M/10102 (Joint and Non Audit)

**Partners**  
Jagdeep Singh (Chairman), Kuldeep Singh (Managing Director), Deepak K. Mahajan (Deputy Managing Director), Anand Kulkarni (Deputy Managing Director),  
Mukund Venkateshwar, Nageshwar Narasimhan, Anthony Gonsky, Sunny K. Mahajan (Tax)

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## Independent Auditor's Report

Key audit matter	How the matter was addressed in our audit
<b>Assessment for impairment indicators.</b>  The Group has property, plant and equipment of P107 million as at 30 June 2019.  The determination of whether an impairment trigger exists can be judgemental. Management must determine the recoverable amount for property, plant and equipment when impairment indicators are identified.  The determination of recoverable amount, requires judgement and estimation on the part of management. Recoverable amounts are based on management's view of key internal value driver inputs and external market conditions such as future commodity prices.  The timing and approval of future capital and operating expenditure, and the most appropriate discount rate.	For material property, plant and equipment we undertook the following to test management's assessment for indicators of impairment:  – satisfied ourselves as to the appropriateness of management's Group's key controls over the impairment assessment process.  – evaluated management's assessment of impairment indicators, including the conclusions reached. This included review of budgets, cash flow forecasts and customer agreements.  – considered the current project status and the length of time remaining to complete the underground mine and related uncertainties.  – satisfied ourselves that management's conclusion that no impairment loss had occurred is supportable and validated the appropriateness of the related disclosures.  Based on the procedures performed, we satisfied with management's assessment of impairment.
<b>Provisions for close-down, restoration and environmental obligations</b>  The Group has provisions for close-down, restoration and environmental obligations of 22.6 million as at 30 June 2019.  The calculation of these provisions requires management to estimate the amount and timing of future costs, particularly given the long timescales involved and the potential associated obligations. These calculations also require management to determine an appropriate rate to discount future costs to their net present value. There are limited restoration and rehabilitation activity and historical precedent against which to benchmark estimates of future costs.  Management reviews the close-down, restoration and environmental obligations on an annual basis, using experts to provide support in its assessment where appropriate.	Experts appointed by the management determined the Provisions for close-down, restoration and environmental obligations.  –We assessed the competence and capabilities of the expert verifying qualifications and experience.  –We established the existence of legal and/or constructive obligations with respect to the closure provision, considered the intended method of restoration and rehabilitation, and associated cost estimate.  –We held discussions with these experts to gather an understanding of the various inputs, assumptions, estimates and process used in arriving at the values. We compared the valuation approach used by the expert against IFRS requirements and industry norms to confirm that the methodology was appropriate.  –We verified on a sample basis the underlying data used by the expert. These inputs were found to be within a reasonable range. We considered the appropriateness of the related disclosures in the financial statements.  –Based on the procedures performed, we noted that the provision was appropriately stated.



# Independent auditor's report

CONTINUED



## Independent Auditor's Report

### Other information

The directors are responsible for the other information. The other information comprises the Detailed Income Statement and the Statement of Directors' Responsibility and Approval, which we obtained prior to the date of this report, and the other parts of the Minergy Integrated Annual Report, which is expected to be made available to us after that date. Other information does not include the annual financial statements and our auditor's report thereon.

Our opinion on the annual financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the directors for the Consolidated and Separate Annual Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate annual financial Statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### Auditor's responsibilities for the audit of the Consolidated and Separate Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:


- Identify and assess the risks of material misstatement of the consolidated and separate annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, events or conditions may cause the Group and/or company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the consolidated and separate annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the subsidiaries or business activities within the group to express an opinion on the consolidated and separate annual financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

  
Chartered Accountants  
Certified Auditor: Mr. Aswin Vaidyanathan: 19980110  
Certified Auditor of Public Interest Entity  
Certificate Number: CAP 0016 2019

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# Statements of financial position

AS AT 30 JUNE 2019

		GROUP		COMPANY	
Figures in Pula	Notes	2019	2018	2019	2018
ASSETS					
Non-current assets					
Property, plant and equipment	4	168 615 430	1 918 090	15 355	30 541
Mineral exploration and evaluation expenditure	5	—	27 272 920	—	—
Investment in subsidiary	6	—	—	102 503 129	38 922 533
Deferred tax assets	7	13 346 576	6 660 454	4 684 646	4 414 526
		181 962 006	35 851 464	107 203 130	43 367 600
Current assets					
Inventories	8	47 246 445	—	—	—
Trade and other receivables	9	23 190 740	404 011	18 197 288	215 369
Cash and cash equivalents	10	294 085	55 891 338	280 079	55 877 208
		70 731 270	56 295 349	18 477 367	56 092 577
Total assets		252 693 276	92 146 813	125 680 497	99 460 177
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	11	130 563 026	109 779 735	130 563 026	109 779 735
Accumulated loss		(48 675 336)	(19 327 743)	(12 641 417)	(11 205 557)
Share-based payment reserve	12	2 063 988	—	2 063 988	—
Equity attributable to owners of the parent		83 951 678	90 451 992	119 985 597	98 574 178
Total equity		83 951 678	90 451 992	119 985 597	98 574 178
Non-current liabilities					
Rehabilitation provision	13	22 665 812	—	—	—
		22 665 812	—	—	—
Current liabilities					
Financial liabilities	14	45 526 612	—	4 057 968	—
Trade and other payables	15	100 549 174	1 694 821	1 636 932	885 999
		146 075 786	1 694 821	5 694 900	885 999
Total liabilities		168 741 598	1 694 821	5 694 900	885 999
Total equity and liabilities		252 693 276	92 146 813	125 680 497	99 460 177

# Statements of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2019

Figures in Pula	Notes	GROUP		COMPANY	
		2019	2018	2019	2018
Revenue		—	—	—	—
Cost of sales		—	—	—	—
<b>Gross profit</b>		<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
Other income	18	—	—	5 520 000	—
Operating expenses		(35 139 496)	(18 077 019)	(11 550 250)	(10 740 904)
<b>Operating loss</b>	19	<b>(35 139 496)</b>	<b>(18 077 019)</b>	<b>(6 030 250)</b>	<b>(10 740 904)</b>
Finance income	20	241 066	1 598 248	4 382 238	1 598 248
Finance costs	21	(1 135 285)	(48)	(57 968)	(48)
<b>Loss before income tax</b>		<b>(36 033 715)</b>	<b>(16 478 819)</b>	<b>(1 705 980)</b>	<b>(9 142 704)</b>
Income tax	22	6 686 122	6 660 454	270 120	4 414 526
<b>Loss for the year</b>		<b>(29 347 593)</b>	<b>(9 818 365)</b>	<b>(1 435 860)</b>	<b>(4 728 178)</b>
Other comprehensive income for the year		—	—	—	—
<b>Total comprehensive loss for the year</b>		<b>(29 347 593)</b>	<b>(9 818 365)</b>	<b>(1 435 860)</b>	<b>(4 728 178)</b>
<b>Total comprehensive loss attributable to:</b>					
Owners of the parent		(29 347 593)	(9 818 365)		
Non-controlling interest		—	—		
		(29 347 593)	(9 818 365)		
Loss per share (thebe)	23	(7.01)	(2.53)		
Diluted loss per share (thebe)	23	(7.01)	(2.53)		

# Statements of changes in equity

FOR THE YEAR ENDED 30 JUNE 2019

Figures in Pula	Stated capital	Accumulated loss	Share-based payment reserve	Total equity
<b>GROUP</b>				
<b>Balance at 1 July 2017</b>	<b>84 266 725</b>	<b>(9 509 378)</b>	<b>—</b>	<b>74 757 347</b>
Total comprehensive loss	—	(9 818 365)	—	(9 818 365)
Transactions — owners in their capacity as owners of equity				
Subscription for shares	26 953 378	—	—	26 953 378
Share issuance costs on subscription	(1 440 368)	—	—	(1 440 368)
Share-based payment expense	—	—	—	—
<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 30 June 2019</b>	<b>130 563 026</b>	<b>(48 675 336)</b>	<b>2 063 988</b>	<b>83 951 678</b>
	Note 11		Note 12	
<b>COMPANY</b>				
<b>Balance at 1 July 2017</b>	<b>84 266 725</b>	<b>(6 477 379)</b>	<b>—</b>	<b>77 789 346</b>
Total comprehensive loss	—	(1 435 860)	—	(1 435 860)
Transactions — owners in their capacity as owners of equity				
Subscription for shares	26 953 378	—	—	26 953 378
Share issuance costs on subscription	(1 440 368)	—	—	(1 440 368)
Share-based payment expense	—	—	2 063 988	2 063 988
<b>Balance at 1 July 2018</b>	<b>109 779 735</b>	<b>(11 205 557)</b>	<b>—</b>	<b>98 574 178</b>
Total comprehensive loss	—	(1 435 860)	—	(1 435 860)
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	—	—	1 041 073	1 041 073
<b>Balance at 30 June 2019</b>	<b>130 563 026</b>	<b>(12 641 417)</b>	<b>1 041 073</b>	<b>119 985 597</b>
	Note 11		Note 12	

# Statements of cash flows

FOR THE YEAR ENDED 30 JUNE 2019

		GROUP		COMPANY	
Figures in Pula	Notes	2019	2018	2019	2018
<b>Cash flows from operating activities</b>					
Cash utilised in operations	24	(93 350 193)	(16 877 459)	(22 204 977)	(10 398 330)
Finance costs paid	21	(1 135 285)	(48)	(57 968)	(48)
<b>Net cash used in operating activities</b>		<b>(94 485 478)</b>	<b>(16 877 507)</b>	<b>(22 262 945)</b>	<b>(10 398 378)</b>
<b>Cash flows from investing activities</b>					
Exploration and evaluation asset expenditure	5	-	(7 074 051)	-	-
Purchase of property, plant and equipment	4	(26 186 301)	(1 440 111)	-	(15 595)
Increase in investment in subsidiary		-	-	(62 557 682)	(14 932 924)
Finance income		241 066	1 598 248	4 382 238	1 598 248
<b>Net cash utilised in investing activities</b>		<b>(25 945 235)</b>	<b>(6 915 914)</b>	<b>(58 175 444)</b>	<b>(13 350 271)</b>
<b>Cash flows from financing activities</b>					
Proceeds from shares issued	11	20 783 292	25 513 011	20 783 292	25 513 011
Proceeds from financial liability	14	44 050 168	-	4 057 968	-
<b>Net cash from financing activities</b>		<b>64 833 460</b>	<b>25 513 011</b>	<b>24 841 260</b>	<b>25 513 011</b>
<b>Total cash movement for the period</b>		<b>(55 597 253)</b>	<b>1 719 590</b>	<b>(55 597 129)</b>	<b>1 764 362</b>
Cash at the beginning of the period		55 891 338	54 171 748	55 877 208	54 112 846
<b>Total cash at end of the period</b>		<b>294 085</b>	<b>55 891 338</b>	<b>280 079</b>	<b>55 877 208</b>



# Accounting policies

FOR THE YEAR ENDED 30 JUNE 2019

## 1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The principal accounting policies applied in the presentation and in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### (a) Statement of compliance

The consolidated and separate financial statements of Minergy Limited as at and for the year ended 30 June 2019 comprise those of the Company and its subsidiaries (together referred to as the Group). These have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis unless otherwise stated. In addition, the financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

### (c) Functional and presentation currency

Functional and presentation currency items included in the consolidated and separate financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Botswana Pula, which is the Group and Company's functional and presentation currency.

