

**INTEGRATED
ANNUAL
REPORT**



2020

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GROUP STRUCTURE



ABOUT THIS REPORT

Minergy Limited's 2020 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.

References to "Minergy" or "the Company" in this report are to Minergy Limited. References to "the Group" in this report are to Minergy and its subsidiaries Minergy Coal Pty Limited and Min Sales Pty Limited."

The Group was awarded a Mining Licence in August 2018, allowing for mine development to take place together with the construction of a Coal Handling and Processing Plant ("CHPP"). No coal was sold in the 2019 financial year and the financial information for that year is typical of a mine development company. First coal sales were achieved during the 2020 financial year, although the COVID-19 pandemic has severely impacted production targets and coal sales.

The 2020 Integrated Annual Report (referred to herein as the "report", "IAR", or Integrated Annual Report) covers the Masama Coal Mine, the status of the mine 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 ending 30 June 2020.

Minergy's board of directors ("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 external auditor, Grant Thornton Botswana, in accordance with 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 an extract 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")), under the supervision of the Chief Financial Officer ("CFO"), JP van Staden CA(SA).

THE 2020 INTEGRATED ANNUAL REPORT COMPRISES:

- › A review of the Group as it pertains to the Masama Coal Mine and the status of saleable coal production
- › Social, environmental, governance, prospects and leadership of the Group
- › Stakeholders and the way in which Minergy interacts with them
- › Annual financial statements prepared and presented in accordance with International Financial Reporting Standards ("IFRS") and in accordance with the laws of Botswana

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)
- › The Botswana Companies Act, CAP 42:01 as amended
- › The Equity Listing Rules of the Botswana Stock Exchange ("BSE")
- › Where applicable, the CPR, which reports the Group's Resources and Reserves, and which was independently prepared in accordance with The South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves 2016 Edition ("SAMREC CODE")

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 2020 Integrated Annual Report on 24 September 2020.



Mokwena Morulane
Independent Non-executive Chairman



Jean-Pierre van Staden
Chief Financial Officer



Claude de Bruin
Non-executive Director



Morné du Plessis
Chief Executive Officer



Leutlwetse Tumelo
Non-executive Director



André Bojé
Non-executive Director

EXECUTIVE SUMMARY

2020 FINANCIAL YEAR	ECONOMIC	OPERATIONAL	FINANCIAL
Q1 JUL/AUG/SEP	<ul style="list-style-type: none"> › Strong regional demand across industrial and other customers › Pricing stable with positive outlook 	<ul style="list-style-type: none"> › Stage 1 of the Plant commissioned supported by mobile solutions › Substantially all required funding in place › Volume ramping up to capacity › Operational team optimal and effective 	<ul style="list-style-type: none"> › Losses incurred for the year › Absolute cash preservation measures in place › Business optimisation plan › Further funding is required for COVID-19 relief
Q2 OCT/NOV/DEC			
Q3 JAN/FEB/MAR			
Q4 APR/MAY/JUN	<ul style="list-style-type: none"> › COVID-19 pandemic › Regional COVID-19 impact › Minimum 15-week border closure 	<ul style="list-style-type: none"> › Volume demand shrinks to 10% - 15% › Critical technical expertise to ensure plant efficiency unable to travel 	

Repositioning strategy to cost-saving and implement efficiency to ensure saleable production targets and regional off-take agreements are met to support sustainability

Support from government and funders continue as Minergy remains true to original commitment of ensuring vibrant coal sector in Botswana supported by the success of the mine, skills transfer, job creation and training

Saleable production target of 60 000 tonnes per month
(see further details in the CEO's report on pages 24 – 26)

Post year-end, first coal exports from the Tshele Hills rail siding to South Africa

MINERGY FACTS**95%**

OF ALL STAFF ARE BATSWANA

Zero

FATALITIES

390 million

TONNES ("MT") HIGH QUALITY COAL RESOURCE

P240 millionOFF-TAKE AGREEMENT IN PLACE FOR 3 YEARS
WITH A SOUTH AFRICAN CEMENT PRODUCER**668 days**WITH NO LOST TIME DUE TO INJURY (30 JUNE 2020)
IT HAS CONTINUED ON THIS BASIS POST YEAR-END**TOP PRIORITIES FOR 2021****PLANT UPGRADE PHASE**to be completed by early
Q4 2020**ENSURE**plant efficiencies and consistent
production volumes**SCALABLE OPERATIONS**to navigate COVID-19, its after-
effects and a recovering market**SECURE**

additional off-take agreements

COST CONTROL

and cash flow optimisation

ADDITIONAL READING:
THE MINERGY COVID-19 ACTION PLAN 



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GROUP OVERVIEW



WHAT WE DO

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

Minergy is a Botswana registered company listed on the main board of the BSE, with a proposed listing on a second, international stock exchange planned.

Minergy's 100% owned Masama Mine, 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 some existing coal suppliers to regional markets. The mine further holds large tonnages of export quality coal, ideally suited for export to Africa and also India, Asia and China should the economics be attractive for thermal seaborne coal.

The coal mine is located on the southwestern edge of the Mmamabula Coalfield in southern Botswana, 60km northeast of Gaborone.

Minergy's wholly-owned subsidiary Minergy Coal holds the Mining Licence (ML 2018/9L) where a 390 MT Coal Resource has been independently delineated in the Mining Licence area. The Mining Licence was granted on 27 August 2018, for a period of 25 years. Minergy Coal also holds an adjacent 352km² Prospecting Licence for Coal and Coal-Bed Methane.

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 and executive management are all in place.

The largest single shareholder in the Company as at 30 June 2020 is Allan Gray with 34,66% (Please see detailed information under the heading "Shareholder analysis" on page 55 of this Integrated Annual Report).

MINING LICENCE (YEARS)

25

LIFE OF MINE (YEARS)

100

The Resource is near to existing rail, road and water infrastructure, and has **significant** distance **advantages** over some existing coal suppliers to regional markets.

60 000 tonnes
SALEABLE COAL PER MONTH MINE PRODUCTION TARGETED
SCALABLE TO

80 000 tonnes
BASED ON MARKET RECOVERY

SALES STRATEGY

Minergy sells coal directly to industrial end-users based in southern Africa.

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

REGIONAL INDUSTRIAL MARKET

The smaller fraction product (<8mm) or "duff" is targeted for sale on longer-term contracts. Minergy concluded an off-take agreement with a South African cement producer for a minimum value of P240 million over three years from September 2019. Additional off-take agreements are in the process of being negotiated.

The Company continues to offer the larger fractions ("peas" and "nuts") on short-term contracts and on a spot basis. 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 indicating that in South Africa the industrial market, according to the SA Coal Report 2019, comprises 34MT and this industrial component is broken down into domestic trades, industrial, steelworks, chemical, cement, brick and other — this is the Minergy target market.

Given the structural change in the market and uncertainty on its recovery resulting from COVID-19, targeted production was revised to 60 000 saleable tonnes per month once the plant upgrades have been completed. This revised production number does not impact the execution of the sales strategy as it pertains to the regional industrial market.

POWER GENERATION

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

Minergy has submitted an Eskom tender for the supply of coal to the Tutuka power station located in South Africa during November 2019. The tender has a validity period of 60 weeks before award. The award of this tender will be a game changer for Minergy as it will open a separate mine with infrastructure for this supply.

EXPORT

The qualities of produced coal are attractive to export customers. Depending on the availability of adequate rail infrastructure such as the proposed Lephahale link between Botswana and the Waterberg region of South Africa (which is receiving significant attention from the Botswana counterparties) 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 customers.

P240m

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

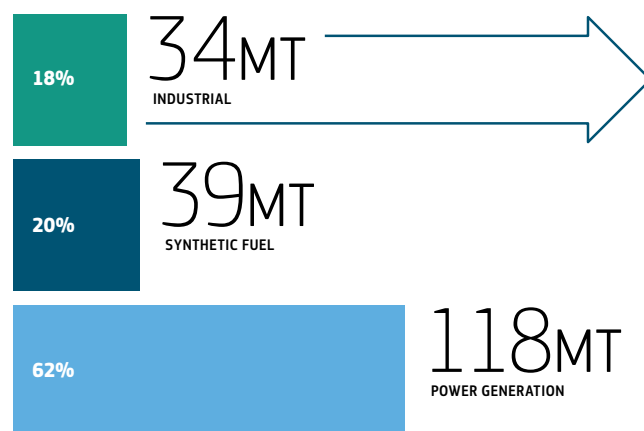
OBJECTIVE

TO HAVE MORE OFF-TAKE AGREEMENTS IN PLACE

FIRST

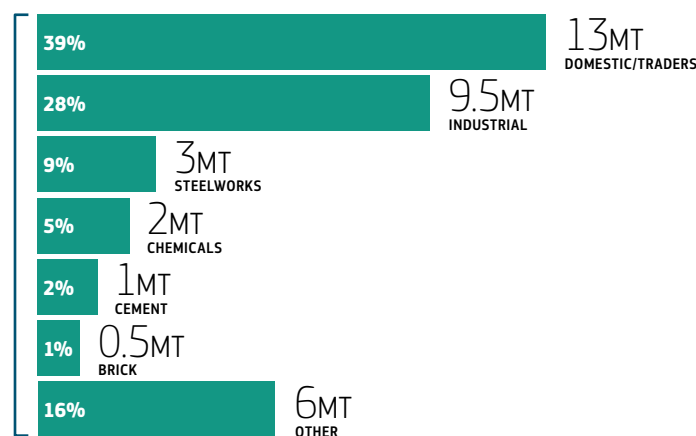
COAL EXPORTED BY RAIL TO SOUTH AFRICA (POST YEAR-END ON 17 JULY 2020)

SOUTH AFRICAN DOMESTIC DEMAND 191MT (2018: 177MT)



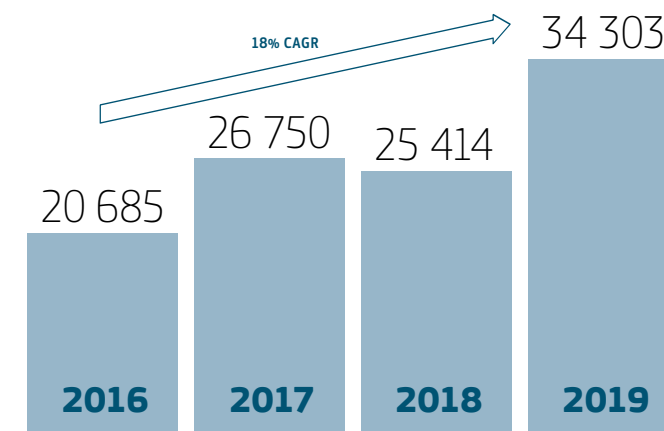
Source: SA Coal Report (2019)

INDUSTRIAL BREAKDOWN 34MT (2018: 29MT)



Source: SA Coal Report (2019)

ANNUAL INDUSTRIAL DEMAND (MT)



Source: SA Coal Report (2019)

MINE ATTRIBUTES AND LOCATION

The Masama Coal Mine can deliver a **steady stream** of coal product to local and regional industrial customers.

 **390_{MT}**

HIGH QUALITY RESOURCE

 **6m**

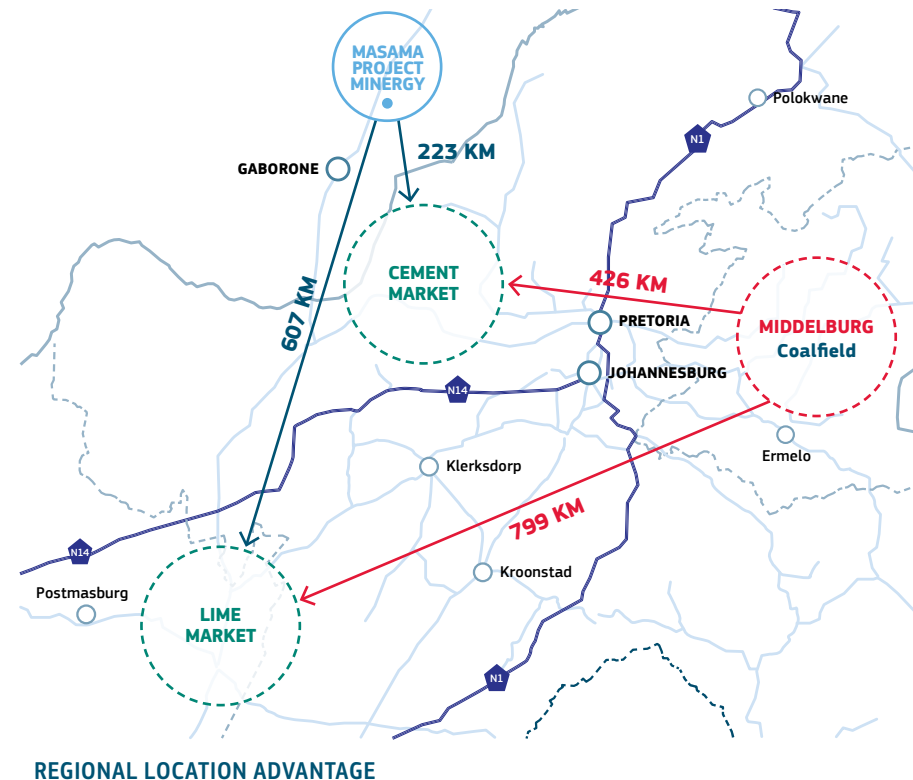
MAXIMUM COAL SEAM THICKNESS

Gently dipping coal seams
(0.5° to 3.5°)

Simple structure with very few faults and no dolerite

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

Potential of additional resources with further exploration
(prospecting licence area 352km²)



MINE BOX CUT LAYOUT AND PLANT INFRASTRUCTURE



MINE BOX CUT AND LAYOUT



CHPP LAYOUT



MINE OFFICES, WORKSHOP AND INFRASTRUCTURE



WEIGHBRIDGE WITH CLIENT BOUND PRODUCT



COAL EXPORTED FROM BOTSWANA BY RAIL (POST YEAR-END)

DEVELOPMENT MILESTONES ACHIEVED

2017

- › Listed on BSE
- › Raised P70 million from institutional investors via private placement
- › Exploration programme completed

2018

- › Raised P48 million from shareholders
- › All required environmental assessment studies completed and Environmental Impact Assessment ("EIA") approved in August 2018
- › Mining licence awarded and mine construction commenced

START OF FINANCIAL YEAR

- › Box cut and mine infrastructure completed within 12 months from licence awarded

ACHIEVEMENTS TO FEBRUARY 2020

- › Signed first off-take agreement
- › Reached trigger of 40 000 tonnes saleable coal produced
- › Stage 1 of the Plant complete and commissioned
- › Ramping up mining operations
- › Water and power supplies infrastructure completed
- › Successfully moving product to South Africa and Namibia and within Botswana
- › Ready rail siding for the transport of coal
- › Securing P150 million in funding
- › Raising P35 million in equity

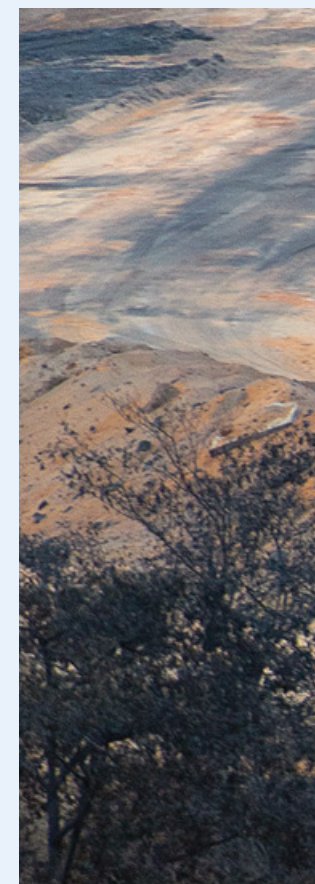
MARCH 2020 ONWARDS

COVID-19 PANDEMIC STRIKES

- › Ongoing border restrictions from 27 March 2020 causes a significantly negative impact on operations (read more about the details in the Chief Executive Officer's report on operations on pages 24 – 26 of this report)

JULY 2020

- › Coal is exported by rail to South Africa





THE AFRICAN COAL STORY AND MARKETS

Despite negative sentiment, coal will, for the **foreseeable future**, be the major, if not critical, energy source for Africa.

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

MORNÉ DU PLESSIS

CEO Minergy

Since Minergy's inception it has told the African coal story and the view has not changed. The world still needs coal. If it does not have it, billions of people in developing nations will be without power.

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, as previously highlighted, 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 operations being developed to fill this gap. According to the South African Department of Energy South Africa has reduced its reliance on coal for generating electricity from over 90% to just over 75% in the past few years. 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 likely be placed on existing larger producers to channel non-export capacity into the power generation market, thereby creating an expected shortfall of coal supply into the regional industrial market.

The regional industrial market, excluding power generation and synthetic fuels, has an annual demand of 34MT 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 18% from the start of 2016, despite having to be content with inconsistent coal supply over time.

During the financial year international seaborne coal prices continued to be volatile. Export prices of around \$65 were under pressure early in the financial year on the back of a slowing world economy and tighter import and quality control by China, creating prolonged clearances at ports. At the start of November 2019 prices began recovering and increasing to above \$80 by February 2020, driven by increased off-take by the Indian market specifically. Price, specifically in the southern hemisphere, started plummeting in late March 2020 to lows of \$50 with the advent of COVID-19 and have remained at these levels during the pandemic.

Indian import demand firmed up briefly in May 2020, but indications of a slowdown have emerged from the second week of June 2020. Demand has further been hampered by the arrival of the monsoon season, which slows construction and infrastructure activity, reducing demand for cement, steel and sponge iron along with electricity demand and hence coal burn.

Coal has, however, escaped the significant price erosions experienced by other commodities and oil. Negative price sentiment has spilled over on regional prices in 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.

Asia remains coal's stronghold and is slated to buoy global demand for the next decade as consumption drops elsewhere in the world. Asia's share of total global coal demand is expected to expand from about 77% currently to around 81% by 2030, according to IHS Markit.

As reported in Mining Weekly, the Minerals Council South Africa states on its website that the coal industry employed 92 230 people in 2019 (86 647 in 2018), representing about 19% of total employment in the mining sector. It produced 258.9 MT in 2019, with total coal sales of R139.3 billion, compared with R146 billion in 2018.

While the net investment in the South African coal industry was R4.5 billion in 2010, it decreased to R2.5 billion in 2018, an average decline of 15% per year. This is despite the fact that coal is a major source of electricity in the country, which generates more than 70% of its electricity by burning coal.

COVID-19

Regional coal supply and demand has not escaped the pandemic. Available data shows that South African coal production fell by 9% year-on-year in April 2020 according to Statistics South Africa (Stats SA), but coal's woes paled beside the 47% plunge in output recorded across the wider mining sector as reported in the SA Coal Report of 16 June 2020.

While coal miners may have been classified as essential service providers during this period its end users (other than Eskom) did not qualify and facilities were closed for up to three months, negatively impacting demand.

THE CASE FOR COAL IN AFRICA AND DEVELOPING NATIONS

Coal is essential for enhancing quality of life in the African context given that it is a cheap source of power.

620 million

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

2.5 billion

AFRICA'S POPULATION IS EXPECTED TO DOUBLE BY 2050

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

1.8 million

TONNES CONSUMED DAILY IN INDIA (ACCORDING TO INDIA'S CENTRAL ELECTRICITY AUTHORITY – S&P GLOBAL PLATTS, 19 FEB 2020)

BOTSWANA COAL

Reserves estimated to be more than **200 billion tonnes**

Stable geopolitical environment

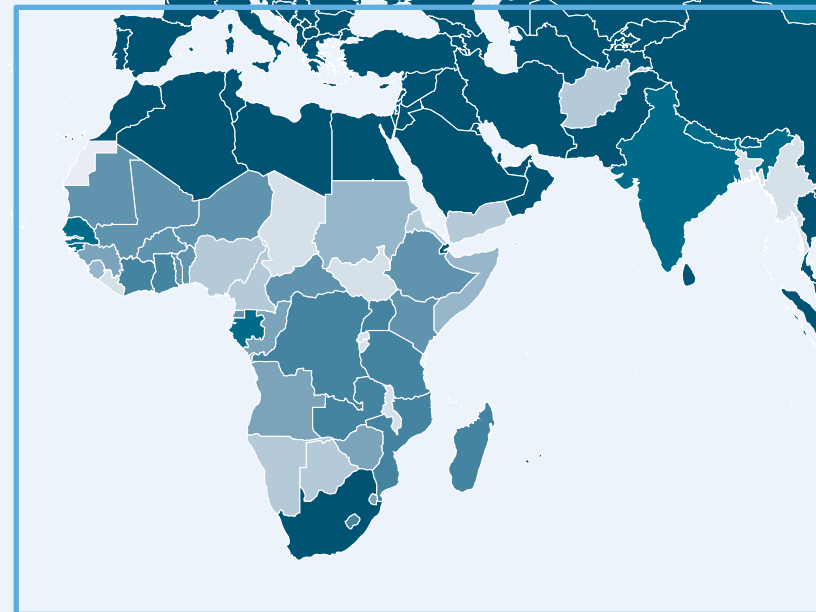
High quality and highly economical

Provides diversity from natural income sources such as diamonds and tourism

HOW CAN BOTSWANA CONTRIBUTE?

Given the tremendous advantages Botswana holds, it could supply the developing world which currently lacks access to electrification. In the map provided from the Energy Education website, much of Africa and India are still short of energy.

Source: Energy Education website



0%

100%

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.

During 2018, six million tonnes of coal was exported from South Africa to the African continent. This is forecast to rise to 38 MT by 2030 and Botswana has a significant role to play going forward by utilising the South Africa handling facilities, the most sophisticated in Africa. Developing a vibrant coal sector in Botswana underpinned by a massive, high quality coal resource, presents the nation with the rare opportunity to broaden its export income by targeting regional, and also international destinations such as India, Pakistan and even China.

MARKET OUTLOOK

There is speculation of China regulating imports from Australia as it seeks to reduce its reliance on imports. Coal prices will come under pressure unless China openly allows Australian imports. Lower Australian prices will encourage many Indian companies to divert their purchases from South Africa, particularly for lower grades. Asia remains the catalyst for export pricing.

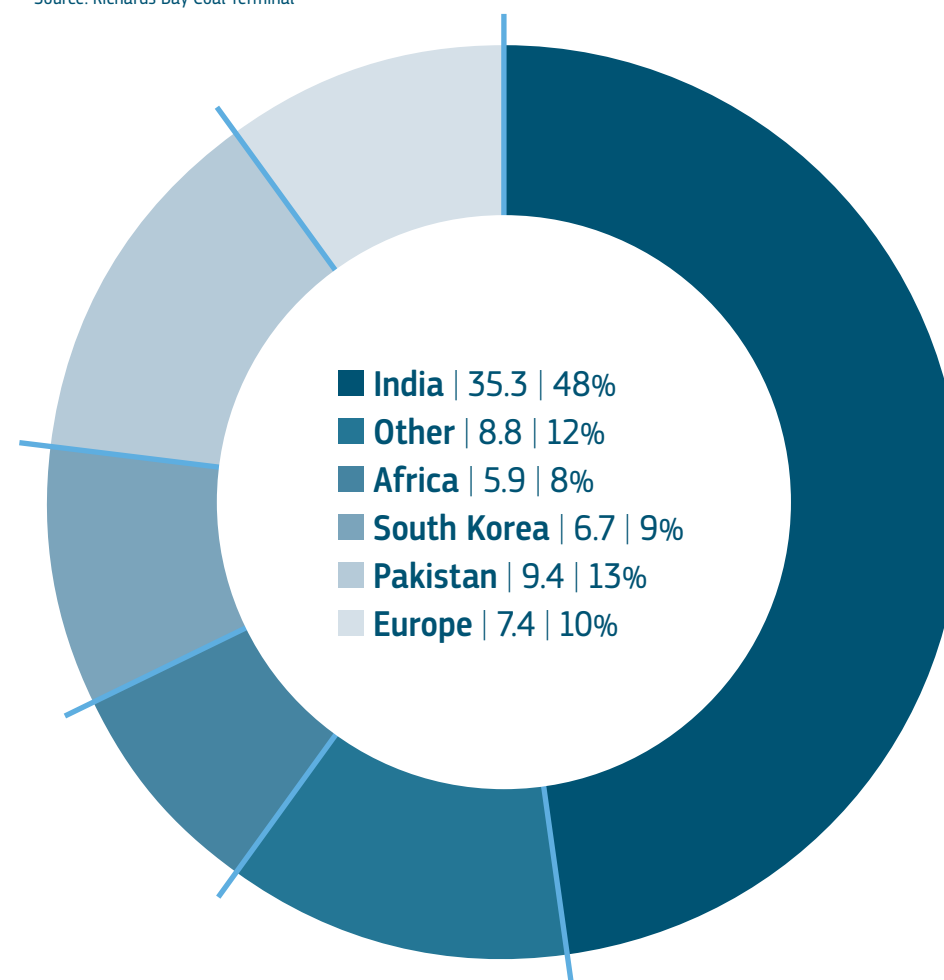
A further trend is Junior miners continuing to divert a significant amount of export quality material to the inland market.