### (d) Going concern basis

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the realization of assets and satisfaction of liabilities in the normal course of business. The Group has focussed exclusively on the development of its principal project in Botswana (The Masama Coal Project).

As at 30 June 2019, the Group had no source of operating cash flows, had not yet achieved commercial levels of operation, had accumulated losses of P48 675 336, shareholders' equity of P83 951 678 and negative working capital of P75 344 516. It is expected that further losses and cash outflows will be incurred in the final phase of development and ramp up of operating activities.

The Group's going concern risk profile has improved during the year ended 30 June 2019, as well as post year-end through the successful raising of an additional P55 million in loans from the MDCB to complete development work and commence production ramp up activities. An additional P15 million in funding has also been secured through the MDCB and the bridging finance obtained from the BDC is in the process of being refinanced over a longer term. The Group substantially completed development activities at the Masama Coal Project post year end and have commenced with the commissioning and ramp up process. The Group's ability to continue as a going concern is dependent upon successfully ramping up to, and consistently maintaining, commercial levels of production as well as successfully providing finished product to its customers. The before noted factors have in combination reduced risks, but that there are still some uncertainty that remains.

These annual financial statements do not give effect to adjustments that would be necessary to the carrying value and classification of assets and liabilities should the company be unable to continue as a going concern. Such adjustments could be material.

The subsequent commencement of coal production for sale and positive feedback received from customers on coal quality as well as substantially concluding off take agreement negotiations, significantly reduces the risk for any potential investors and provides the vital key to ensuring project viability, substantially underpinning the investment case.

The directors are of the opinion that given the abovementioned facts the consolidated annual financial statements for the year ended 30 June 2019 have been prepared on a going concern basis.

## 1.1 CONSOLIDATION

The consolidated financial information includes the financial statements of the Group and its subsidiaries. All financial results are consolidated with similar items on a line by line basis.

### Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-Group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

## 1.2 INVESTMENT IN SUBSIDIARIES

In the Company's separate annual financial statements, investments in subsidiaries are carried at cost less any accumulated impairment.

The cost of an investment in subsidiary is the aggregate of:

- › the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- › any costs directly attributable to the purchase of the subsidiary;
- › any funds advanced to or repayments received from the subsidiary on loans granted to the subsidiary as funding for the subsidiary on terms that are not commercial in nature.

## 1.3 FOREIGN CURRENCY TRANSLATIONS

Items included in the financial statements of each of the Group's entities are measured using the functional currency of the entity.

Transactions in currencies other than the functional currency are initially recorded at the rates of exchange ruling on the dates of the transactions. At each reporting date, foreign currency monetary assets and liabilities are translated to the functional currency at the rates prevailing on the reporting date.

Non-monetary items that are measured at fair value, as determined with reference to a foreign currency, are translated to the functional currency at the rates prevailing at the date of the valuation.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

All exchange gains and losses are presented in the Statement of Comprehensive Income within operating expenses.

# Accounting policies

FOR THE YEAR ENDED 30 JUNE 2019 CONTINUED

## 1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS continued

### 1.4 EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

#### Recognition and measurement

Exploration and Evaluation costs are those costs required to find a mineral property and determine technical feasibility and commercial viability. Exploration and Evaluation costs include costs to establish an initial mineral resource and determine whether inferred mineral resources can be upgraded to measured and indicated mineral resources and whether measured and indicated mineral resources are commercially viable.

Costs incurred before the Company has obtained the legal right to explore an area are expensed. Exploration and Evaluation costs relating to the acquisition of, exploration for and development of mineral properties are capitalised and include, but are not restricted to: drilling, trenching, sampling, surveying and gathering exploration data; tunnelling and development, calculation and definition of mineral resource; test work on geology, metallurgy, mining and conducting geological, geophysical, engineering, environmental, marketing and financial studies.

Administration costs that do not relate directly to specific exploration and evaluation activity for capitalised projects are expensed as incurred.

#### Impairment

All capitalised Exploration and Evaluation expenditures are monitored for indications of impairment.

Indicators of impairment include, but are not limited to:

- (a) the period for which the right to explore is less than one year;
- (b) further exploration expenditures that are not anticipated;
- (c) a decision to discontinue activities in a specific area; and
- (d) the existence of sufficient data indicating that the carrying amount of an exploration and evaluation asset is unlikely to be recovered from the development or sale of the asset.

Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that Exploration and Evaluation assets are not expected to be recovered, they are charged to the consolidated Statement of Comprehensive Income.

#### Reclassification to property, plant and equipment

Capitalised Exploration and Evaluation costs for a project are classified as such until the project demonstrates technical feasibility and commercial viability. Upon demonstrating technical feasibility and commercial viability, and subject to an analysis, capitalised exploration costs are transferred to construction in progress/mine development costs within property, plant and equipment.

Demonstration of technical feasibility and commercial viability generally coincide with a board decision and approval to commence development and construction of a mine. This assessment also includes an assessment of initial development funding required as well as the availability of such funds. In addition, the assessment includes the estimation of projected future operating cash flows based on a detailed mine design plan supporting the extraction and production of established proven and probable reserves and an estimate of mineral resources expected to be converted into reserves in the future and includes initial construction and sustaining capital expenditures.

However, this determination may also be impacted by management's assessment of certain modifying factors including legal, environmental, social and governmental factors. All subsequent expenditures on the development, construction, installation or completion of infrastructure facilities are capitalized as part of mine development / construction in progress within property, plant and equipment.

### 1.5 PROPERTY, PLANT AND EQUIPMENT

An item of plant and equipment is recognised as an asset when:

- › it is probable that the future economic benefits associated with the item will flow to the Group; and
- › the cost of the item can be measured reliably.

Mine development assets and capital work in progress includes expenditure that has been incurred through the exploration and development phases, and in addition, further development expenditure that is directly attributable to the construction of a mine and the related infrastructure.

Stripping costs comprise the removal of overburden and other waste products from a mine. Stripping costs incurred in the development of a mine before production commences are capitalised as part of constructing the mine.

Stripping cost incurred during the production stage of a mine are deferred when all of the following criteria are met: (a) it is probable that future economic benefits will flow to the entity; (b) the entity can identify the components of the ore body to which the access has been improved; and (c) the cost incurred can be measured reliably.

Plant and equipment is initially measured at cost.

Costs includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets.

Plant and equipment is subsequently stated at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance is charged to the profit and loss account during the financial period in which they are incurred.

The depreciation charge for each year is recognised in profit and loss unless it is included in the carrying amount of another asset.

Depreciation on mining assets is charged using the units-of-production method.

Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over the estimated useful lives as follows:

	Average useful life
› Plant and machinery	6 to 25 years
› Furniture and fittings	6 years
› Motor vehicles	4 years
› Computer equipment and software	3 years
› Leasehold improvements	4 years
› Rehabilitation asset	25 years

The residual value and useful life of each asset category are reviewed, and adjusted if appropriate at the end of each reporting year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other (losses)/income" in the Statement of Comprehensive Income.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal.

# Accounting policies

FOR THE YEAR ENDED 30 JUNE 2019 CONTINUED

## 1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS continued

### 1.6 FINANCIAL ASSETS

#### (a) Classification

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- › amortised cost
- › fair value through profit or loss (FVTPL)
- › fair value through other comprehensive income (FVOCI)

In the periods presented the Group does not have any financial assets categorised as FVTPL or FVOCI.

The classification is determined by both:

- › the entity's business model for managing the financial asset
- › the contractual cash flow characteristics of the financial asset

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

#### (b) Recognition and derecognition

Financial assets are recognised when the company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to cash flows from the asset expire or have been transferred and the company has transferred substantially all risks and rewards.

#### (c) Measurement

Financial assets are measured at amortised cost if the assets meet the following conditions:

- › they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- › the contractual terms of the financial assets give rise to cash flows that are solely payments of collect principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

#### (d) Impairment

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses — the 'expected credit loss (ECL) model'. This replaced IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost including trade receivables.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- › financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- › financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').
- › 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The carrying amount of the asset is reduced and the amount of the loss is recognised in the Statement of Comprehensive Income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the Statement of Comprehensive Income.

### 1.7 FINANCIAL LIABILITIES

#### (a) Classification

The Group's financial liabilities include borrowings and trade and other payables. These financial liabilities are classified and accounted for at amortised cost.

#### (b) Recognition and derecognition

Financial liabilities are recognised when the company becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are derecognised when these contractual obligations are discharged, cancelled, extinguished or expired.

#### (c) Measurement

Financial liabilities are stated initially on transaction date at its fair value including transaction costs directly attributable to the transaction.

Financial liabilities are subsequently carried at amortised cost using the effective interest method.

#### (d) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.



# Accounting policies

FOR THE YEAR ENDED 30 JUNE 2019 CONTINUED

## 1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS continued

### 1.8 INVENTORIES

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Cost excludes borrowing costs. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

Net realisable value is the estimated selling price in the ordinary course of business less the costs of completion and the estimated costs necessary to make the sale. Write-downs to net realisable value and inventory losses are expensed in the period in which the write-downs or losses occur.