All of the above, leads to downward pressure on seaborne export coal pricing, thereby opening the door for South African majors to increase supply to domestic markets.

The above scenario and the fact that Minergy expects coal prices to remain depressed for the first six months of the financial year, supports the strategic decision to decrease targeted production which will ensure scalability, until such time as price and demand have improved. The Company, however, remains confident that it will be able to adjust to meet increased demand in the future based on recovered markets and pricing. It is imperative to manage the business within the boundaries recently presented by the pandemic.

2018 SOUTH AFRICAN COAL EXPORTS OUT OF RICHARDS BAY COAL TERMINAL (MILLION TONNES)

Source: Richards Bay Coal Terminal



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 management throughout the Minergy Group of companies.

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

An Enterprise Risk Management Framework is in the process of being concluded 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.

RISK MANAGEMENT

The following risks have been identified:








KEY TO TYPE OF RISK

🎯 Strategic









📋 Compliance

⚙️ Operational

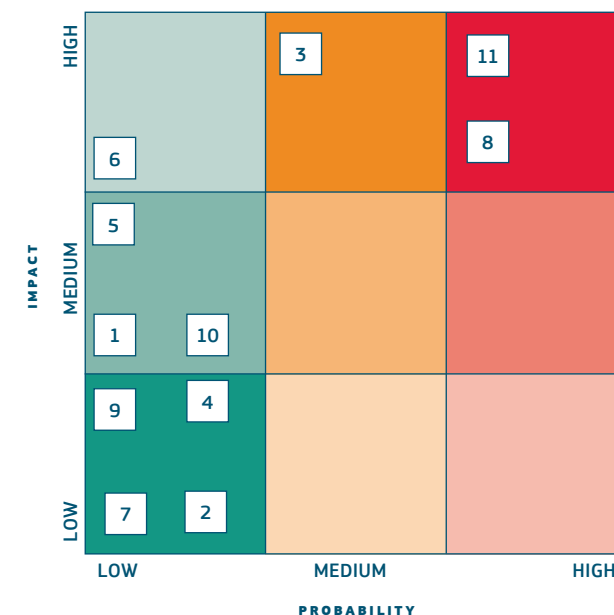
💰 Financial

	IDENTIFIED RISK	KEY RESPONSE/MITIGATION	TYPE OF RISK	FOCUS AREA FOR 2021
1.	LOSS OR LACK OF KEY MANAGEMENT SKILL FOR SPECIALISED PROJECT	<ul style="list-style-type: none"> Executive management team strengthened. The Remuneration and Nominations Committee evaluates succession planning, sources qualified staff and reviews incentives for retention. 2020 Share Option Plan submitted for approval by shareholders Short Term Incentive Plan. 	 	<ul style="list-style-type: none"> Additional regulatory appointments to enhance technical skills on site. Continued focus on skills transfer programmes within the Group to develop local talent and promote succession planning.
2.	MACRO-ECONOMIC FACTORS IMPACTING THE EXECUTION OF THE BUSINESS PLAN	<ul style="list-style-type: none"> The Group believes that the demand for coal will remain high, especially from Africa as the world markets recover from COVID-19. There remains a shortage of supply into the targeted regional domestic market with no greenfield coal developments to fill the gap. Furthermore, demand from the target market, pre COVID-19, has seen compounded annual growth of 18% from 2016. Minergy is poised to take advantage of these opportunities. The Group's product is diversified to supply a local/regional product, which is less price sensitive, and export product. Location to regional market allows logistical competitive advantage. First off-take agreement in place 	 	<ul style="list-style-type: none"> Secure additional off-take agreements. Build existing customer base with a focus on diversifying the industries served.
3.	IMPACT OF HEALTH, SAFETY AND ENVIRONMENTAL CHALLENGES ON THE SUSTAINABILITY OF THE BUSINESS MODEL	<ul style="list-style-type: none"> Fully compliant EIA Report approved by DEA. Environmental monitoring forms part of day-day operational management. Dust management given priority. Water management and sourcing is a key risk to ensure sustainable plant operations. Detailed water programmes have been prepared. No lost time Injuries recorded since mine development started in September 2018 as a result of enforced safety protocols. 		<ul style="list-style-type: none"> Continue securing additional water sources to ensure sufficient contingency measures are in place. Continue enhancing dust management programmes.
4.	UNDESIRABLE GEO-POLITICAL AND SOCIAL EVENTS	<ul style="list-style-type: none"> Botswana is ranked as one of the top investor-friendly countries in the world. The Group has regular interaction with Government and has received support at all levels of Government, which includes visits by relevant ministers to the mine and being part of the launch of the train export to South Africa. 		<ul style="list-style-type: none"> Continue working closely with government and other coal producers in Botswana toward the development of a strong coal sector.
5.	NOT DELIVERING ON STRATEGIC GROWTH OBJECTIVES	<ul style="list-style-type: none"> Specific business plan in place to achieve milestones. Business Optimisation Plan implemented to fine tune execution. Developed mine within 12 months from award of Mining Licence and commissioned beneficiation plant. Sold ~198 000 tonnes within 12 months from mine commissioning. Business plan targets set and measured. Completion of the rigid front end (crushing section) of the washing plant together with water recovery mechanisms delayed by COVID-19 but funding in place and implementation post year-end. 		<ul style="list-style-type: none"> Completion of beneficiation plant upgrades. Regular monitoring of and updates to management's Business Optimisation Plan. STIP* and LTIP# align objectives of management and stakeholders.

(* Short-term Incentive Plan # Long-term Incentive Plan Please also refer to resolution number 15)

	IDENTIFIED RISK	KEY RESPONSE/MITIGATION	TYPE OF RISK	FOCUS AREA FOR 2021
6.	LACK OF IN-COUNTRY LOGISTICS AND INFRASTRUCTURE	<ul style="list-style-type: none"> › In-country infrastructure such as rail, access roads and electricity required to support operations. › New road around villages, depending on funding, to be constructed. › Electricity infrastructure installed at own cost. › Support received from local rail agency for building siding and promotion of rail transport which resulted in coal evacuated successfully into South Africa by rail post year-end. › Cross border transport of product — delays experienced due to COVID-19. 	 	<ul style="list-style-type: none"> › Construction of new access road (around villages), provided sufficient funding in place. › Upgrades to rail siding with support from local rail agency.
7.	CURRENCY RISK	<ul style="list-style-type: none"> › Currency risk is limited to the current weaker South African Rand. › Hedging instruments evaluated depending on affordability and hedging strategy formulated. 		<ul style="list-style-type: none"> › Continued evaluation of appropriate hedging programmes.
8.	INSUFFICIENT CAPITAL AND RELATED FUNDING TO COMPLETE FINAL DEVELOPMENT AND ENSURE OPERATIONAL PERFORMANCE	<ul style="list-style-type: none"> › The Group was successful in raising P150 million from debt funders in the financial year and concluded a P35 million debt to equity to substantially complete mine development. › BOOT operator has successfully secured funding to complete outstanding phase of plant construction. › Funding for COVID-19 cash flow shortfalls through additional debt and/or capital raising receiving priority but remains a prime risk. 	 	<ul style="list-style-type: none"> › Pursue additional debt and equity funding to complete development activities and fund working capital requirements.
9.	SUSTAINED RESOURCES AND QUALITY OF PRODUCT	<ul style="list-style-type: none"> › The CPR confirms 390 MT of coal, which represents 100 years of life. › 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. › Increased orders placed with minimal quality issues. 		<ul style="list-style-type: none"> › Establish on-site laboratory. › Continue confirmatory drilling programme.
10.	OPERATIONAL AND CAPITAL COST CONTROL	<ul style="list-style-type: none"> › Detailed budgeting process including all expenditure approved by the Board. › Delegation of Authority Framework governs approval for all major and capital expenditures. › Reporting of expenditure against budget on regular basis and reporting to the Board. › Scenario planning done. 		<ul style="list-style-type: none"> › Continued enhancement of internal control practices.
11.	COVID-19	<ul style="list-style-type: none"> › Formal plan to deal with COVID-19 protocols in place and vetted by regulatory authority. › Safety protocols such as temperature testing, washing and face masks vigorously managed. › No positive cases. 		<ul style="list-style-type: none"> › Continued vigilance in terms of this pandemic.

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 a basis that is in the best interests of the Company, and not only as an instrument to serve the interests of the shareholders.

Minergy has a Social and Ethics Committee that monitors and assists with stakeholder engagement. 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	WHAT MATTERS?	ENGAGEMENT DETAILS	RESPONSIBILITY	EXPECTATION OF MINERGY	
GOVERNMENT MINISTRIES AND DEPARTMENTS	<ul style="list-style-type: none">› Regulatory compliance› Compliance with mining licence requirements› Partnering for training and skills development› Partnering to address specific issues› Environmental compliance	<ul style="list-style-type: none">› 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, Ministry of Transport and Communications, Kwaneng and Kgatleng District Councils and Local Land Boards› Participation in ad hoc discussions› Written communication› Site visits	CEO, senior management and Board	<ul style="list-style-type: none">› Statutory and legal compliance› Local economic development› Ease of conducting business	
LOCAL COMMUNITIES	<ul style="list-style-type: none">› Sustainable skills development› Job creation› Entrepreneurial opportunities in the Medie village and surrounding areas	<ul style="list-style-type: none">› Minergy is engaged with local communities around the mining areas› Chiefs and local representatives are regularly engaged with at the Kgotla (community council or traditional law court of a Botswana village) <p>Minergy's corporate social responsibility so far has exceptional effects on the community:</p> <ul style="list-style-type: none">› Establishment of Minergy Coal Community Support Fund to aid the Medie village given the outbreak of COVID-19› Contributing to the school's prize giving events, both in Medie and Lentsweletau› Electrification of the village, school, clinic and kgotla› Contributing to anti-corruption initiatives by the Land Boards› Supporting local entrepreneurs and encouraging community to form businesses› Funding the COVID-19 clean-up campaigns	Managing Director, Senior management and Community Liaisons	<ul style="list-style-type: none">› Employment and economic development› Cultural heritage sites, protecting biospheres and endangered species› Socio-economic and related issues	
LENDERS AND PROVIDERS OF CAPITAL	<ul style="list-style-type: none">› Capital management› Cash generation› Profitability› Growth prospects› Reputational issues› Compliance with covenants	<ul style="list-style-type: none">› Regular meetings, site visits, presentations, updates and consultation with funders› Contractual obligations› Supply of interim and final results announcements	CEO, CFO	<ul style="list-style-type: none">› Robust capital allocation› Cashflow monitoring and prudent management› Sourcing of ongoing supply contracts	
SHAREHOLDERS, POTENTIAL INVESTORS AND MEDIA	<ul style="list-style-type: none">› Profitability› Growth prospects› Cash generation› Adherence to all ESG requirements› Regulatory compliance› Open to engagement	<ul style="list-style-type: none">› Regular results and business update presentations;› 1:1 meetings;› Project updates;› Site visits;› Outsourced Investor Relations function in place;› Regular press releases;	<ul style="list-style-type: none">› Annual General Meeting;› Annual Integrated Report and published results;› Feedback emails;› Ad hoc telephonic dialogues;› Company website; and› Roadshows	CEO, assisted by CFO	<ul style="list-style-type: none">› Prudent capital allocation and utilisation of cash and working capital;› Growth and sustained returns on investment; and› Regular communication.
STAFF	<ul style="list-style-type: none">› Safe and healthy work environment› Opportunities to grow, develop and learn› Fair and ethical workplace› Job security and satisfaction› Skills development› Fair and equitable remuneration and incentivisation	<p>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 281 employees of which 15 were expatriates.</p> <ul style="list-style-type: none">› 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	Managing Director, General Manager, supported by Mine and Safety and Health Managers	<ul style="list-style-type: none">› Fair work practice through open communication and fair management practices› Hands-on senior management involvement to address and resolve labour issues› Health and safety programme and briefings in place› Investment in training and skills development› Offer skills development opportunities (internal and external providers) to staff and sub-contractors alike› Employer of choice	
SUPPLIERS OF PRODUCTS AND SERVICES	<ul style="list-style-type: none">› Product availability› Quality› Service	<ul style="list-style-type: none">› Meetings› Progress and financial reports› Updates› Monthly Steering Committee meetings	<ul style="list-style-type: none">› Business partner and industry forums› Co-facilitation sessions› Emails› Telephone calls	Managing Director and Senior Management	<ul style="list-style-type: none">› 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
CUSTOMERS	<ul style="list-style-type: none">› Quality› Service› Mutual understanding and respect	<ul style="list-style-type: none">› Meetings› Face-to-face engagements› Telephonic conversations	<ul style="list-style-type: none">› Emails› Industry conferences› Other coal project developers	CEO and Sales and Marketing Manager	<ul style="list-style-type: none">› Clear understanding of Company strategies and priorities› On-time payment› Growth opportunities› Development of a coal mining sector in Botswana

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



AUDIT AND RISK COMMITTEE



REMUNERATION AND NOMINATIONS COMMITTEE



SOCIAL AND ETHICS COMMITTEE



COMMITTEE CHAIRMAN IS INDICATED BY SOLID ICON



MORNÉ DU PLESSIS (51)

Chief Executive Officer

CA — South Africa, MBA

Morné is a South African citizen but is resident in Botswana and is a chartered accountant with an MBA from Heriot 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 as its CFO in February 2017. On 1 August 2019 he took over the reins as Chief Executive Officer ("CEO") of the Group.



JEAN-PIERRE VAN STADEN (48)

Chief Financial Officer

CA — South Africa

Jean-Pierre is a CA(SA) who was an Audit Partner at PricewaterhouseCoopers in South Africa from 2004 to 2019, prior to joining Minergy as CFO in January 2020. 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 including companies listed on stock exchanges such as the JSE, TSX, ASX, AIM and LSE.

**MOKWENA MORULANE (49)**

Independent Non-executive Chairman



BA Accounting (Hons)

Mokwena Morulane is a Motswana, who holds a BA Accounting Honours degree from the University of Bedfordshire, England and who articulated with Deloitte & Touche in Gaborone. He is a fellow member of the Association of Chartered Certified Accountants ("ACCA"), a member of Botswana Institute of Chartered Accountants ("BICA") and of the Chartered Secretaries of Southern Africa ("CIS"). Mokwena has extensive experience in the resources sector. Until recently, he was Country Manager for Discovery Metals Ltd. ("DML"). Prior to joining DML he was Financial Manager of Gem Diamonds Botswana, a junior diamond mining company. He started his career at BCL Ltd., a base metals company where he rose through the ranks to Group Financial Accountant. He also worked for the Botswana International Financial Services Centre ("IFSC") as Corporate Affairs Executive. Mokwena was appointed as the Independent Non-executive Chairman of Minergy in January 2017.

**LEUTLWETSE TUMELE (41)**

Non-executive Director



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. Leutlwetse is also the Chairman of Tshukudu Metals Botswana, the operating subsidiary of ASX listed MOD Resources. Tshukudu is a copper exploration company that is developing the T3 copper project about 75km north of Ghanzi. Leutlwetse is a Non-executive Director of Minergy Limited and its subsidiary, Minergy Coal. He is also the chairman of the Social and Ethics Committee in Minergy Limited.

**ANDRÉ BOJÉ (64)**

Non-Executive Director, Strategic Consultant

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 proposed listing on a second international exchange and with marketing and sales of coal.

**CLAUDE DE BRUIN (43)**

Non-Executive Director



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 TSX and the AIM Market of the London Stock Exchange), with leading roles in significant equity raisings through private and public placements and stock exchange listings in several jurisdictions. Claude is a co-founding member of the Minergy Group of companies, alongside of John Astrup who is a geologist and a Director on the board of Minergy Coal (Pty) Ltd and MinSales (Pty) Limited. Claude was appointed to the Board of Minergy in September 2016.

**CROSS KGOSIDIILE (51)**

Non-Executive Director

MBA, BCom (Accounting)

Post the year-end Cross Kgosiile joined the board as a Non-Executive Director, effective 29 July 2020. He is an experienced company executive and board member, with more than two decades of experience across a range of sectors. Presently he is the Managing Director of the Botswana Development Corporation. He has held senior positions and been CEO of a range of well-known organisations in Botswana including Air Botswana, Botswana Motor Vehicle Accident Fund (CEO), and Botswana Power Corporation (CEO). His board and committee experience also spans well known Botswana companies and organisations including the Botswana Motor Vehicle Accident Fund, Botswana Building Society, Botswana Railways, KYS Investments, Botswana Stock Exchange listed Prime Time Property Holdings, JTMM Property Holdings, and Stanbic Bank Botswana.

OPERATIONAL MANAGEMENT



MARTIN BARTLE (67)

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 (48)

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 (49)

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 (49)

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 Letlhakane 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 (53)

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.



GABOTSHWAREGE TSHEKISO (63)

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.



JULIUS AYO (39)

Financial Manager
Association of Certified Chartered Accountants ("ACCA") of Botswana;
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.



HERBERT KEBAFETOTSE (46)

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.



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LEADERSHIP FEEDBACK



CHAIRMAN'S REPORT

Minergy's story is one of achievement, over a short period of time, in entrenching coal as a viable sector in support of the Botswana economy.

I have been involved with Minergy from when it was a green field project back in 2017 and when various studies were being conducted. This was followed by the listing of the Company on the Botswana Stock Exchange ("BSE") in 2017, and the subsequent awarding of the mining licence in 2018, and the commissioning of the plant in the current financial year. Reflecting, I can say this has been a journey of remarkable achievement made in a very short period of time.

During the financial year for the period July 2019 to February 2020 substantial achievements and milestones were met. These are highlighted on page 25 of this report. Unfortunately for the remaining part of the financial year specifically the period March to June 2020, the global COVID-19 pandemic began to severely impact the business and pushed many of the milestones we had planned back by at least four to six months.

South Africa declared a State of Disaster on 15 March 2020 and an initial 21-day lockdown period was instituted on 26 March 2020, which was later extended to 30 April 2020. Botswana declared a State of Public Emergency on 2 April 2020 and a national lockdown, which resulted in coal volumes dropping dramatically to roughly 10 – 15% of volumes supplied.

More than 90% of Minergy's target market for the sale of coal, in pure volume terms, is in South Africa. These businesses were not classified as essential service providers under South African regulations and were forced to shut operations, including purchasing coal from Minergy. Fortunately, coal stockpiles at the Masama mine were sufficient to cater for the limited demand during this period, and the mine was able to supply qualifying essential service customers.

The CEO Report contained on pages 24 – 26 gives more operational and production details.

DEVELOPING A VIABLE COAL SECTOR

Minergy continued to garner support and understanding from shareholders as well as from the Minerals Development Corporation of Botswana ("MDCB") and the Botswana Development Corporation ("BDC") during the year under review.

As previously announced, the Company successfully raised P70 million from the MDCB (as at September 2019). Minergy was able to conclude the refinancing of the BDC bridging facility into a six-year convertible preference share facility and obtained



Mokwena Morulane
INDEPENDENT NON-EXECUTIVE CHAIRMAN

"Minergy remains committed to supporting the Government of Botswana through job creation, skills development, training, as well as ensuring a thriving coal industry in the country."

During the financial year for the period July 2019 to February 2020 substantial achievements and milestones were met.

an additional P40 million of finance from BDC, which was paid out in February 2020. The MDCB convertible debenture facility was also successfully renegotiated to a six-year term and increased, with an additional P40 million received in March 2020.

Minergy maintains a close working relationship with Governmental ministries. Aside from regular meetings and briefings, including liaising on compliance matters, Minergy hosted a substantial Governmental delegation made up of dignitaries from the Ministry of Minerals, Green Technology and Energy Resources, the Ministry of Transport and Communications and the area Member of Parliament and Assistant Minister of Education. The interaction included a demonstration of how Minergy has been able to develop a viable coal mining operation and how Government assistance has benefited job creation, skills development and training. A further example is that, in collaboration and with finance received from BotRail, Minergy has been able to develop a rail siding, where the first loading of trains was expected to take place in May 2020. Due to the COVID-19 lockdown, this did not happen in the financial year under review, but was completed on 17 July 2020. This was a truly proud moment for Minergy and for the Republic of Botswana.

Minergy remains committed to supporting the Government of Botswana through job creation, skills development, training, as well as ensuring a thriving coal industry in the country. By 30 June 2020, 95% of the 281 people in our team were citizens of Botswana.

COMMUNITY SUPPORT

The Medie village, the closest village to the mine, suffered greatly during lockdown. Minergy took the initiative to establish the Minergy Coal Community Support Fund ("the fund"). The fund, albeit small, is backed by contributions from the Company, the management team and some major contractors. It was initially decided, in consultation with the community and the village social worker, to utilise the fund to provide food parcels and sanitary products to households most in need. The beneficiary pool was later widened, and the fund continues to be supported by contributions from the Company, management and Minergy service providers.

It is Minergy's belief that this pandemic requires as much of a humanitarian approach as it does a financial and economic one, and so we are pleased to have been able to support this community in which we operate.

Many more social investment initiatives are undertaken by Minergy and are discussed in the Corporate Social Investment and Community Development section on page 53 of this report.

APPRECIATION

The year began as one where Minergy would launch forth and become recognised as a coal supplier of choice in the region – unfortunately, COVID-19 hit and delayed our path forward rather substantially. There is no doubt that the latter part of the financial year has been extremely challenging. I wish to thank the staff of Minergy, executive management team, my fellow board members, our funders, our customers as well as our sub-contractors, for their ongoing support and commitment during this time – these remarkable people spent a massive amount of time and energy in looking for solutions and adjusting processes so that we could make ends meet. For this dedication and often sacrifice, I thank you.

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

This has been an unprecedented year for the world and indeed for our country given the COVID-19 pandemic, but I remain confident that the team assembled at Minergy will be able to ensure the sustainability of and a bright future for the Masama Coal Mine, as well as entrenching coal as a viable sector in support of the Botswana economy in the longer term.



Mokwena Morulane

Independent Non-Executive Chairman

24 September 2020



A significant part of the year was impacted by COVID-19, but despite this, **Minergy achieved milestones** that form a critical and fundamental platform from which to build.

CHIEF EXECUTIVE OFFICER'S REPORT

This is my first report as CEO of Minergy since assuming the role in 1 August 2019.

The 2020 financial year can best be described as unparalleled, not only for Minergy, but for the whole world given the outbreak of the COVID-19 pandemic, which has devastated economies, livelihoods and ensured that the world as we knew it, has changed, perhaps forever.

Despite the peripheral challenges COVID-19 brought about, I am delighted with the quality of coal Minergy has produced and sold, with the outstanding team working alongside me who are technically, financially and operationally proficient, with our sub-contractors and clients as well as our funders who continue to support Minergy.

P150 million
IN DEBT FUNDING SECURED



MORNÉ DU PLESSIS
Chief Executive Officer

“The focus going forward will be on the completion of plant upgrades and execution of the business optimisation plan.”

IMPACTS AND REALITIES OF THE OPERATING ENVIRONMENT

The year can be classified into two distinct parts:

PART 1	PART 2
<p>FINANCIAL YEAR: July 2019 to February 2020</p> <p>MINERGY REACHED SUBSTANTIAL MILESTONES:</p> <ul style="list-style-type: none"> › Commissioning stage 1 of the Coal Handling and Preparation Plant (CHPP), supported by mobile solutions › Construction of the required mining infrastructure including water and power supplies sufficient for targeted production › Delivering on the first signed off-take agreement with a South African cement producer › Moving purchased saleable product into South Africa, Namibia and within Botswana successfully and consistently › Completing the rail siding including the readiness to transport coal › Securing P150 million in debt funding and raising P35 million in equity › Strengthening the executive management team <p>At this stage Minergy was on track to complete the planned plant upgrades necessary to achieve nameplate production and efficiencies.</p>	<p>FINANCIAL YEAR: March 2020 to June 2020</p> <p>The worldwide devastating impact of COVID-19 did not escape Minergy, Botswana and the southern African target market. Minergy communicated the impact of COVID-19 on the business to shareholders on 20 April 2020, and in its pre-close statement of 2 July 2020 further reported the consequential effects of the virus, specifically outlining the following:</p> <ul style="list-style-type: none"> › The closure of target markets from the latter part of March 2020 › Although Minergy was categorised as an essential service provider, 90% of its customer base in South Africa did not qualify for essential service provider status › Force Majeure was called by off-take customer › Sales volumes dropped dramatically to roughly 10 – 15% of volumes supplied prior to the lockdown, with coal stockpiles at Masama sufficient to cater for the limited demand during this period › Fixed costs remained payable including full staff complements for Minergy and its contractors › The stage 2 plant upgrade was delayed as the South African service provider could not manufacture critical sections nor order parts due to the non-essential classification of its subcontractors and had applicable funding on hold to complete the second stage › Even with the later relaxation of lockdown restrictions, access to the border between South Africa and Botswana remained largely restricted, making the delivery of coal both difficult and inconsistent › Crossing of vital technical staff from South Africa across the border into Botswana was severely impeded by strict regulations, impacting servicing and availability of equipment

TARGETED SALEABLE PRODUCTION

Lockdown severely impacted Minergy. The easing of lockdown restrictions will only assist if customers are able to restart quickly and border crossings become efficient again. At the time of writing this report, the initial signs of recovery are slow as uncertainty remains.