### 1.9 TRADE RECEIVABLES

Trade receivables are amounts due from customers for inventory sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are measured at amortised cost.

### 1.10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less.

Cash and cash equivalents are measured at amortised cost.

### 1.11 STATED CAPITAL AND EQUITY

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

If the company reacquires its own equity instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes) on those instruments are deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued.

Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown as a deduction, net of tax, from the proceeds.

### 1.12 SHARE-BASED PAYMENTS

Goods or services received or acquired in a share-based payment transaction are recognised when the goods or as the services are received. A corresponding increase in equity is recognised if the goods or services were received in an equity-settled share-based payment transaction or a liability if the goods or service were acquired in a cash-settled share-based payment transaction.

When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

For equity-settled share-based payment transaction the goods or services received and the corresponding increase in equity are measured, directly, at the fair value of the goods or services received provided that the fair value can be estimated reliably. The value is determined at grant date and not subsequently adjusted.

If the fair value of the goods and services received cannot be estimated reliably, their value and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments granted.

If the share based payments granted do not vest until the counterparty completes a specified period of service, the Group accounts for those services as they are rendered by the counterparty during the vesting period, or on a straight-line basis over the vesting period.

If the identifiable consideration received appears to be less than the fair value of the equity instruments granted, this indicates that unidentifiable goods or services has been (or will be) received. The unidentifiable goods or services received (or to be received) are measured as the difference between the fair value of the shares issued and the fair value of any identifiable goods or services received (or to be received).

### 1.13 TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non current liabilities.

Trade payables are measured at amortised cost.

### 1.14 TAXES

#### Income tax

Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the Statement of Financial Position date in the countries where the Group and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred tax liabilities are not recognised if they arise from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax determined using tax rates (and laws) that have been enacted or substantially enacted by the Statement of Financial Position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

# Accounting policies

FOR THE YEAR ENDED 30 JUNE 2019 CONTINUED

## 1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS continued

### 1.14 TAXES continued

#### Value Added Tax ("VAT")

In terms of legislation the Company cannot register for VAT as the Company is not generating taxable supplies. Consequently any VAT incurred on a purchase of goods and services is not recoverable from the taxation authority. Therefore VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables are stated with the amount of VAT included.

Commitments and contingencies are disclosed inclusive of the amount of any VAT recoverable from, or payable to, the taxation authority.

Where VAT registration is allowed for subsidiary companies by tax authorities, VAT is not recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables are stated with the amount of VAT excluded.

### 1.15 EMPLOYEE BENEFITS

#### Short-term employee benefits

Remuneration of employees is charged to the income statement. Short-term employee benefits are those that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the services have been rendered such as paid vacation leave and sick leave, bonuses and non monetary benefits such as medical aid. These costs are recognised in the period which the service is rendered and are not discounted.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as result of past performance.

#### Share-based payments

Share-based compensation benefits are provided to Group employees and selected service providers via the approved 2017 Share Option Plan. Information relating to these schemes is set out in note 11.

#### Employee options

The fair value of options granted under the 2017 Share Option Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options:

- › including any market performance conditions (e.g. the entity's share price)
- › excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- › including the impact of any non-vesting conditions

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the company transfers the appropriate amount of shares to the employee. The proceeds received net of any directly attributable transaction costs are credited directly to equity.

### 1.16 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

- › the company has a present obligation as a result of a past event;
- › it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- › a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expected economic benefits to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

The increase in the provision due to the passage of time is recognised as an interest expense.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised.

#### Restoration, rehabilitation and environmental costs

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbances are proposed relating to the granting of prospecting and/or mining rights. Such costs arising from prospecting activities and the decommissioning of plant and other site preparation work, discounted to their net present value are provided for and capitalised at the start of each project, as soon as the obligation to incur such costs arises.

These costs are charged against profits over the life of the operation, through the depreciation of the asset and the unwinding of the discount on the provision. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

### 1.17 BORROWING COSTS

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

### 1.18 FINANCE INCOME

Finance income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Finance income on impaired loans is recognised using the original effective interest rate.

# Accounting policies

FOR THE YEAR ENDED 30 JUNE 2019 CONTINUED

## 1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS continued

### 1.19 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments has been identified as the chief executive officer.

There is only one segment relating to expenditure which is prospecting.

### 1.20 EARNINGS PER SHARE

#### (a) Basic earnings per share

Basic earnings per share is calculated by dividing the following:

- › the profit/(loss) attributable to owners of the company, excluding and costs of servicing equity other than ordinary shares
- › by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

#### (b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- › the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- › the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

### 1.21 COMPARATIVES

Comparative figures are reclassified or restated as necessary to afford a proper and more meaningful comparison of results as set out in the affected notes to the financial statements.

## 2. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in accordance with IFRS as issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the consolidated and separate financial statements.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

### (i) SIGNIFICANT ACCOUNTING JUDGEMENTS

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

#### Exploration and evaluation assets

The recoverability of project expenditure capitalised as part of exploration and evaluation assets are dependent upon the successful future development of the project, the ability of the company to obtain necessary financing to complete the development of the project and upon future production or proceeds from the disposition thereof.

Assumptions are used in estimating the Group's reserves and resources that might be extracted from the Group's properties. Judgement is applied in determining when an exploration and evaluation asset demonstrates technical feasibility and commercial viability and transitions to the development stage, requiring reclassification to construction in progress/mine development costs within property, plant and equipment.

Refer to notes 1.4 and 5 for additional information.

#### Depreciation

The depreciable amount of assets are allocated on a systematic basis over their useful lives. In determining the depreciable amount, management makes assumptions in respect to the residual value of assets based on the expected estimated amount that the entity would currently obtain from disposal of the asset, after deducting the estimated cost of disposal. If an asset is expected to be abandoned the residual value is estimated at zero. In determining the useful life of assets, management considers the expected usage of assets, expected physical wear and tear, legal or similar limits of assets such as mineral rights as well as obsolescence.

#### Income taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Group's ability to utilise the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realised. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialisation of mineral reserves. To the extent that management's assessment of the Company's ability to utilise future tax deductions changes, the Group would be required to recognise more or fewer deferred tax assets, and deferred income tax provisions or recoveries could be affected.

#### Environmental rehabilitation

The Group's policy with respect to provision for environmental rehabilitation is to record liabilities for statutory, legal, contractual or constructive obligations.

Estimates are made in determining the present liability of environmental rehabilitation provisions consisting of a restoration provision and decommissioning provision. Each of these provisions are based on an estimate of mine closure costs on reporting date, inflation and discount rates relevant to the calculation and the expected date of closure of mining activities in determining the present value of the total environmental rehabilitation liability.

Discounting of the costs relating to mine closure on reporting date is calculated over the expected life of the mine ("LOM"). The LOM is based on remaining reserves at the mine as well as the level of complexity to perform mining activities at these reserves.



# Accounting policies

FOR THE YEAR ENDED 30 JUNE 2019 CONTINUED

## 3. STANDARDS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE

### (A) NEW STANDARDS AND INTERPRETATIONS ADOPTED

The Group has applied the following IFRS and amendments effective for the first time for their annual reporting period commencing 1 July 2018

NEW STANDARD/AMENDMENT	KEY REQUIREMENT	EFFECTIVE DATE
<b>IFRS 9 — Financial Instruments (2009 and 2010)</b> <ul style="list-style-type: none"> <li>› Financial liabilities</li> <li>› Derecognition of financial instruments</li> <li>› Financial assets</li> <li>› General hedge accounting</li> </ul>	<p>This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.</p> <p>The impact of adopting this standard on the Group has not been significant as it had no impact on the measurement of the Group's financial assets. Financial assets previously classified as "loans and receivables" under IAS 39 have now been classified as "at amortised cost". Expected credit losses were assessed at the start and end of the financial year and were not material.</p>	Annual periods beginning on or after 1 January 2018 (published July 2014)
<b>IFRS 15 — Revenue from contracts with customers</b>	<p>The FASB and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer.</p> <p>This standard did not have any impact on the Group during the current or previous year as the Group was not in production yet and therefore no revenue from contracts with customers were recorded.</p>	Annual periods beginning on or after 1 January 2018 (published May 2014)

### (B) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below (only changes applicable to the Group have been listed):

NEW STANDARD/AMENDMENT	KEY REQUIREMENT	EFFECTIVE DATE
<b>IFRS 16 — Leases</b>	<p>This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular.</p> <p>Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.</p> <p>IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases — Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.</p> <p>For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard.</p> <p>The Group has assessed the impact of this new accounting standard and does not expect it to be significant as the Group does not have any material lease arrangements.</p>	Annual periods beginning on or after 1 January 2019 — earlier application permitted if IFRS 15 is also applied. (published January 2016)

# Accounting policies

FOR THE YEAR ENDED 30 JUNE 2019 CONTINUED

## 3. STANDARDS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE continued

### (C) CHANGES IN ACCOUNTING POLICY

#### Adoption of IFRS 9 — Financial instruments

From 1 July 2018, the Group has applied IFRS 9 Financial Instruments (as revised in July 2014), which replaces the provisions in IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group has applied IFRS 9 retrospectively but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

The reclassification of financial assets and liabilities are summarized in the table below:

FINANCIAL INSTRUMENT	CLASSIFICATION UNDER IAS 39	CLASSIFICATION UNDER IFRS 9
<b>Financial Assets</b>		
Trade and other receivables	Loans and receivables	Amortised cost
Cash and cash equivalents	Loans and receivables	Amortised cost
<b>Financial Liabilities</b>		
Borrowings	Amortised cost	Amortised cost
Trade and other payables	Amortised cost	Amortised cost

# Notes to the annual financial statements

AS AT 30 JUNE 2019 CONTINUED

## 4. PROPERTY, PLANT AND EQUIPMENT

### GROUP

Figures in Pula	2019			2018		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Computer software	14 617	(11 256)	3 361	14 617	(6 432)	8 185
Furniture and equipment	525 602	(129 265)	396 337	359 653	(46 295)	313 358
IT equipment	253 613	(94 443)	159 170	151 802	(20 499)	131 303
Leasehold improvements	148 171	(75 826)	72 345	148 171	(36 933)	111 238
Motor vehicles	1 116 322	(367 293)	749 029	334 407	(104 502)	229 905
Plant and machinery	1 993 936	(49 848)	1 944 088	—	—	—
Capital work in progress	42 915 479	—	42 915 479	1 124 101	—	1 124 101
Mine development asset	122 375 621	—	122 375 621	—	—	—
<b>Total</b>	<b>169 343 361</b>	<b>(727 931)</b>	<b>168 615 430</b>	<b>2 132 751</b>	<b>(214 661)</b>	<b>1 918 090</b>