The COVID-19 pandemic forced Minergy to critically relook its strategy to achieve full production capacity. Ramp-up always assumed a fully functioning and participative market without restrictions. Although the original targeted production of 80 000 saleable tonnes per month is still within the nameplate capacity, given the structural change in the market and uncertainty in terms of its recovery, a decision was made to revise targeted production to 60 000 saleable tonnes per month. This production number still requires upgrades to the plant but will mean that production will more realistically keep pace with the current depressed demand and recovering market.

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

FUTURE FOCUS

Despite the difficult operating environment, primarily as a result of COVID-19, Minergy has the following in place:

- › **An outstanding safety record and absolute care for our people, with zero COVID-19 cases reported, zero injuries on the mine and 668 days (at 30 June 2020) without lost time due to injury.**
- › **A COVID-19 action plan in place and thoroughly implemented, which was in turn used as a template for the mining industry in Botswana.**
- › **Salary deferrals by management and certain staff of up to 25% as part of a proactive drive to reduce overheads.**
- › **Negotiations with potential funders are ongoing, including Government assistance.**
- › **A business optimisation plan to focus on 10 key areas to minimise costs and maximise efficiencies.**
- › **Negotiations with suppliers to ensure reduced costs to support the ongoing sustainability of Minergy, which includes agreements with service providers to scale down operations proportional to the right sizing of production, rather than to retrench staff.**
- › **Sales order activity began to improve in June.**

Balancing cash flow and cost implications with minimal sales and cash generation opportunities is extremely challenging even in a normal environment and even more so in the structurally changed market we find ourselves in. The financial impact of losing a minimum of 15 weeks of sales while still having to carry contractually bound fixed cost burdens has been significant.

Minergy, as a junior miner, was fortunate to raise funding pre COVID-19 but given the substantial reduction in sales during the lockdown months, much of this funding has been used to cover fixed overheads. As a result, new funding will have to be secured, despite cost-cutting initiatives being in place. Minergy has conserved cash to navigate the pandemic but funding will be required to ensure that the project reaches capacity.

A report from our Chief Financial Officer is included on pages 28 – 31, which contains further details.

The focus going forward will be on the completion of plant upgrades and execution of the business optimisation plan. This is essential to ensure breakeven status, with the plan being to scale up operations in line with a recovered market. Although this report covers the year-end to June 2020, we remain encouraged by increased volumes. However, cross border logistics remain a key concern to evacuate coal based on orders received.

Our stated strategy is supported by our business optimisation plan which strives to meet the following objectives:

OPERATIONAL AND ADMIN COST SAVINGS

OPERATIONAL EFFICIENCIES

SALES MIX AND PRICE IMPROVEMENTS

OPTIMAL CASH FLOW MANAGEMENT

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

APPRECIATION

As I mentioned in the introduction to this report, I am humbled by and blessed with the team I have working at Minergy. This includes the Board, led by Mokwena Morulane, executive management, our employees, as well as our committed sub-contractors and customers. The assistance, guidance and perseverance displayed by all is appreciated and does not go unnoticed.

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

None of this would be possible without the grace and love of Father God. We remain grateful and trust in Him.



Morné du Plessis

Chief Executive Officer

24 September 2020



CHIEF FINANCIAL OFFICER'S REPORT

“Following commissioning of the partly completed coal beneficiation plant during late July 2019 and into August 2019, the Group recorded its first revenue.”



JEAN-PIERRE VAN STADEN

Chief Financial Officer

During the current financial year, **~198 000 tonnes** of coal was sold, generating **P81 million** in revenue (including coal transport of P6 million).

The commentary below should be read in conjunction with the consolidated financial statements presented on pages 56 – 89.

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

STATEMENT OF COMPREHENSIVE INCOME

The Statement of Comprehensive Income for the current period includes the Group's first revenue and related cost of sales. A comparison to the previous year should be viewed in the context of moving from mine development into mine commissioning and early operational phase. The loss in the current period is discussed in more detail below.

REVENUE

Following commissioning of the partly completed coal beneficiation plant during late July 2019 and into August 2019, the Group recorded its first revenue. Sales volumes gradually increased in line with ramp-up operations between October 2019 and March 2020.

COVID-19 lockdowns impacted the Group from the third week in March 2020, with the most severe effects being felt in April 2020 and May 2020 when sales were limited to certain “essential supply” customers from stockpiles existing at the end of March 2020. As previously announced, 90% of our target market was shut

down during this period. Sales volumes showed a slow recovery in June 2020 as customers started to return to operations following the lifting of certain of the lockdown restrictions applicable in South Africa. Border logistics under COVID-19 protocols however hampered transporters' ability to evacuate coal at a desired pace.

Targeted average pricing was not achieved stemming from negative market dynamics and a product mix yielding a greater proportion of lower value product. This was exacerbated by a weakening of between 8% and 15% in the South African Rand between the end of March and June 2020 impacting on mine converted pula prices.

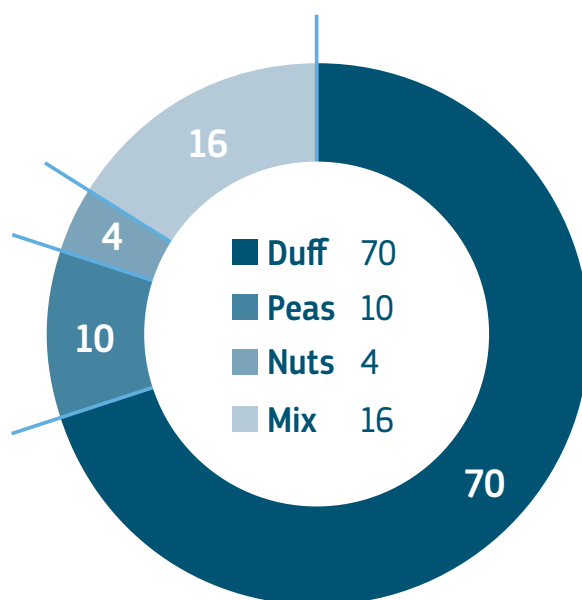
During the current financial year, ~198 000 tonnes of coal was sold, generating P81 million in revenue (including coal transport of P6 million). Subsequent to year-end, July 2020 and August 2020 have seen further recoveries in sales volumes, including record sales levels achieved in August 2020.

COST OF SALES

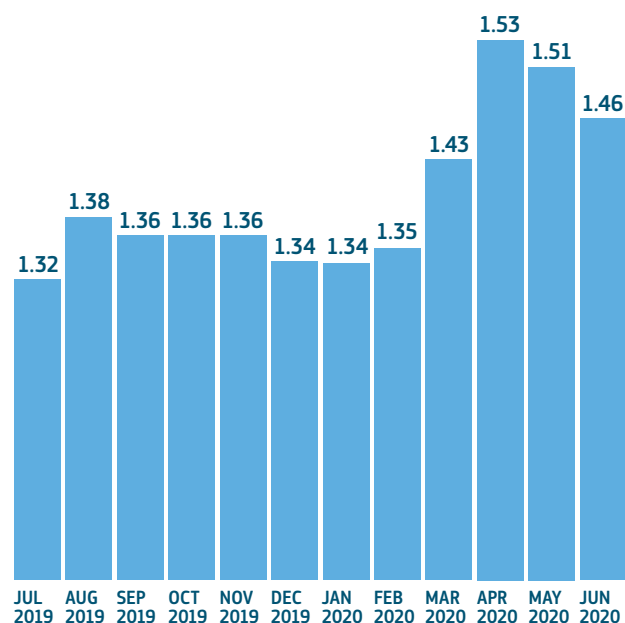
The cost of product produced exceeded the related revenue generated, specifically:

- › typical of ramp-up operations, volumes produced and sold were below steady-state breakeven volumes, placing pressure on fixed cost recoveries;
- › inconsistent washing plant performance and output, specifically related to disproportionate water usage and mobile crusher and screen availability and performance; and
- › additional material handling costs incurred due to the use of mobile crushing and screening solutions.

SALEABLE COAL PRODUCT MIX (%):



MOVEMENT IN ZAR VS BWP EXCHANGE RATE:



Record sales levels

ACHIEVED IN AUGUST 2020

P14.3 million

FINANCE COSTS CAPITALISED

10% – 25%

TEMPORARY SALARY CUTS FOR MOST EMPLOYEES DURING THE COVID-19 LOCKDOWNS



OPERATING EXPENSES

Operating expenditure remained relatively constant from month-to-month, consisting mainly of employee and consulting costs. The sharp weakening of the South African Rand, as noted above, following the country's credit rating downgrade in March 2020 resulted in exchange losses on payments received from South African customers.

The sudden market closures following COVID-19 resulted in the implementation of temporary salary reductions of between 10% and 25% for most employees and cuts of between 40% and 70% in consultant's fees and other cost cutting initiatives.

FINANCE COSTS

Finance costs increased as a result of additional debt to fund the operational ramp-up and further mine development. P14.3 million (2019: P1.5 million) of finance costs have been capitalised to Capital WIP.

EBITDA

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

STATEMENT OF FINANCIAL POSITION

The Statement of Financial Position has changed significantly when compared to the previous financial year-end, with Property, Plant and Equipment increasing by P172 million and borrowings increasing by P215 million during the current year.

PROPERTY, PLANT AND EQUIPMENT

One of the largest items contributing to the increase in Property, Plant and Equipment relates to amounts capitalised for the portion of the beneficiation plant that was commissioned in September 2019. The coal beneficiation plant is being constructed and financed under a Build-Own-Operate-Transfer ("BOOT") arrangement and amounts capitalised to date (P66.2 million) account for 40% of the increase in Property, Plant and Equipment during the period, with a reciprocal liability being created. Other additions during the period comprise continuing box-cut development (P12.5 million), beneficiation plant civils works (P7.5 million), capitalised interest (P14.3 million), the development of the rail siding (P9.1 million) and the accounting impacts of an increase in the rehabilitation asset (P46 million) and adoption of IFRS 16 Leases (P10.5 million), which also created reciprocal liabilities.

WORKING CAPITAL

Inventory

The majority (54%) of the inventory balance at year-end relates to pre-stripping of overburden to expose coal in the pit and is classified as inventory work in progress. As the mine is currently still in a ramp-up phase, finished product (constituting 44% of the inventory balance) is accounted for at Net Realisable Value ("NRV") using recent sales prices.

Trade and other receivables

Trade receivables now include outstanding sales to customers. The balances are lower than average as result of low slower sales in June 2020 as volumes were still recovering from the COVID-19 lockdowns. Debtors days continue to run at around 30 days with no bad debts recorded to date. Other receivables relate mainly to VAT claims. All these trade and other receivables have been recovered subsequent to year-end.

The advance paid to the Beneficiation Plant BOOT operator in the previous year has been reallocated to be set-off against the Beneficiation Plant liability that was raised during the current year.

Trade and other payables

Trade and other payables consists mainly of trade creditors. The top five suppliers, making up 85% of the balance, consist of the contractors providing mining, beneficiation, construction, diesel and transport services.

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

Mine rehabilitation provision

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

Borrowings

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

BDC

The Botswana Development Corporation ("BDC") advanced P40 million to Minergy during the previous year (a bridging facility with a three-year term and interest at 18%). During the current year, an additional P40 million was advanced and, together with the initial advance of P40 million, converted into a new six-year P80 million secured, convertible preference share facility with interest at 18%. Interest owing on the original P40 million bridging loan was paid in full in February 2020 and not rolled into the new facility.

MDCB

The Mineral Development Company Botswana ("MDCB") advanced a total of P110 million to Minergy during the 2020 financial year. These secured convertible debentures have a six-year term and accrue interest at 15%. The MDCB's equity conversion option into Minergy Coal (Pty) Ltd on this facility required a split between debt and equity for accounting purposes, with P16 million being created as an equity reserve.

BOOT

As previously mentioned, the coal beneficiation plant is being constructed and financed under a BOOT arrangement. Following a short commissioning period, a liability (and reciprocal asset) amounting to P66.2 million was raised for the washing plant module. As this is a project in progress the value represents management's best estimate of the asset value. The liability will increase when the rigid front-end, filter press, fines dewatering circuit and rigid back-end of the plant have been completed. The plant pre-payment of P12.5 million that was carried under trade and other debtors at the end of the previous year has been reallocated and set-off against this liability.

IFRS 16

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

Botrail

Minergy received an advance of P4.6 million from Botswana Railways ("Botrail") toward the upgrade of the Tshele Hills rail siding. This facility is interest free and will be repaid on a per tonne of coal loaded basis for rail transport from this siding. As announced subsequent to year-end, Minergy loaded three trains in July with a further three loaded in August 2020.

STATEMENT OF CASH FLOWS**CASH FLOW FROM OPERATING ACTIVITIES**

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

In addition, P6.1 million finance cost was paid to the BDC on the previous bridging facility before conversion into the new aforementioned six-year facility.

CASH FLOW FROM INVESTING ACTIVITIES

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

CASH FLOW FROM FINANCING ACTIVITIES

Net cash generated from financing activities relate mainly to additional borrowings from BDC and MDCB discussed earlier in this report. The increase in share capital related to a conversion of contractor debt into equity and is therefore a non-cash transaction.

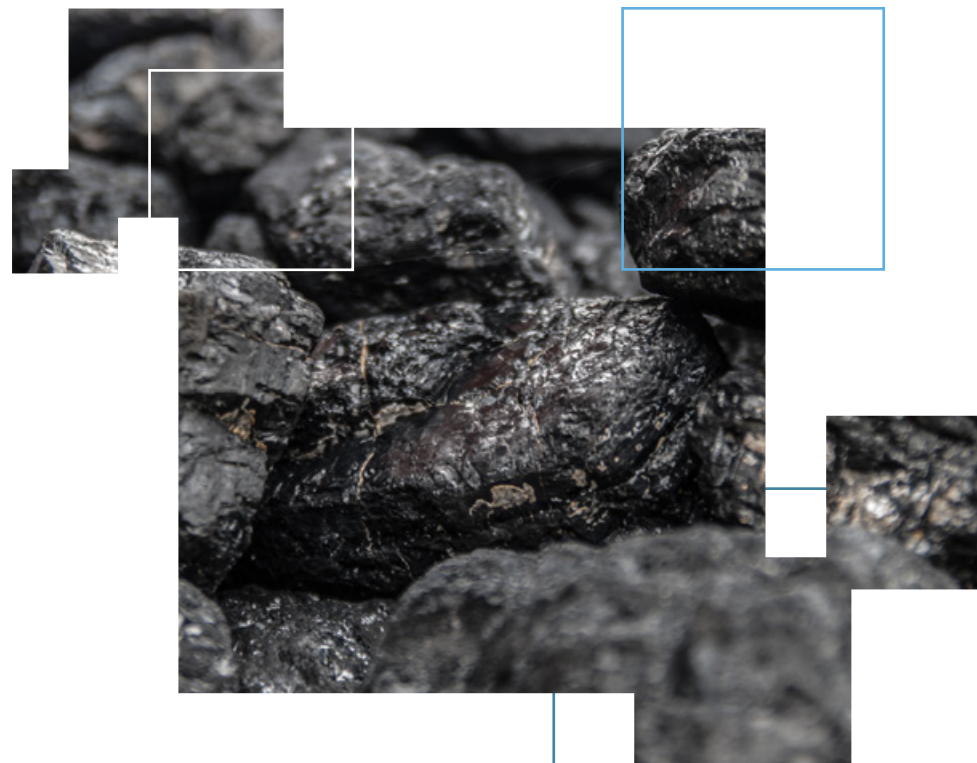
OUTLOOK

Minergy will continue operating at a loss until steady-state sales volumes are achieved. The COVID-19 lockdown restrictions have extended the operational ramp-up phase and have placed significant pressure on cash resources and working capital management. The completion of the rigid front-end, filter press, fines dewatering circuit and rigid back-end, is now fully funded but has similarly also been delayed, which unfortunately extends the inefficiencies incurred around the mobile solutions until completion in Q4 2020. Completion of the plant is expected to present significant benefits. Additional debt and equity funding are being pursued to fund further capital expenditure and working capital shortages. Strict cash flow management will continue to be applied.


Jean-Pierre van Staden

Chief Financial Officer

24 September 2020





MINING LICENCE

32

COAL RESOURCE AND RESERVES

32

RESOURCE INFORMATION

03

MINING LICENCE

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

MINING LICENCE

No. 2018/9L

PERIOD

25 Years

Carry out mining operation within the Mining Licence area and in accordance with the approved programme of mining

COAL RESOURCE

A total Coal Resource of 390 MT has been estimated for E, A and A Upper Coal Seams at Masama. A total of 85.68 MT of opencast and 304.15 MT underground mineable coal in situ is reported. The Resource can be further broken down as follows:

Opencast: A Seam Coal Resource

- › 13.12 MT Measured Coal Resource
- › 49.81 MT Indicated Coal Resource

Opencast: AU Coal Seam Resource

- › 3.42 MT Inferred Coal Resource

Opencast: E Coal Seam Resource

- › 19.33 MT Indicated Coal Resource

Underground: A Seam Coal Resource

- › 3.56 MT Indicated Coal Resource
- › 206.38 MT Inferred Coal Resource

Underground: E Seam Coal Resource

- › 94.21 MT Inferred Coal Resource

The Coal Resource estimate was conducted in accordance with the South African Code for Reporting of Mineral Resources and Mineral Reserves Code (SAMREC 2016) and has an effective date of 31 October 2019.

The Coal Resource has been depleted by 470,875 tonnes of coal mined as at 30 June 2020.

The Coal Resources were estimated and signed off by Competent Person, Ms Karin van Deventer in accordance with the SAMREC (2016) Code. Ms Van Deventer is a qualified geologist, a Fellow of the GSSA, a member of the Fossil Fuel Foundation ("FFF") and is registered with the South African Council for Natural Scientific Professionals as a Professional Natural Scientist (Reg. No.400705/15). Her highest qualification is a M.Sc. Geochemistry degree from the University of Stellenbosch. Ms van Deventer has over 23 years' experience in exploration, geology, mining and the estimation of Mineral Resources, specifically coal. Ms Van Deventer is currently a Director of Sugar Bush Consultancy (Pty) Limited (Sugar Bush) located at 76 Eeufees Street, Clubville, Middelburg, 1050, South Africa.

TABLE 1: MASAMA COAL RESOURCE ESTIMATE AS AT 31 OCTOBER 2019

Mining method	Resource classification	Seam	Geo-loss (%)	Mineable tonnes in situ (tonnes)	Seam thickness (m)	Raw coal qualities on an air dried basis						
						Raw RD (g/cm ³)	Raw CV (MJ/kg)	Raw ash (%)	Raw inherent moisture (%)	Raw volatile content (%)	Raw fixed carbon (%)	Raw total sulphur (%)
OC	Measured	A	5	13 121 309	4.80	1.51	22.5	19.1	5.73	25.5	49.7	2.10
	Indicated	A	8	49 814 962	5.02	1.57	22.3	19.6	5.69	25.1	49.6	1.75
	Indicated	E	8	19 327 250	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
Opencastable Resource				85 684 424								
UG	Indicated	A	8	3 562 785	5.03	1.66	20.9	23.0	5.68	23.8	47.5	1.46
	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
Underground Mineable Resource				304 147 647								
Total Coal Resource				389 832 071								

Mining method	Resource classification	Seam	Geo-loss (%)	Mineable tonnes in situ (tonnes)	Product coal quality and theoretical yields							
					Product float RD (g/cm ³)	Product CV (MJ/kg)	Product ash (%)	Product inherent moisture (%)	Product volatile content (%)	Product fixed carbon (%)	Product sulphur (%)	Product yield (%)
OC	Measured	A	5	13 121 309	1.53	26.2	9.6	6.54	26.9	57.0	0.39	63.0
	Indicated	A	8	49 814 962	1.59	25.4	11.1	6.47	26.3	56.1	0.33	67.0
	Indicated	E	8	19 327 250	1.71	26.2	11.3	5.58	30.7	53.2	0.55	77.7
	Inferred	AU	20	3 420 903	1.72	21.0	24.4	5.44	24.6	45.6	1.00	66.0
UG	Indicated	A	8	3 562 785	1.66	25.1	12.7	6.11	26.1	55.0	0.39	77.6
	Inferred	A	20	206 375 994	1.61	26.0	11.1	5.31	26.5	57.0	0.36	69.7
	Inferred	E	20	94 208 868	1.71	26.2	11.9	4.71	30.4	52.9	0.84	73.8

For notes and details of cut-offs applied see full CPR on www.minergycoal.com.

COAL RESERVES

The South African National Standard 10320 was applied as the guideline in reporting Masama Coal Mine's Coal Reserve. The Coal Reserves were estimated and signed off by Pivot Mining Consultants (Pty) Ltd Competent Person, Mr JJ Bornman, Pivot's Director Mining and Valuations in accordance with the SAMREC (2016) Code. The Reserve Statement is presented in Tables 3 and 4 below. The Coal Reserves are based upon the block model prepared by Mrs. Karin van Deventer, owner of Sugar Bush Consulting, the information which was originally sourced from the Minex model and the Life of Mine planning done by Mr. Dan Ferreira of Dan Ferreira Technical Services cc.

A Life of Mine plan has been developed by Minergy Coal and the modifying factors as shown in Table 2 have been considered and applied to the Coal Resource for the conversion to the Coal Reserve. The estimated ROM Coal Reserve of 74.18MT (as received basis) and the Saleable Coal Reserve of 43.61MT (air dried basis) is just for the opencast mine. The modifying factors include consideration of the mining, processing, metallurgical, infrastructure, economic, marketing, legal, environment, social and government factors in order to derive a Coal Reserve which is demonstrated to be economically extractable in present day conditions. The modifying factors were determined during early mining and processing start up and were applied throughout the Reserve.

Tables 3 and 4 below summarise Masama Coal Mine's ROM and Saleable Coal Reserves as at 31 October 2019. For ROM Coal Reserves, tonnages are reported on an as received basis and coal qualities on an air-dried contaminated basis, while for Saleable Coal Reserves, tonnages and coal qualities are reported on an air-dried product basis. The Coal Resources are inclusive of Coal Reserves.

The ROM Coal Reserve has been depleted by 455 234 tonnes of coal treated as at 30 June 2020.

The Saleable Coal Reserve has been depleted by 198 394 tonnes of coal sold as at 30 June 2020.

The Coal Reserves were estimated and signed off by Pivot's Competent Person, Mr JJ Bornman, Pivot's Director Mining and Valuations in accordance with the SAMREC (2016) Code. Mr Bornman is a qualified Mining Engineer, a Fellow of the Southern African Institute of Mining and Metallurgy ("SAIMM") (Registration no.700627) and registered with the Engineering Council of South Africa ("ECSA") as a Professional Engineer (Reg. No. 20090201). Mr Bornman's qualifications include a B. Eng. (Mining) and an MBA degree. He has 36 years' experience in mining, feasibility studies, mine valuation, risk assessment and the estimation of Mineral Reserves, including coal. Mr Bornman has co-authored over 50 feasibility studies, CPRs, Technical Reviews, Technical Due Diligence Reports and Mine Valuation Reports for both local and international companies and stock exchanges. Mr Bornman has the necessary experience in the nature and style of mineralisation to qualify as a CP as defined in terms of the SAMREC Code (2016 Edition). Mr Bornman is currently the Director Mining and Valuation for Pivot Mining Consultants (Pty) Limited located at Lower Ground Floor, Island House, Constantia Office Park, Cnr. 14th Avenue and Hendrik Potgieter Road, Weltevreden Park, Johannesburg, 1709, South Africa.