### Reconciliation of property, plant and equipment

Figures in Pula	Opening balance	Additions	Disposals	Reclassified	Depreciation	Total
<b>2019</b>						
Computer software	8 185	—	—	—	(4 824)	3 361
Furniture and equipment	313 358	165 948	—	—	(82 969)	396 337
IT equipment	131 303	101 811	—	—	(73 944)	159 170
Leasehold improvements	111 238	—	—	—	(38 893)	72 345
Motor vehicles	229 905	781 916	—	—	(262 792)	749 029
Plant and machinery	—	1 993 936	—	—	(49 848)	1 944 088
Capital work in progress	1 124 101	38 643 407	—	3 147 971	—	42 915 479
Mine development asset	—	98 250 672	—	24 124 949	—	122 375 621
<b>Total</b>	<b>1 918 090</b>	<b>139 937 690</b>	<b>—</b>	<b>27 272 920</b>	<b>(513 270)</b>	<b>168 615 430</b>

See Note (i)  
below

See Note 5

Figures in Pula	Opening balance	Additions	Disposals	Reclassified	Depreciation	Total
<b>2018</b>						
Computer software	13 009	—	—	—	(4 824)	8 185
Furniture and equipment	203 077	147 729	—	—	(37 448)	313 358
IT equipment	31 092	118 750	—	—	(18 539)	131 303
Leasehold improvements	94 230	49 531	—	—	(32 523)	111 238
Motor vehicles	313 507	—	—	—	(83 602)	229 905
Capital work in progress	—	1 124 101	—	—	—	1 124 101
<b>Total</b>	<b>654 915</b>	<b>1 440 111</b>	<b>—</b>	<b>—</b>	<b>(176 936)</b>	<b>1 918 090</b>

**Note (i)** — Non-cash items in additions to property, plant and equipment:

The following non-cash items are included in the additions to property, plant and equipment:

Figures in Pula	
Capitalised borrowing costs	1 476 444
Environmental rehabilitation asset	22 665 812
Trade payables relating to capital purchases	89 609 133
	<b>113 751 389</b>

### COMPANY

Figures in Pula	2019			2018		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Computer software	14 617	(11 256)	3 361	14 617	(6 432)	8 185
IT equipment	31 401	(19 407)	11 994	31 401	(9 045)	22 356
<b>Total</b>	<b>46 018</b>	<b>(30 663)</b>	<b>15 355</b>	<b>46 018</b>	<b>(15 477)</b>	<b>30 541</b>



# Notes to the annual financial statements

AS AT 30 JUNE 2019 CONTINUED

## 4. PROPERTY, PLANT AND EQUIPMENT continued

### Reconciliation of property, plant and equipment

Figures in Pula	Opening balance	Additions	Disposals	Reclassified	Depreciation	Total
<b>2019</b>						
Computer software	8 185	—	—	—	(4 824)	3 361
IT equipment	22 356	—	—	—	(10 362)	11 994
<b>Total</b>	<b>30 541</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(15 186)</b>	<b>15 355</b>
<b>2018</b>						
Computer software	13 009	—	—	—	(4 824)	8 185
IT equipment	14 067	15 595	—	—	(7 306)	22 356
<b>Total</b>	<b>27 076</b>	<b>15 595</b>	<b>—</b>	<b>—</b>	<b>(12 130)</b>	<b>30 541</b>

## 5. MINERAL EXPLORATION AND EVALUATION EXPENDITURE

Mineral exploration and evaluation expenditure is analysed as follows:

Figures in Pula	GROUP		COMPANY	
	2019	2018	2019	2018
Drilling and related expenditure	—	7 340 305	—	—
Geological and geophysical studies	—	3 252 917	—	—
Evaluation of technical and commercial viability	—	12 178 769	—	—
Miscellaneous project expenditure	—	1 352 958	—	—
Infrastructure development	—	3 147 971	—	—
	—	27 272 920	—	—

See Note 4

Exploration and Evaluation costs for a project are classified as such until the project demonstrates technical feasibility and commercial viability. As the project demonstrated technical feasibility and commercial viability based on analysis, capitalised exploration costs were transferred to Mine Development Asset within property, plant and equipment.

All subsequent expenditure on the construction, installation or completion of infrastructure facilities are capitalised within the Mine Development Asset.

## IMPAIRMENT ASSESSMENT

In accordance with IFRS 6 (Exploration for and Evaluation of Mineral Resources), and in line with accounting policy 1.4, Capitalised Exploration and Evaluation Expenditure is assessed for impairment when facts or circumstances suggest that the carrying amount may exceed its recoverable amount. The factors listed below were considered in the prior year and no impairment indicators were identified.

- The company was granted a mining license 2018/9L by the Ministry of Mineral Resources, Green Technology and Energy Security in Botswana on 27 August 2018 after it received authorisation of the Environmental Impact Statement (EIS) by the Department of Environmental Affairs (DEA) on 20 August 2018,
- Exploration for and evaluation of mineral resources in respect of the project area have produced positive results.
- A SAMVAL valuation report produced by an independent 3rd party has confirmed that the project has significant value.
- No data exists to indicate that the carrying amount of the capitalized exploration and evaluation expenditure is not likely to be recovered in full from successful development or by sale.

### Reconciliation of mineral exploration and evaluation expenditure

Figures in Pula	Opening balance	Additions	Disposals/ impairments	Reclassified	Total
<b>2019</b>					
Drilling and related expenditure	7 340 305	—	—	(7 340 305)	—
Geological and geophysical studies	3 252 917	—	—	(3 252 917)	—
Evaluation of technical and commercial viability	12 178 769	—	—	(12 178 769)	—
Miscellaneous project expenditure	1 352 958	—	—	(1 352 958)	—
Infrastructure development	3 147 971	—	—	(3 147 971)	—
	<b>27 272 920</b>	<b>—</b>	<b>—</b>	<b>(27 272 920)</b>	<b>—</b>

See Note 4

## 2018

Drilling and related expenditure	7 258 621	81 684	—	—	7 340 305
Geological and geophysical studies	3 085 178	167 738	—	—	3 252 916
Evaluation of technical and commercial viability	8 833 851	3 344 919	—	—	12 178 770
Miscellaneous project expenditure	1 021 219	331 739	—	—	1 352 958
Infrastructure development	—	3 147 971	—	—	3 147 971
	<b>20 198 869</b>	<b>7 074 051</b>	<b>—</b>	<b>—</b>	<b>27 272 920</b>

# Notes to the annual financial statements

AS AT 30 JUNE 2019 CONTINUED

## 6. INVESTMENT IN SUBSIDIARIES

### COMPANY

The following table lists the entities which are controlled by the Group, either directly or indirectly through subsidiaries:

Name of company	% Holding 2019	% Holding 2018	Carrying amount 2019	Carrying amount 2018
Minergy Coal (Pty) Ltd*	100	100	102 503 129	38 922 533
Minsales (Pty) Ltd**	100	100	—	—
			102 503 129	38 922 533

\* Registered in Botswana — coal exploration, development, mining and trading.

\*\* Registered in South Africa — dormant.

Investments in subsidiaries are represented as follows:

Figures in Pula	Minergy Coal	Minsales	Carrying amount
<b>2019</b>			
Acquisition cost	15 263 167	—	15 263 167
Share-based payment contribution	1 022 915	—	1 022 915
Loan***	86 217 047	—	86 217 047
	102 503 129	—	102 503 129
<b>2018</b>			
Acquisition cost	15 263 167	—	15 263 167
Loan***	23 659 366	—	23 659 366
	38 922 533	—	38 922 533

\*\*\* The loan is unsecured and carries interest at the prevailing prime lending rate at First National Bank (6.5% as at year-end) and has been subordinated in favour of third party creditors. For accounting purposes, the substance of the loan is deemed to be of an equity nature and is therefore included as part of the investment in subsidiary.

The carrying value of the investment in subsidiaries has been assessed for possible indicators of impairment. Based on the subsequent commencement of coal production for sale, positive feedback received from customers on product quality, with future orders and off take agreements expected and given that the Group's market capitalisation significantly exceeded its net asset value at 30 June 2019 no indicators of impairment were identified.

## 7. DEFERRED TAX ASSETS

Deferred tax asset balance consist of:

	GROUP		COMPANY	
Figures in Pula	2019	2018	2019	2018
Accelerated capital allowances for tax purposes	(32 609 312)	(6 113 459)	(545)	(2 140)
Tax losses	45 955 888	12 773 913	4 685 191	4 416 666
Total deferred tax assets	13 346 576	6 660 454	4 684 646	4 414 526

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction and the law allows net settlement. Therefore, they have been offset in the statement of financial position.

	GROUP		COMPANY	
Figures in Pula	2019	2018	2019	2018
Comprising:				
Deferred tax assets	45 955 888	12 773 913	4 685 191	4 416 666
Deferred tax liabilities	(32 609 312)	(6 113 459)	(545)	(2 140)
	13 346 576	6 660 454	4 684 646	4 414 526
Reconciliation:				
Balance at beginning of year	6 660 454	—	4 414 526	—
Credited to the Statement of Comprehensive Income	6 686 122	6 660 454	270 120	4 414 526
Balance at the end of the year	13 346 576	6 660 454	4 684 646	4 414 526

The Group has concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets. The Group is expected to generate taxable income from the latter half of the 2020 financial year.

The subsidiary losses can be carried forward indefinitely and have no expiry, while the holding company losses will expire in 5 years.