TABLE 2: MODIFYING FACTORS

FACTOR	UNIT	VALUE
Coal Seam Thickness Cut-Off	m	0.5
Geological loss — Measured	%	5
Geological loss — Indicated	%	8
Mining Loss	%	5
Contamination	%	2
Moisture Correction Factor	%	2
Plant Correction Factor	%	10
Predicted Practical Yield — Proved A Seam (Section A)	%	54.4
Predicted Practical Yield — Probable A Seam (Section A)	%	54.0
Predicted Practical Yield — Probable A Seam (Section B)	%	59.25
Predicted Practical Yield — Probable E Seam (Section A)	%	74.3
Predicted Practical Yield — Probable E Seam (Section B)	%	56.7
The following product targets were modelled:		
Section A: A Seam Calorific Value	MJ/kg	26.2
Section A: E Seam Calorific Value	MJ/kg	26.2
Section B: A Seam Calorific Value	MJ/kg	25.1
Section B: E Seam Calorific Value	MJ/kg	26.2
Pricing — Duff	US\$/t (FOT)	36
Pricing — Peas	US\$/t (FOT)	69
Pricing — Nuts	US\$/t (FOT)	52
Pricing — Metallurgical Nuts	US\$/t (FOT)	75

TABLE 3: MASAMA COAL MINE ROM COAL RESERVE (AS AT 31 OCTOBER 2019)

Mining block	Seam	Reserve category	Mineable in situ Reserve (Mt)	Contamination (%)	External moisture (%)	ROM tonnage (Mt) AR*	ROM CV (MJ/kg)†	ROM ash (%)†	ROM moisture (%)†	ROM volatile content (%)†	ROM fixed carbon (%)†	ROM sulphur (%)†
Section A	A	Proved	10.425	2	2	10.842	22.13	20.61	5.62	25.05	48.72	2.14
Section A total proved			10.425	2	2	10.842	22.13	20.61	5.62	25.05	48.72	2.14
Section A	A	Probable	15.093	2	2	15.697	22.04	21.14	5.41	24.89	48.57	2.17
	E	Probable	7.728	2	2	8.037	23.41	19.04	5.18	27.17	48.64	2.30
Section A total probable			22.820	2	2	23.733	22.50	20.43	5.33	25.66	48.59	2.21
Section A total proved and probable			33.245	2	2	34.575	22.39	20.48	5.42	25.47	48.64	2.19
Section B	A	Proved	—	—	—	—	—	—	—	—	—	—
Section B total proved			—	—	—	—	—	—	—	—	—	—
Section B	A	Probable	30.122	2	2	31.327	21.76	21.02	5.70	24.53	48.75	1.56
	E	Probable	7.963	2	2	8.281	19.55	30.59	4.43	23.97	41.02	2.15
Section B total probable			38.084	2	2	39.608	21.30	23.02	5.43	24.41	47.13	1.68
Section B total proved and probable			38.084	2	2	39.608	21.30	23.02	5.43	24.41	47.13	1.68
TOTAL PROVED AND PROBABLE			71.330	2	2	74.183	21.80	21.84	5.43	24.90	47.83	1.92

MASAMA COAL MINE SALEABLE COAL RESERVE (AS AT 31 OCTOBER 2019)

Mining block	Seam	Reserve category	ROM tonnage (Mt) AR*	Practical yield (%)	Saleable tonne (Mt)‡	Product CV (MJ/kg)‡	Product ash (%)‡	Product moisture (%)‡	Product volatile content (%)‡	Product fixed carbon (%)‡	Product sulphur (%)‡
Section A	A	Proved	10.842	54.40%	5.898	26.20	9.63	6.54	26.88	56.96	0.39
Section A total proved			10.842	54.40%	5.898	26.20	9.63	6.54	26.88	56.96	0.39
Section A	A	Probable	15.697	54.00%	8.481	26.20	9.98	6.31	26.77	56.94	0.37
	E	Probable	8.037	74.30%	5.973	26.20	11.37	5.67	29.33	53.64	0.64
Section A total probable			23.733	60.90%	14.455	26.20	10.55	6.05	27.82	55.58	0.48
Section A total proved and probable			34.575	58.90%	20.353	26.20	10.28	6.19	27.55	55.98	0.46
Section B	A	Proved	—	—	—	—	—	—	—	—	—
Section B total proved			—	—	—	—	—	—	—	—	—
Section B	A	Probable	31.327	59.30%	18.562	25.10	11.66	6.55	26.04	55.76	0.31
	E	Probable	8.281	56.70%	4.694	26.20	11.18	5.47	30.81	52.55	0.45
Section B total probable			39.608	58.72%	23.257	25.32	11.56	6.33	27.00	55.11	0.33
Section B total proved and probable			39.608	58.72%	23.257	25.32	11.56	6.33	27.00	55.11	0.33
TOTAL PROVED AND PROBABLE			74.183	59.37%	43.609	25.73	10.96	6.26	27.26	55.51	0.39

* 2% moisture and 2% contamination adjusted, AR — As received basis.

† Air dried contaminated basis.

‡ Air dried product basis.

The information presented here is an extract from a Competent Persons Report ("CPR") entitled "Independent CPR on the Masama Coal Mine", compiled by Pivot Mining Consultants (Pty) Ltd, and with an effective date of 31 October 2019. For full CPR go to www.minergycoal.com.



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GOVERNANCE AND SUSTAINABILITY

04

CORPORATE GOVERNANCE REPORT

MINERGY BOARD OF DIRECTORS

INDEPENDENT NON-EXECUTIVE CHAIRMAN – MOKWENA MORULANE

Non-executive Directors

Mokwena Morulane

Leutlwetse Tumelo

Claude de Bruin

André Bojé

Cross Kgosidiile

(appointed 29 July 2020)

Executive Directors

Morné du Plessis (CEO)

Jean-Pierre van Staden (CFO)

(appointed 2 January 2020)

Audit and Risk Committee

Chairman

Mokwena Morulane

MEMBERS

Leutlwetse Tumelo

Claude de Bruin

Social and Ethics Committee

Chairman

Leutlwetse Tumelo

MEMBERS

Mokwena Morulane

John Astrup

Remuneration and Nominations Committee

Chairman

Claude de Bruin

MEMBERS

Mokwena Morulane

Leutlwetse Tumelo

Number of meetings held during the financial year

3

23 September 2019

12 March 2020

29 June 2020

4

10 July 2019

23 September 2019

12 March 2020

29 June 2020

1

9 April 2020

3

11 July 2019

12 March 2020

29 June 2020

Attendance record

Full



Full



Full



Full



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

Jean-Pierre van Staden joined the Minergy Board of Directors effective 2 January 2020.

Cross Kgosiidiile joined the Minergy Board of Directors effective 29 July 2020. (Appointed as a representative of the Botswana Development Corporation in terms of the Preference Share Subscription Agreement concluded during the financial year.)

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 (additional information is available in the Sustainability Report on pages 48 – 52 of this Integrated Annual Report).

Minergy endeavours to incorporate into its actions the best possible mutual interests of all stakeholders, including shareholders, local communities, lenders and providers of capital, the media, employees, suppliers and customers.

ASSURANCE

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 and Resource information.

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 Charter 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 undertaken at least annually to assess Minergy's application of the recommended principles. 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.

BOARD OF DIRECTORS

At the date of the report the Board consisted of two Executive Directors and five Non-executive Directors (two of whom are independent).

During the financial period the positions of CEO and CFO changed. Further details pertaining to the process are included in the Remuneration and Nominations report on page 45 of this Integrated Annual Report.

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 Director. 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 consists of two Executive Directors and five 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 Bojé, previous CEO of the Group, serves as Non-Executive Director of the Board. The Board believes that Mr Bojé brings valuable marketing, sales and coal industry expertise, experience and skills to the Company. Although his beneficial shareholding of just over 3% 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 coal marketing and strategy services that he provides to the Company he is not considered to be independent.

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 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 corporate, administrative and strategic services that he provides 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 as well as the Social and Ethics 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.

Mr Kgosiidile, appointed post the year-end on 29 July 2020, has experience in finance as a representative of the Botswana Development Corporation, a funder of Minergy, is valued.

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 40 – 47).

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 retains ultimate responsibility for the activities of these committees and approves major recommendations and decisions.

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 listing on a second international stock exchange 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

All Board appointed members attended the three board meetings held across the year. The attendance record can be found on page 36 at the start of this Corporate Governance Report.

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. This most recent Board self-evaluation process was undertaken during August 2020 and it was concluded that the Board is generally satisfied with its performance and effectiveness as well as the support received from its various sub-committees.

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 in accordance with the principles set out the Company's Succession and Nomination Policy adopted during the reporting period. At every AGM, subject to any contractual arrangements between Directors and the Company, at least one-third of the Directors retire from office by rotation. The Directors required to retire in each year are those who have been longest in office, and any Director who had held office for a period of three years since his last election or appointment, is also required to 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.

After an internal review the Board has satisfied itself that Desert Secretarial Services is competent, qualified and experienced.

The Board further confirms that the Company Secretary maintains an arms-length relationship with the Board of Directors and that the Company Secretary does not have any members represented on the Minergy board.

AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee is pleased to present its report for the financial year-ended 30 June 2020.

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 other applicable legislative and stock exchange requirements, 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.

The Audit and Risk Committee attends to both audit and risk responsibilities as one combined Committee. Minergy has transitioned into production and the Committee is confident that it is able to properly address all matters relating to the audit and risk processes.

MEMBERS OF THE COMMITTEE AND MEETING ATTENDANCE

With the advent of COVID-19 and in line with Company safety protocols, meetings were held via electronic means such as Microsoft Teams. For certain members, who are not resident in Botswana and in order to save costs, other meetings were also held on this basis to ensure adherence to corporate governance duties and to support cost saving measures.

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.

FOUR MEETINGS WERE HELD ACROSS THE FINANCIAL YEAR

Mokwena Morulane (Chairman)	Leutlwetse Tumelo (Member)	Claude de Bruin (Member)	
1	1	1	1
1	1	1	1
1	1	1	1
10 JUL 19	23 SEP 19	12 MAR 20	29 JUN 20

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 2020 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 2020, 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;
- › approved non-audit services with the external auditors 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").

Following the higher than expected votes against the re-appointment of GT as Minergy's external auditor at the last AGM held on 7 December 2019, which appeared to be related to negative publicity of a forensic investigation of a company listed on the Botswana Stock Exchange, it was agreed that the Audit and Risk Committee would formally consider a response from GT.

The managing partner of GT was provided with an opportunity to respond at the 12 March 2020 Audit and Risk Committee meeting. After considering statements and information provided by GT and an internal deliberation by the members of the Audit and Risk Committee, together with input from the CEO and CFO, it was decided to continue supporting the appointment of GT based on the following:

- › No conclusive evidence to suggest that GT knowingly assisted in fraudulent behaviour;
- › No evidence that GT stood to gain materially from this assignment;
- › None of the members of the Minergy's audit team were involved in the assignment in question; and
- › GT remains capable of discharging their audit responsibilities in an independent and responsible manner. This decision was ratified by the Board.

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 required. 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 2020, 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 2020 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

EXECUTIVE SUMMARY OF REPORT

The Remuneration and Nominations Committee undertook the following during the year which is summarised in the infographic below and the detail of which can be found in this report as well as in the Notice of Annual General Meeting.

<p>1 CHARTER</p> <ul style="list-style-type: none"> › Review of charter › Board approval of suggested revisions › Adoption and implementation of revisions 	<p>2 EMPLOYMENT CONTRACTS</p> <ul style="list-style-type: none"> › Key executive employment contracts reviewed and rolled forward upon expiry 	<p>3 PERFORMANCE APPRAISALS</p> <ul style="list-style-type: none"> › Board › Certain committees including the REMCO › CEO <p>FOUND TO BE PERFORMING EFFECTIVELY</p>	<p>4 NEW APPOINTMENTS</p> <ul style="list-style-type: none"> › CEO › CFO › Four new Group Board members 	<p>5 REVIEW OF REMUNERATION STRUCTURES AS MINERGY TRANSITIONED FROM:</p> <p>Exploration and development phase</p> <ul style="list-style-type: none"> › Fixed remuneration › Payment of 13th cheque (upon discretion) › Management salaries at 50% – 60% equivalent of market rates <p>INTO</p> <p>Production phase</p> <ul style="list-style-type: none"> › Fixed remuneration › Payment of 13th cheque (upon discretion) › Management salaries adjusted to meet market rates <p>Going forward likely to comprise the following key components:</p> <ul style="list-style-type: none"> › Fixed remuneration and related benefits (salary, housing and superannuation contributions) › Short-term incentives – constituting cash incentives for reaching certain pre-set objectives › Long-term retention – primarily share options with service duration as the vesting criteria. 	<p>6 MANAGEMENT RETENTION PLAN</p> <ul style="list-style-type: none"> › 2017 Share Option Plan is obsolete in current format (see reasons provided on page 44) › REMCO and Board recommends a revised option plan which allows for the granting of options to retain top management 	<p>7 NON-EXECUTIVE DIRECTORS REMUNERATION</p> <ul style="list-style-type: none"> › To remain unchanged from the previous year
				<p>VOTING REQUIRED AMENDMENT PROPOSED IN ORDINARY RESOLUTION 15</p>	<p>VOTING REQUIRED ORDINARY RESOLUTION 15</p>	<p>VOTING REQUIRED ORDINARY RESOLUTIONS 13 AND 14</p>

OVERVIEW

The Remuneration and Nominations Committee ("REMCO" or the "committee") is pleased to present its report for the financial year ended 30 June 2020.