## 8. INVENTORIES

	GROUP		COMPANY	
Figures in Pula	2019	2018	2019	2018
Work in progress	45 166 905	—	—	—
Raw coal	2 079 540	—	—	—
Finished product	—	—	—	—
	47 246 445	—	—	—

# Notes to the annual financial statements

AS AT 30 JUNE 2019 CONTINUED

## 9. TRADE AND OTHER RECEIVABLES

Figures in Pula	GROUP		COMPANY	
	2019	2018	2019	2018
Trade receivables	—	—	5 520 000	—
Deposits	599 076	32 500	—	—
VAT and other taxes	9 859 864	154 400	73 212	46 305
Advances to BOOT operator for washing plant construction	12 473 761	—	12 473 761	—
Sundry debtors	4 901	28 356	4 901	28 356
Prepayments	253 138	188 755	125 414	140 708
	<b>23 190 740</b>	404 011	<b>18 197 288</b>	215 369

The advances to the BOOT operator for the washing plant construction includes deposits paid to third parties to procure the washing plant module. The owners of the BOOT operator has provided securities in favour of the Group for the advances.

There were no long outstanding third party trade receivables which required specific impairment as at year end as the Group is not trading and in the development phase of its project.

The expected credit losses were assessed at the start and end of the financial year and they were found to be not material.

## 10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Figures in Pula	GROUP		COMPANY	
	2019	2018	2019	2018
Cash on hand	3 514	—	—	—
Bank balances	290 571	10 891 338	280 079	10 877 208
Short-term deposits	—	45 000 000	—	45 000 000
	<b>294 085</b>	55 891 338	<b>280 079</b>	55 877 208

The company earns interest at rates of 0.75% on its surplus funds in Pula. The credit rating of the company's banker is baa3, albeit that Botswana sovereign credit rating is A-. The Group and the company have no overdraft facility.

The carrying amount of cash and cash equivalents is stated at cost, which approximates fair value.

## 11. STATED CAPITAL

Figures in Pula	GROUP		COMPANY	
	2019	2018	2019	2018
<b>Number of shares issued</b>				
Opening balance	405 973 065	376 024 867	405 973 065	376 024 867
Shares issued	25 113 180	29 948 198	25 113 180	29 948 198
Private placement	25 113 180	29 948 198	25 113 180	29 948 198
Closing balance	<b>431 086 245</b>	405 973 065	<b>431 086 245</b>	405 973 065
<b>Value of shares issued</b>				
Opening balance	109 779 735	84 266 725	109 779 735	84 266 725
Subscription for shares/shares issued	21 346 204	26 953 378	21 346 204	26 953 378
Private placement	21 346 204	26 953 378	21 346 204	26 953 378
Share issuance costs	(562 913)	(1 440 368)	(562 913)	(1 440 368)
Closing balance	<b>130 563 026</b>	109 779 735	<b>130 563 026</b>	109 779 735

The Group and company has capitalised share issuance costs directly attributable to the raising and placing of funds. This has been set off against the share capital raised in line with accepted accounting practice.

## 12. SHARE-BASED PAYMENT RESERVE

Figures in Pula	GROUP		COMPANY	
	2019	2018	2019	2018
Opening balance	—	—	—	—
Share-based payment contribution — subsidiary	—	—	1 022 915	—
Share-based payment expense	2 063 988	—	1 041 073	—
	<b>2 063 988</b>	—	<b>2 063 988</b>	—

Shareholders of the holding company approved the 2017 Share Option Plan on 7 December 2017 at the Annual General meeting.

The purpose of this 2017 Share Option Plan is to provide Minergy Limited and its Subsidiaries, present and future (collectively "the company"), with the means to encourage, attract, retain and motivate Service Providers and Insiders specifically in respect of the new Masama Coal Project by granting such Service Providers and Insiders share options to purchase ordinary shares in Minergy's share capital thereby giving them an ongoing proprietary interest in Minergy.



# Notes to the annual financial statements

AS AT 30 JUNE 2019 CONTINUED

## 12. SHARE-BASED PAYMENT RESERVE continued

### SALIENT FEATURES OF THE SHARE OPTION PLAN

- › maximum share subject to 2017 Share Option Plan may not exceed 50 000 000 shares;
- › maximum number of ordinary shares which may be issued at any time to any one Service Provider or Insider may not exceed 10 000 000 shares;
- › each option granted shall represent the right to purchase one Ordinary Share in the Company;
- › the exercise price shall be P1 per share;
- › options shall not have a term exceeding ten years after allotment;
- › options granted shall vest as follows:
  - (i) 25% on granting of a Mining License to the Masama Coal Project before 30 September 2018 ("Tranche 1");
  - (ii) 35% upon the Masama Coal Project reaching steady state production of 40 000 saleable tonnes of coal per month before 31 March 2019 ("Tranche 2"); and
  - (iii) 40% upon there being three consecutive 6 monthly reporting periods of operating profits from the Masama Coal Project before 31 December 2020 ("Tranche 3").
- › options are exercisable within the following periods after having vested, in whole or in part and from time to time, by payment in full for the resultant ordinary shares purchased by the participant at the time of exercise:
  - (i) Tranche 1 — 24 months after vesting;
  - (ii) Tranche 2 — 18 months after vesting; and
  - (iii) Tranche 3 — 12 months after vesting.

The fair value at grant date is independently determined using the Black Scholes Model that takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk free interest rate for the term of the option and the correlations and volatilities of the peer Group companies.

Management expects that the options will only be exercised at the end of their lifetime.

The model inputs for options granted during the year ended 30 June 2019 included:

- (a) Options are granted to purchase shares for the consideration of an exercise price of P1 per share.
- (b) Grant date: 30 September 2018.
- (c) Expiry date: Tranche 1 by 30 September 2020, Tranche 2 by 30 September 2021, Tranche 3 by 31 December 2021.
- (d) Share price at 30 June 2019: P1.05.
- (e) Price volatility of shares: 16.23%.
- (f) Expected dividend yield: 0.0%.
- (g) Risk-free rate: 1.55%.

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information. Service Providers and Insiders are obliged to make payment of the exercise price for the options exercised, whether in cash or using the cashless option.

Set out below are summaries of options granted under the plan:

Figures in Pula	GROUP		COMPANY	
	2019	2018	2019	2018
As at 1 July	—	—	—	—
Granted during the year	42 625 000	—	21 500 000	—
Exercised during the year	—	—	—	—
Forfeited during the year	(14 918 750)	—	(7 525 000)	—
As at 30 June	27 706 250	—	13 975 000	—
Vested and exercisable at 30 June 2019	10 656 250	—	5 375 000	—

The share options allocated in terms of the Share Option Plan vest and could be exercised in terms of Tranche 1 as the mining license was awarded. As a result of the delay in the commissioning of the plant, Tranche 2 triggers have not been met and the tranche cannot be exercised, is no longer available and has been forfeited.

The average exercise per share option is P1.00

No options expired during the periods covered by the above tables.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant date	Expiry date	Share options 2019	Share options 2018	Share options 2019	Share options 2018
30 September 2018 — Tranche 1	30 Sep 20	10 656 250	—	5 375 000	—
30 September 2018 — Tranche 2	30 Sep 21	—	—	—	—
30 September 2018 — Tranche 3	31 Dec 21	17 050 000	—	8 600 000	—
		27 706 250	—	13 975 000	—

The remaining contractual life of options outstanding at end of the period are between 1.25 and 2.5 years.

The exercise per share option is P1.00.

# Notes to the annual financial statements

AS AT 30 JUNE 2019 CONTINUED

## 13. REHABILITATION PROVISION

Figures in Pula	GROUP		COMPANY	
	2019	2018	2019	2018
Opening balance	—	—	—	—
Increase during the year	22 665 812	—	—	—
Unwinding of discount rate	—	—	—	—
<b>Closing balance</b>	<b>22 665 812</b>	—	—	—

The provision has been recognised as the Group has an obligation for rehabilitation of the mining areas. The provision has been calculated based on total estimated rehabilitation costs, discounted back to their present values over the life of mine.

An inflation rate of 3% and a risk free discount rate of 5% has been applied in calculating the present value of the future obligation.

The estimated life of mine is 25 years, with the computed rehabilitation activities scheduled to occur at that time.

## 14. FINANCIAL LIABILITIES

### SHORT-TERM VENDOR FINANCING

Figures in Pula	GROUP		COMPANY	
	2019	2018	2019	2018
<b>Jarcon Mining Botswana</b>	<b>4 057 968</b>	—	<b>4 057 968</b>	—
total liability	4 057 968	—	4 057 968	—
payable within one year	4 057 968	—	4 057 968	—

The short-term bridging facility of P4 million carries an interest rate of the First National Bank of Botswana prime lending rate plus 2% per annum and is payable in full on or before the 31 October 2019. The loan was subsequently settled in full in July 2019.

### BRIDGING FACILITY

Figures in Pula	GROUP		COMPANY	
	2019	2018	2019	2018
<b>Botswana Development Corporation(BDC)</b>	<b>41 468 644</b>	—	—	—
total liability	41 468 644	—	—	—
payable within one year	41 468 644	—	—	—

The short-term bridging facility of P 40 million carries an interest rate of 18% per annum and repayable 6 months from the date of first utilisation, which was on 12 April 2019. Interest is capitalised to the facility until repayment.

The agreement contains a Refinancing clause which allows the BDC and/or the Minerals Development Corporation Botswana (Pty) Ltd to provide a facility of approximately P110 000 000 for the purpose of (i) settling the Bridging Facility, and (ii) fund further costs and expenses in relation to the implementation of the Project.

The facility is secured by the following:

- › A guarantee and indemnity from Minergy Limited that ensures punctual performance by the subsidiary of all obligations under the facilities Finance Documents and provides surety on the amounts owed to Botswana Development Corporation.
- › A pledge of cession of Minergy Limited's shares in the subsidiary to Botswana Development Corporation. In accordance with Section 50(3) of the Mines and Minerals Act, the Minister of Mineral Resources, Green Technology and Energy Security has approved the encumbrance and pledge of shares in the company.

Figures in Pula	GROUP		COMPANY	
	2019	2018	2019	2018
<b>Non-current liabilities</b>				
At amortised cost	—	—	—	—
<b>Current liabilities</b>				
At amortised cost	45 526 612	—	4 057 968	—
<b>Total Financial Liabilities</b>				
At amortised cost	45 526 612	—	4 057 968	—

The fair value of these instruments approximates their carrying value.

## 15. TRADE AND OTHER PAYABLES

Figures in Pula	GROUP		COMPANY	
	2019	2018	2019	2018
Trade payables	96 481 389	193 135	582 929	131 042
Accrued expenses	163 766	195 614	5 000	111 058
Other payables	1 555 602	546 165	251 087	312 206
Other taxes	133 498	19 974	40 183	7 500
Payroll accruals	2 214 919	739 933	757 733	324 193
	<b>100 549 174</b>	1 694 821	<b>1 636 932</b>	885 999

The fair value of these instruments approximates their carrying value, due to their short-term nature.

# Notes to the annual financial statements

AS AT 30 JUNE 2019 CONTINUED

## 16. FINANCIAL ASSETS BY CATEGORY

### GROUP

Figures in Pula	Amortised cost	Non-financial assets	Total
<b>2019</b>			
Trade and other receivables	13 077 738	10 113 002	23 190 740
Cash and cash equivalents	294 085	—	294 085
	<b>13 371 823</b>	<b>10 113 002</b>	<b>23 484 825</b>
<b>2018</b>			
Trade and other receivables	60 856	343 155	404 011
Cash and cash equivalents	55 891 338	—	55 891 338
	55 952 194	343 155	56 295 349

### COMPANY

Figures in Pula	Amortised cost	Non-financial assets	Total
<b>2019</b>			
Trade and other receivables	17 998 662	198 626	18 197 288
Cash and cash equivalents	280 079	—	280 079
	<b>18 278 741</b>	<b>198 626</b>	<b>18 477 367</b>
<b>2018</b>			
Trade and other receivables	28 356	187 013	215 369
Cash and cash equivalents	55 877 208	—	55 877 208
	55 905 564	187 013	56 092 577

## 17. FINANCIAL LIABILITIES BY CATEGORY

### GROUP

Figures in Pula	Amortised cost	Non-financial liabilities	Total
<b>2019</b>			
Borrowings	45 526 612	—	45 526 612
Trade and other payables	98 200 757	2 348 417	100 549 174
	<b>143 727 369</b>	<b>2 348 417</b>	<b>146 075 786</b>
<b>2018</b>			
Trade and other payables	934 914	759 907	1 694 821
	934 914	759 907	1 694 821

### COMPANY

Figures in Pula	Amortised cost	Non-financial assets	Total
<b>2019</b>			
Borrowings	4 057 968	—	4 057 968
Trade and other payables	839 016	797 916	1 636 932
	<b>4 896 984</b>	<b>797 916</b>	<b>5 694 900</b>
<b>2018</b>			
Trade and other payables	561 806	324 193	885 999
	561 806	324 193	885 999

## 18. OTHER INCOME

	GROUP		COMPANY	
Figures in Pula	2019	2018	2019	2018
Administration and service fees received	—	—	5 520 000	—
	<b>—</b>	<b>—</b>	<b>5 520 000</b>	<b>—</b>



# Notes to the annual financial statements

AS AT 30 JUNE 2019 CONTINUED

## 19. OPERATING LOSS

Operating loss for the year is stated after accounting for the following:

Figures in Pula	GROUP		COMPANY	
	2019	2018	2019	2018
Audit fees				
Current year fee	326 000	261 597	140 000	166 597
Under provision — prior year	15 193	36 892	14 377	—
	341 193	298 489	154 377	166 597
Depreciation	513 270	176 936	15 186	12 130
Operating lease charges				
Premises	449 787	357 900	—	—
Office equipment	35 328	15 070	—	—
	485 115	372 970	—	—
Employee costs	5 378 296	1 396 120	—	—
Directors' emoluments				
Executive Directors	3 766 129	3 737 158	3 766 129	3 737 158
Short-term employee benefits	3 766 129	3 737 158	3 766 129	3 737 158
Non-executive Directors	295 800	255 120	295 800	255 120
	4 172 110	3 992 278	4 172 110	3 992 278
IFRS 2 Share-based payment charge	2 063 988	—	1 041 073	—
Corporate advisory expenses	360 946	928 799	360 946	928 799
(Loss)/profit on foreign exchange				
Realised	314 008	(111 934)	311 471	(139 855)
Unrealised	1 524	(2 001)	1 129	1 213
	315 532	(113 935)	312 600	(138 642)

## 20. FINANCE INCOME

Figures in Pula	GROUP		COMPANY	
	2019	2018	2019	2018
Bank balances and short-term deposits	241 066	1 598 248	241 066	1 598 248
Intercompany loan	—	—	4 141 172	—
	241 066	1 598 248	4 382 238	1 598 248

## 21. FINANCE COSTS

Figures in Pula	GROUP		COMPANY	
	2019	2018	2019	2018
Bank balances	—	48	—	48
Trade and other payables	1 135 285	—	57 968	—
Bridging Facility	1 476 444	—	—	—
Interest capitalised	(1 476 444)	—	—	—
	1 135 285	48	57 968	48

## 22. INCOME TAX

### MAJOR COMPONENTS OF THE INCOME TAX

Figures in Pula	GROUP		COMPANY	
	2019	2018	2019	2018
Normal	—	—	—	—
Capital gains tax	—	—	—	—
Total current tax	—	—	—	—
Deferred				
Tax losses available for set off against future taxable income	45 955 888	12 773 913	4 685 191	4 416 666
Origination and reversal of temporary differences	(32 609 312)	(6 113 459)	(545)	(2 140)
Total deferred tax	13 346 576	6 660 454	4 684 646	4 414 526
Income tax credit	6 686 122	6 660 454	270 120	4 414 526

# Notes to the annual financial statements

AS AT 30 JUNE 2019 CONTINUED

## 22. INCOME TAX continued

### RECONCILIATION OF THE TAX EXPENSE

The tax on the Group and the Company's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits as follows:

Figures in Pula	GROUP		COMPANY	
	2019	2018	2019	2018
<b>Accounting loss before tax</b>	<b>(36 033 715)</b>	(16 478 819)	<b>(1 705 980)</b>	(9 142 704)
Calculated tax at the applicable tax rate (22%)	<b>(7 927 417)</b>	(3 625 340)	<b>(375 316)</b>	(2 011 395)
<b>Non-deductible expenses</b>				
Share based payment expense	<b>454 078</b>	—	<b>229 037</b>	—
Share issuance costs	<b>(123 841)</b>	—	<b>(123 841)</b>	—
Tax loss not recognised	—	—	—	—
Previously unrecognised tax losses utilised to record deferred tax recovery	—	(3 035 114)	—	(2 403 131)
Impact of interest capitalisation by subsidiary	<b>911 058</b>	—	—	—
	<b>(6 686 122)</b>	(6 660 454)	<b>(270 120)</b>	(4 414 526)

## 23. LOSS AND HEADLINE LOSS PER SHARE (THEBE)

Figures in Pula	GROUP	
	2019	2018
Basic loss per share	<b>(7.01)</b>	(2.53)
Basic diluted loss per share	<b>(7.01)</b>	(2.53)
Headline loss per share	<b>(7.01)</b>	(2.53)
Diluted headline loss per share	<b>(7.01)</b>	(2.53)

### RECONCILIATION OF LOSS USED IN CALCULATING LOSS PER SHARE AND HEADLINE LOSS PER SHARE

Figures in Pula	GROUP	
	2019	2018
Loss attributable to the ordinary equity holders of the Company used in calculating basic loss per share	<b>(29 347 593)</b>	(9 818 365)
Adjustments	—	—
Headline loss	<b>(29 347 593)</b>	(9 818 365)

## WEIGHTED AVERAGE NUMBER OF SHARES USED AS THE DENOMINATOR

Figures in Pula	GROUP	
	2019	2018
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	<b>418 908 073</b>	388 742 595
Adjusted for calculation of diluted earnings per share	—	—
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per shares	<b>418 908 073</b>	388 742 595

## 24. CASH GENERATED FROM OPERATIONS

Figures in Pula	GROUP		COMPANY	
	2019	2018	2019	2018
Loss before tax	<b>(36 033 715)</b>	(16 478 819)	<b>(1 705 980)</b>	(9 142 704)
<b>Adjustments for:</b>				
Depreciation	<b>513 270</b>	176 936	<b>15 186</b>	12 130
Unrealised loss/(gain) on foreign exchange	<b>1 524</b>	(2 001)	<b>1 129</b>	1 213
Finance income	<b>(241 066)</b>	(1 598 248)	<b>(4 382 238)</b>	(1 598 248)
Finance costs	<b>1 135 285</b>	48	<b>57 968</b>	48
Share-based payment expense	<b>2 063 988</b>	—	<b>1 041 073</b>	—
Changes in working capital				
Inventories	<b>(47 246 445)</b>	—	—	—
Trade and other receivables	<b>(22 786 729)</b>	82 055	<b>(17 981 919)</b>	(129 932)
Trade and other payables	<b>9 243 695</b>	942 570	<b>749 804</b>	459 163
	<b>(93 350 193)</b>	(16 877 459)	<b>(22 204 977)</b>	(10 398 330)

## 25. CONTINGENT LIABILITIES

The Group had the following contingent liabilities as at 30 June 2019:

### PUT OPTION DEED IN FAVOUR OF BARAK

The subsidiary, Minergy Coal (Pty) Ltd, entered into a Build-Own-Operate-Transfer ("BOOT") agreement with Johdee Mineral Processing (Pty) Ltd to build, erect and commission a beneficiation plant. Johdee Mineral Processing (Pty) Ltd in turn entered into a facility agreement with Barak, to finance the construction of the plant. In the interest of securing the facility the Group granted a put option in favour Barak in respect the outstanding indebtedness of Johdee Mineral Processing for a purchase consideration equal to the put strike price (which equates to facility outstanding balance), so long as the facility has not been irrevocably and unconditionally repaid and/or discharged in full. As at the year-end the Johdee Mineral Processing (Pty) Ltd had met the terms of its repayments and therefore exercise of the option was not at risk.

Should the Put Option be exercised, then Barak shall be deemed to have sold the Facility Outstandings to Minergy and Minergy shall be deemed to have purchased the Facility Outstandings from Barak. At the time of this report the facility has been repaid in full.

# Notes to the annual financial statements

AS AT 30 JUNE 2019 CONTINUED

## 25. CONTINGENT LIABILITIES continued

### SECURITY ON BRIDGING FACILITY WITH BOTSWANA DEVELOPMENT CORPORATION (BDC)

The Group provided the following security in favour of Botswana Development Corporation towards its facility with Minergy Coal (Pty) Ltd:

- › A guarantee in favour of BDC that ensures punctual performance by Minergy Coal (Pty) in all obligations under the facilities Finance Documents and provides surety on the amounts owed.
- › A pledge of cession of shares of the Groups shares in Minergy Coal (Pty) Ltd to Botswana Development Corporation.

Apart from the above, the directors are of the opinion that there are no other contingent liabilities as at the year end.

## 26. CAPITAL COMMITMENTS

Figures in Pula	GROUP		COMPANY	
	2019	2018	2019	2018
Authorised by Directors and contracted for	70 351 016	70 351 016	—	—
Authorised by Directors but not yet contracted for	—	—	—	—
	70 351 016	70 351 016		

This commitment relates to a BOOT agreement with Johdee Mineral Processing (Pty) Ltd to build, erect and commission a Beneficiation Plant at the Mine, the repayments of which will only begin upon commissioning. As at year-end the plant had not been completed as such the commitment has been carried into the next year. This expenditure will be financed from existing cash resources, funding from the holding company and vendor financing.

## 27. OPERATING LEASE COMMITMENTS

Figures in Pula	GROUP		COMPANY	
	2019	2018	2019	2018
<b>Operating leases — as lessee (expense)</b>				
Minimum lease payments due				
— within one year	599 760	407 014	—	—
— in second to fifth year inclusive	679 234	321 914	—	—
	1 278 994	728 927	—	—

Operating lease payments represents property rental payable by the Group for the head office and staff housing negotiated for a term of between two and three years.

## 28. RELATED PARTIES

### RELATIONSHIPS

Subsidiaries	Minergy Coal (Pty) Ltd Minsales (Pty) Ltd
Members of key management	Refer Note 29

### RELATED PARTY BALANCES

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

Figures in Pula	COMPANY	
	2019	2018
<b>(i) Trade and other receivables</b>		
Minergy Coal (Pty) Ltd	5 520 000	—
<b>(ii) Trade and other payables</b>		
Key management — claims payable	111 087	48 145
<b>(iii) Loan receivable</b>		
Minergy Coal (Pty) Ltd	86 217 047	23 659 366

### RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

Figures in Pula	COMPANY	
	2019	2018
<b>(i) Compensation paid to directors and other key management</b>		
Short-term benefits	3 876 310	3 737 158
<b>(ii) Consulting fees paid</b>		
Non-executive directors	1 668 000	1 596 000
<b>(iii) Interest received</b>		
Minergy Coal (Pty) Ltd	4 141 172	—
<b>(iv) Administration and Service Fees received</b>		
Minergy Coal (Pty) Ltd	5 520 000	—



# Notes to the annual financial statements

AS AT 30 JUNE 2019 CONTINUED

## 29. DIRECTORS EMOLUMENTS

### COMPANY

Figures in Pula	Salary	Benefits	Total
<b>2019</b>			
<b>Executive</b>			
André Bojé (Chief Executive Officer)	1 872 000	86 387	1 958 387
Morné du Plessis (Chief Financial Officer)	1 728 000	79 742	1 807 742
	<b>3 600 000</b>	<b>166 129</b>	<b>3 766 129</b>

Figures in Pula	Sitting fees	Benefits	Total
<b>2019</b>			
<b>Non-executive</b>			
Mokwena Morulane (Chairman)	131 380	—	131 380
Leutlwetse Tumelo	76 960	—	76 960
Claude de Bruin	87 460	—	87 460
	<b>295 800</b>	<b>—</b>	<b>295 800</b>

Benefits relate to statutory obliged severance benefits.

Figures in Pula	Salary	Benefits	Total
<b>2018</b>			
<b>Executive</b>			
André Bojé (Chief Executive Officer)	1 820 000	122 381	1 942 381
Morné du Plessis (Chief Financial Officer)	1 680 000	112 967	1 792 967
	<b>3 500 000</b>	<b>235 348</b>	<b>3 735 348</b>

Figures in Pula	Sitting fees	Benefits	Total
<b>2018</b>			
<b>Non-executive</b>			
Mokwena Morulane (Chairman)	107 760	—	107 760
Leutlwetse Tumelo	68 640	—	68 640
Claude de Bruin	78 720	—	78 720
	<b>255 120</b>	<b>—</b>	<b>255 120</b>

## 30. SEGMENTAL REPORTING

The Group currently has one coal project in Botswana. In assessing potential operating segments, the Group has considered the information reviewed by the Chief Operating Decision Maker ("CODM"). The Group has identified the Chief Executive Officer as the CODM and is satisfied that the information as presented in the financial statements is the same as that assessed by the CODM for management reporting purposes.

## 31. SUBSEQUENT EVENTS

After the year-end, the washing module section of the beneficiation plant was installed, however the front and back ends were still under construction. As a temporary solution, mobile screens and crushers were utilised, while awaiting completion of these sections and full commissioning of the plant. Through this coal was successfully introduced into the plant for washing in July 2019, with coal sales following thereafter.

## 32. RISK MANAGEMENT

### FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

Risk management is carried out at Group level under policies approved by the Board of Directors. Group treasury identifies, evaluates and responds to financial risks in close co-operation of the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk and interest rate risk.

#### a) Market risk

##### Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the South African Rand. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. As at year end the Group does not have material exposure to foreign currency risk.

##### Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from borrowings and payables with variable and fixed rates, which expose the Group to cash flow interest rate risk.

##### Interest rate sensitivity

The following table reflects the potential impact on earnings, given an increase in interest rates of 25 basis points:

	GROUP		COMPANY	
Figures in Pula	Loss 2019	Loss 2018	Loss 2019	Loss 2018
Increase of 25 basis points in interest rate	<b>113 817</b>	—	<b>10 145</b>	—

# Notes to the annual financial statements

AS AT 30 JUNE 2019 CONTINUED

## 32. RISK MANAGEMENT continued

A decrease in interest rates of 25 basis points would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest shift.

The scenarios are run only for liabilities that represent the major interest-bearing positions.

### Price Risk

The Group transitioned from coal exploration to mine development during the financial year. The Group is not exposed to commodity price risk currently.

### b) Credit risk

Credit risk consists of cash and cash equivalents, deposits with banks, as well as with trade and other receivables. The Group only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Loans receivables consist mainly of Group loans. Management evaluates the credit risk relating to these companies on an ongoing basis by taking into account its financial position, past experience and other factors.

The amount that best represents the Group's maximum exposure to credit risk at 30 June 2019 is made up as follows:

Figures in Pula	GROUP		COMPANY	
	2019	2018	2019	2018
Cash and cash equivalents	294 085	55 891 338	280 079	55 877 208
Trade and other receivables	12 478 662	28 356	17 998 662	28 356
	12 772 747	55 919 694	18 278 741	55 905 564

The credit rating of the Group's banker is baa3, albeit that Botswana sovereign credit rating is A-.

No collateral is held for any of the above assets.

None of the above assets are past due or impaired.

### c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities. The Group's risk to liquidity is a result of the funds available to cover future commitments and this is managed through an ongoing review of future commitments.

Cash flow forecasts are prepared and monitored.

The table below analyses the Group's and the company's financial liabilities that will be settled on a net basis into relevant maturity Groupings based on the remaining period at the Statement of Financial Position date to the contractual maturity date. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

### GROUP

Figures in Pula	Less than 1 year	Between 2 and 5 years	Total
<b>2019</b>			
<b>At 30 June 2019</b>			
Borrowings	45 526 612	—	45 526 612
Trade and other payables	98 200 757	—	98 200 757
<b>At 30 June 2018</b>			
Trade and other payables	934 914	—	934 914

### COMPANY

Figures in Pula	Less than 1 year	Between 2 and 5 years	Total
<b>2019</b>			
<b>At 30 June 2019</b>			
Borrowings	4 057 968	—	4 057 968
Trade and other payables	839 016	—	839 016
<b>At 30 June 2018</b>			
Trade and other payables	554 306	—	554 306

### CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, issue new capital or sell assets to reduce debt.

The capital structure consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising share capital disclosed in the statement of changes in equity and loans from the holding company and BDC.

Management continually monitors the level of equity and debt and considers the entity to be adequately funded. As part of this review, management considers the cost of capital and the risks associated with each class of capital.

The Group's policy is to cover its annual net funding requirements through Group and external long-term loan facilities with maturities spread over time.

In terms of the Bridge facility with BDC the subsidiary is not entitled to make any payments in respect of interest or capital on shareholder loans or make any distributions of any kind to its shareholder until the facility has been repaid.

# NOTICE of annual general meeting

## Minergy Limited

(Incorporated in accordance with the laws of Botswana)

(Company number: CO 2016/18528)

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

("Minergy" or "the Group" or "the Company")

Notice is hereby given that the Annual General Meeting (the "Meeting" or the "AGM", unless referred to in full) of the shareholders of Minergy Ltd will be held at the Minergy Boardroom, Unit B3 and B4, Plot 43175, Phakalane, Gaborone, Botswana on Wednesday, 11 December 2019 at 8:30am, for the purpose of transacting the business and passing if deemed fit without or without amendment, the resolutions proposed.

## AGENDA

Presentation of annual financial statements and report.

The complete set of the consolidated audited annual financial statements (pages 55 to 73), together with the independent auditor's report (page 50) and report of the Audit and Risk Committee and the report of the Remuneration and Nominations Committee (pages 34 to 37), are contained in the Integrated Annual Report as indicated.

## ORDINARY RESOLUTIONS

### 2019 financial statements

#### Ordinary resolution number 1

To receive, consider and adopt the audited financial statements for the year ended 30 June 2019.

### Re-election of Directors of the Company

#### Ordinary resolution number 2

To re-elect, by way of a separate vote, Mr Leutlwetse Tumelo who retires in terms of clause 19.1.1 of the constitution, and who is eligible and offers himself for re-election.

#### Ordinary resolution number 3

To re-elect, by way of a separate vote, Mr Mokwena Morulane who retires in terms of clause 19.1.1 of the constitution, and who is eligible and offers himself for re-election.

Brief CVs in respect of each Director offering himself for re-election can be found on pages 18 and 19 of this Integrated Annual Report.

### Re-election of members of the Audit and Risk Committee ("ARM") as well as Remuneration and Nominations Committee ("REMCO")

#### Ordinary resolution number 4

To re-elect Mr Mokwena Morulane as Chairman of ARM, member of REMCO.

#### Ordinary resolution number 5

To re-elect Mr Leutlwetse Tumelo as member of ARM, member of REMCO.

#### Ordinary resolution number 6

To re-elect Mr Claude de Bruin as member of ARM, Chairman of REMCO.

The members' appointment shall be effective from the conclusion of the AGM at which this resolution is passed until the conclusion of the next AGM of the Company. Brief CVs in respect of each member offering them self for re-election are contained in the Integrated Annual Report.

### Appointment of auditors and remuneration of auditors

#### Ordinary resolution number 7

##### Appointment of auditors

To reappoint the Company's current auditors Grant Thornton (Botswana) upon the recommendation of the Audit and Risk Committee, as the independent registered auditors of the Company.

#### Ordinary resolution number 8

##### Remuneration of auditors

To authorise the Board to determine the remuneration of the external auditors and the auditors' terms of reference.

### Remuneration of Non-executive Directors for 2019 and 2020

#### Ordinary resolution number 9

##### Remuneration of Non-executive Directors for 2019

To approve remuneration of Non-executive Directors for the financial year ended 30 June 2019, in terms of Note 25 of the consolidated annual financial statements, as recommended by the Board and set out in the table below.

Non-executive remuneration for the financial year ended 30 June 2019:

Name	2019 (Pula)	2018 (Pula)
Mokwena Morulane	131 380	107 760
Leutlwetse Tumelo	76 960	68 640
Claude de Bruin	87 460	78 720

#### Ordinary resolution number 10

##### Remuneration of Non-executive Directors for 2020

To approve remuneration of Non-executive Directors for the financial year ending 30 June 2020, as recommended by the Board and set out in the table below.

Non-executive remuneration for the financial year ended 30 June 2019:

	2020 (Pula) Retainer fee per month	2019 (Pula) Fees per meeting
Chairman of the Board	25 000	13 400
Board member	17 000	6 500
Chairman of Governance Committee	nil	10 000
Member of Governance Committee	nil	6 500

### Authorisation to distribute information to shareholders electronically

#### Ordinary resolution number 11

Resolved that information required to be sent to shareholders is done so via electronic means rather than traditional mailing of paper copies.



This option allows the Company to provide its shareholders a convenient method of receiving materials meant to increase timeliness for shareholders, provide benefits to our environment and reduce costs. In this instance electronic copies will mean that shareholders opt to receive information via email, or access the information electronically via the Company's registered website — [www.minergycoal.com](http://www.minergycoal.com) or from the Botswana Stock Exchange Xnews System — [www.bse.co.bw](http://www.bse.co.bw).

Shareholders resolve that electronic access to pertinent Company information will then only be available in these electronic formats. Should a shareholder wish to access a physical paper copy of the material in question, a hard copy will lie for a certain period of time at the Minergy registered office of Unit B3 and B4, Plot 43175, Phakalane, Gaborone, Botswana.

## SPECIAL RESOLUTIONS

### Approval of general authority to issue shares for cash

#### Special resolution number 1

In addition to any existing authorities, it is resolved that until the next AGM of the Company shares representing up to 15% of the issued ordinary shares of the Company (up to a maximum of 64 662 936 new ordinary shares) are placed under the control of the Directors and available for a general issue for cash, in accordance with the BSE Equity Listing Requirements and Companies Act. The stated capital of the Company will accordingly be increased by the Pula value equal to the subscription monies received upon the issuance of the new ordinary shares.

### Approval to waive all rights and entitlements

#### Special resolution number 2

Resolved that in accordance with BSE Listing Requirement 5.18, the Company's constitution, and section 52 of the Companies Act, the shareholders of the Company waive all rights and entitlements, including any pre-emptive rights, that they may have in respect of any and all shares issued pursuant to special resolution number 1 provided however that such waiver does not constitute a waiver by the shareholders of any rights and entitlements, including any pre-emptive rights, in respect of any other proposed issue of securities by the Company.

## GENERAL

To transact such other business as may be transacted at an AGM including the sanction or declaration of dividends if deemed necessary.

To take and respond to questions of shareholders in respect to the affairs, operation and management of the Company.

### Proxies and representatives

A shareholder may exercise the right to vote either by being present in person or by duly appointed representative or by delivery of a duly completed proxy form.

A representative or proxy for a shareholder is entitled to attend and be heard at a meeting and to cast votes as if the representative or proxy were the shareholder. A representative or proxy need not be a holder of a security issued by the Company.

A representative must be in a possession of a resolution of the Board of the Company being represented, the trust or fund which is a shareholder which he/she represents, or mandate letter, a power of attorney from the principal which is a shareholder which he/she represents ("Appointment Documents").

Shareholders wishing to appoint a proxy must complete the proxy form enclosed to this notice.

If the proxy is signed under a power of attorney, a copy of the power of attorney (unless already deposited with the Company) must accompany the proxy form.

The proxy form, and if a representative is being appointed or if the proxy form is signed under a power of attorney, the Appointment Documents must be deposited at the Transfer Secretary's office by hand at Unit 206, Second Floor, Plot 64516, Showgrounds Close, Fairgrounds, Gaborone, by post to PO Box 1583, AAD, Gaborone or by email to [contactus@corpservebotswana.com](mailto:contactus@corpservebotswana.com) not later than 48 hours before the meeting.

## Voting

All voting shall be by poll, so that every holder of an ordinary share in the Company present in person or by representative or by proxy and voting has one vote in respect of every ordinary share held.

Shareholders present in person, or by representative or by proxy and voting, shall cast their votes by signifying individually their assent or dissent, or as applicable their abstention, as directed by the Chairman by a show of hands, or by ballot, and for those present by audio-visual means by voice.

The Chairman of the meeting may reject or, provided that the Chairman is satisfied as to the manner in which a shareholder wishes to vote, accept any form of proxy or evidence of authority to act as representative, in his absolute discretion, which is completed other than in accordance specified herein or the notes to the proxy form. Appointment Documents and any proxy form which is duly completed in accordance herewith and the notes to the proxy form shall be accepted.

By order of the Board



**Morné du Plessis**

Chief Executive Officer

### Registered office

Unit B3 and B4, Plot 43175  
Phakalane, Gaborone  
Botswana

# FORM of proxy

I/we (full name in BLOCK LETTERS please):

of (address):

Telephone — work: ( )

Telephone — home: ( )

being a shareholder of Minergy and holder of ordinary shares, hereby appoint:

1. or failing him/her

2. or failing him/her

3. The Chairman of the AGM

as my/our proxy to act for me/us at the Meeting or any adjournment thereof for the purpose of considering, and if deemed fit, passing with or without modification, the resolutions and/or abstain from voting as indicated in respect of each resolution to be considered at said Meeting.

Signed at on 2019.

Name (full name in BLOCK LETTERS please):

Signature:

Assisted by me:

Full names of signatory/ies if signing in a representative capacity (name in BLOCK LETTERS please):

	FOR	AGAINST	ABSTAIN
<b>Ordinary resolution number 1:</b> Audited Financial Statements			
<b>Ordinary resolution number 2:</b> Re-elect Mr Leutlwetse Tumelo: Board			
<b>Ordinary resolution number 3:</b> Re-elect Mr Mokwena Morulane: Board			
<b>Ordinary resolution number 4:</b> Re-elect Mr Mokwena Morulane: ARM and Remco			
<b>Ordinary resolution number 5:</b> Re-elect Mr Leutlwetse Tumelo: ARM and Remco			
<b>Ordinary resolution number 6:</b> Re-elect Mr Claude de Bruin: ARM and Remco			
<b>Ordinary resolution number 7:</b> Appointment of auditors			
<b>Ordinary resolution number 8:</b> Remuneration of auditors			
<b>Ordinary resolution number 9:</b> Approve remuneration of Non-executive Directors for 2019			
<b>Ordinary resolution number 10:</b> Approve remuneration of Non-executive Directors for 2020			
<b>Ordinary resolution number 11:</b> Approve electronic distribution of information where information is also made available on the Company website			
<b>Special resolution number 1:</b> General authority to issue shares for cash			
<b>Special resolution number 2:</b> Waive all rights and entitlements			

# NOTES to the form of proxy

## INSTRUCTIONS FOR SIGNING AND LODGING THIS FORM OF PROXY

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting "the Chairman of the AGM", but any such deletion must be initialled by the shareholder concerned. The person whose name appears first on the form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those whose names follow.
2. Please insert an "X" in the relevant spaces according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of shares than you own in Minergy, insert the number of ordinary shares held in respect of which you desire to vote. Failure to comply with the above will be deemed to authorise the proxy to vote at the Meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the Minergy shareholder or by his/her proxy, but the total of the votes cast and in respect whereof abstentions are recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.
3. The date must be filled in on this proxy form when it is signed.
4. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof. Where there are joint holders of shares, the vote of the joint holder whose name appears first in the register will be accepted.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries or waived by the Chairman of the AGM of Minergy shareholders.
6. Any alterations or corrections made to this form of proxy must be initialled by the signatory/ies.
7. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by Transfer Secretaries.
8. Forms of proxy must be received by the Transfer Secretary, office by hand at Unit 206, Second Floor, Plot 64516, Showgrounds Close, Fairgrounds, Gaborone, by post to PO Box 1583, AAD, Gaborone or by email to [contactus@corpservebotswana.com](mailto:contactus@corpservebotswana.com) at any time at least 48 hours before the start of the meeting.
9. If required, additional forms of proxy are available from the transfer secretaries.



# CORPORATE and general information

## CORPORATE INFORMATION

### Registered 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

Collins Newman & Co

## 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)\*

(\*) On 1 August 2019, Morné du Plessis was appointed Chief Executive Officer of Minergy upon the retirement of André Bojé, who will remain involved with the Company as a Non-executive Director and Strategic Consultant, assisting with coal marketing as well as the listing on AIM in London.

### Registered office and business address

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

### Postal address

PO Box AD 10 ABC  
Phakalane, Gaborone  
Botswana

### Bankers

RMB Botswana

### Auditors

Grant Thornton (Botswana)  
Registered auditors

### Transfer secretary

Corpserve Botswana

### Registration number

CO 2016/18528

### 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")). The financial statements were prepared under the supervision of the Chief Financial Officer ("CFO"), Morné du Plessis, CA(SA).









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

Unit B3 and Unit B4, 1st Floor, Plot 43175, Phakalane, Gaborone, Botswana  
PO Box AD 10 ABC, Phakalane, Gaborone, Botswana