The committee has adopted formal terms of reference in the form of a charter ("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 Board to fulfil certain of its duties in terms of the Companies Act and other applicable legislative and stock exchange requirements, and incorporates additional duties delegated to it by the Board that the Board considers enhances its performance.

During the financial year, the committee undertook a review of its Charter with respect to the requirements of King IV™ and the corporate governance guidelines in the BSE Rules (further described below), which resulted in several revisions to the Charter being adopted and approved by the Board.

With the transition of the Company from exploration and development into production, a review of the Company's remuneration structures was undertaken. As previously agreed between the Board, the committee, and management, management salaries were adjusted to meet market rates on the basis that the Company had transitioned into production. Management salaries were previously only between 50 – 60% of equivalent market rates. In addition, a process is currently underway towards adopting and implementing a Short Term Incentive Plan, and it is also proposed that the 2017 Share Option Plan ("the Plan", unless referred to in full) be amended so that it can be utilised to retain top Executive and Management of the Group.

Performance appraisals of the Company's Board, certain of its committees, and its CEO, were overseen by the committee during the reporting period. Appraisals were undertaken utilising the online platform provided by governance firm The Global Platform for Intellectual Property Pty Limited.

Several key management appointments were made during the reporting period. These include a new CEO and CFO, with extensive governance and vetting processes undertaken by the committee with respect to each. New Board appointments required as part of equity and debt funding received during the reporting period were also made. These appointments were made after the completion of the various required vetting processes set out in the Company's Succession and Nomination Policy, which was also adopted by the Board during the reporting period.

COVID-19

On 20 April 2020, the Company outlined the impact on the Company of the sudden market closures following the onset of the COVID-19 virus pandemic. It is important to highlight the success of management's proactive drive to reduce overheads, whilst at the same time complying with government's COVID-19 guidelines in terms of which the Group maintained its workforce, with no employees laid off or retrenched during the period. This was achieved by implementation of temporary salary reductions (on a deferral basis) of between 10% and 25% for most employees and cuts of between 40% and 70% to consultant's fees. As previously reported by the Company, new key appointments have been deferred due to the COVID-19 pandemic for the time being, until the situation normalises.

REMUNERATION PHILOSOPHY

The Company's remuneration philosophy, approved by the Board, applies to all operations and is reflected in the Company's Remuneration Policy, which was adopted by the Board during the 2019 reporting period.

It is Minergy's philosophy to:

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

PURPOSE OF THE COMMITTEE AS SET OUT IN ITS CHARTER

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.

REVIEW OF REMCO CHARTER AGAINST KING IV™

The Company embraces the best corporate governance practices set out in King IV™ and continuously aspires to improve its existing practices by reviewing these against King IV™. Accordingly, the committee undertook a review of the terms in its Charter compared to guidance in the King IV™ Code of Corporate Governance and guidelines in the BSE Rules, and implemented various amendments which were adopted and approved by the Board. Amendments made to the Charter enhance governance practices of the committee and the Company by more closely aligning it to the requirements of the King IV™ Code of Corporate Governance and the corporate governance guidelines in the BSE Rules.

MEMBERS OF THE COMMITTEE AND MEETING ATTENDANCE

THREE MEETINGS WERE HELD ACROSS THE FINANCIAL YEAR

Claude de Bruin (Chairman)	Leutlwetse Tumelo (Member)	Mokwena Morulane (Member)
1	1	1
1	1	1
1	1	1
11 JUL 19*	12 MAR 20*	29 JUN 20*

* The graph only records formally held meetings. Numerous telephonic calls and teleconferences were held during the year which are not included above.

REMUNERATION, INCENTIVES, AND RETENTION

OVERVIEW

During the last reporting period the Company was in the project exploration and development phases, with remuneration comprising fixed remuneration, and, at the discretion of the Company taking into consideration its financial position at the time, payment of a 13th cheque.

During the current reporting period, the Company successfully transitioned from development into production. Remuneration continued to be comprised of fixed remuneration and part of a 13th cheque paid by the Company at its discretion taking into consideration its financial position at the time. Accordingly, the Committee and management undertook a review of existing remuneration structures, with a view of implementing remuneration structures going forward that are more appropriate for a company in production. The review was guided by the principles set out in the Remuneration Policy of the Company adopted by the Board during the previous reporting period, and the remuneration and incentives adopted going forward are therefore likely to comprise the following key components:

- › Fixed remuneration and related benefits (salary, housing and superannuation contributions)
- › Short-term incentives — constituting cash incentives for reaching certain pre-set objectives
- › Long-term retention — primarily share options with service duration as the vesting criteria.

With respect to the above noted long-term retention component of the Company's incentivisation approach, given that all options under the 2017 Share Option Plan as previously approved by shareholders became unavailable after September 2020, various amendments to the Plan are proposed as is described in more detail below. The key proposed amendment is reflected in Ordinary Resolution 15 as set out in the Notice of Meeting, the aim of which is to utilise options under the Plan to incentivise top Executives and Management of the Company to remain with the Company and to enhance its value.

With respect to the short-term incentivisation component of the Company's remuneration strategy noted above, the committee and the Board is in the process of introducing a proposed 2020 Short Term Incentive Plan.

EMPLOYEE BENEFITS AND RETIREMENT FUND

Management is in the process of investigating various employee benefits and retirement fund options for approval by REMCO and the Board.

13th CHEQUE AND BONUSES

During the reporting period the following was paid:

REWARD	2020 (Pula)	2019 (Pula)
13th cheque	440 458	Nil
Bonus	Nil	Nil

The amount of P440 458 indicated in the table above constitutes payments to qualifying employees, of between 25% and 50% of the value of a 13th cheque. Employees qualified for these payments during the 2019 reporting period, however, were held back and only paid during the 2020 reporting period on the basis that adequate funding was not in place during the 2019 reporting period.

No bonuses have been approved or paid out for the 2020 financial year.

MANAGEMENT RETENTION PLAN

The 2017 Share Option Plan was approved and adopted by shareholders at the AGM held on 7 December 2017, with a maximum of 50 million options able to be granted under the Plan, at an exercise price of BWP1.00 per Ordinary Share purchased in the Company.

The primary objective of the Plan was 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 intention was that the Plan would achieve this objective by incentivising Group team members and service providers through options to purchase Ordinary Shares in the Company, thereby giving them an ongoing interest in the Company.

Unfortunately, as set out below, due to factors largely outside of the control of participants in the Plan (including permitting delays during the early stages of the process, and more recently COVID-19), none of the options previously granted under the 2017 Share Option Plan will be exercised:

- › the first tranche of options that vested (25% of the total granted, upon granting of a Mining Licence before the set date) expired out of the money in September 2020;
- › the second tranche (35% of the total granted, upon reaching steady state production before the set date) could not vest;
- › and it is impossible for the vesting criteria of the third tranche to be met (three consecutive 6 monthly reporting periods of operating profits from the Masama Coal Mine before 31 December 2020).

As a result, the Plan in its current form is essentially obsolete. In order to take into account that the Group no longer has a working share option plan, and that it has transitioned into the mining phase and needs to retain key top management, a review of the Company's retention and incentive programs was undertaken during the reporting period. As a result, as set out in the Notice of the AGM, the Board has recommended that the Group requires a revised option plan, and that accordingly the Plan be amended (refer to Ordinary Resolution 15 in the Notice) so that amongst other changes, the exercise price of Options granted under the Plan is more in line with the price of the Company's shares around the time that Options are granted to Participants. The intention of the revised Plan is therefore to enable the Company to grant new Options as an improved mechanism to retain top management talent of the Company. Should Ordinary Resolution 15 be passed, the Board intends to make further amendments to the Plan to bring it in line with typical staff retention plans, including setting vesting criteria that rewards long term service to the Group, where options would vest upon the completion of not less than three continuous years of service to the Group (from the date upon which an Option is granted to a Participant pursuant to the revised Plan).

EXECUTIVE EMPLOYMENT CONTRACTS

Key Executive employment contracts, were reviewed, and were rolled forward upon expiry. Executive employment contracts were entered into as part of the process to appoint a new CEO and CFO, as is described in more detail below under Succession and Nomination.

SHARE TRADING POLICY

As previously reported, a formal Share Trading Policy is in place. Refer to page 39 for the details.

SUCCESSION AND NOMINATION

SUCCESSION AND NOMINATION POLICY ADOPTED

After a review of the Company's Succession and Nomination processes during the reporting period, the Board approved and adopted a formal Succession and Nomination Policy (the "Policy") recommended by the committee. The Policy embraces the principles contained in King IV™, and so long as the Company is listed on the BSE, the Equity Listing Rules of the BSE.

RETIREMENT OF CEO, AND NEW CEO AND EXECUTIVE DIRECTOR APPOINTMENT

Leading into the reporting period Mr. André Bojé retired as CEO of the Company, and became a Non-Executive Director on the Board of the Company. As an interim measure, then CFO Mr. Morné du Plessis, was appointed as acting CEO with effect from 1 August 2019 until the appointment of a new CEO and CFO. During this period, Mr. du Plessis held dual CFO and CEO roles.

Mr. Bojé continues to assist the Company, with respect to oversight and strategic responsibility for Group coal marketing and sales, and is also tasked with ensuring the successful listing of the Company on an international stock exchange. This commitment allowed the business to smoothly transition and cement the establishment of the Masama Coal Mine and CEO succession.

An extensive candidate generation and selection process led by the committee was undertaken, that identified internal and external candidates in order to put the Board in a position to appoint the most qualified and experienced person to the role vacated by Mr. André Bojé.

Mr. Morné du Plessis was one of the candidates, and after screening, vetting and interviewing all the candidates, in September 2019 Mr. du Plessis was appointed as CEO and as an Executive Director on the Board of the Company, being the candidate who best met the needs of the Company. Subsequent to his appointment, Mr. du Plessis relocated to Botswana to be closer to the operations, as the Company moved through development into production, and sale of first product.

A more detailed account of Mr. du Plessis' experience is set out on page 18.

RETIREMENT OF CFO, AND NEW CFO AND EXECUTIVE DIRECTOR APPOINTMENT

With Mr. du Plessis' appointment as CEO of the Company, a vacancy was created for the CFO position.

A widespread candidate generation and selection process was undertaken to ensure that the most qualified and experienced person was appointed to the vitally important CFO role, previously held by Mr. Morné du Plessis. The process was led by a panel consisting of the Chairman of REMCO, the principal of Keyter Rech Investor Solutions, and the Company's CEO (the "Panel"). Candidates were provided by recruitment firms from Botswana, South Africa, and the United Kingdom, and the brief required that the new CFO would also sit on the Board as an Executive Director in accordance with best governance practice.

The process resulted in the appointment of Mr. Jean-Pierre van Staden as the new CFO of the Company, effective 2 January 2020, and his appointment to the Board as an Executive Director. A more detailed account of Mr. van Staden's experience is set out on page 18.

NEW BOARD APPOINTMENT (POST YEAR-END)

As described in this Integrated Annual Report, the Group secured various equity and debt funding during the reporting period pursuant to which nominee directors for the funding parties were appointed to Boards within the Group. A nominee candidate vetting process was undertaken, which included third party security and background clearance of each candidate. As with all Group board appointments, vetting and appointment processes undertaken by the committee was guided by the Company's Succession and Nomination Policy adopted by the Board during the reporting period.

The appointment of Mr. Cross Kgosiidile as the Botswana Development Corporation Limited's Nominee Directors to the Board of the Company was announced on 6 August, 2020, which included an overview of his experience. An overview of his experience is also set out on page 19 of this Integrated Annual Report.

PERFORMANCE APPRAISALS

The performance of the board and its committees is vital to the success of an organisation. The Board recognises that applicable good corporate governance practices set out in King IV™ can benefit the Company by enhancing the performance and effectiveness of the Board and its committees. The Company accordingly subscribes to performance appraisals of its leaders and managers, the purpose of which is to assess the effectiveness and performance of the Board and committees of the Company, and to identify areas of potential improvement.

The committee oversaw the annual performance appraisals of the Company's Board, certain of its committees, and its CEO, which were undertaken utilising the online platform provided by governance and software firm The Global Platform for Intellectual Property Pty Limited.

The performance appraisals confirmed that overall, the Board and its committees were performing effectively, and the process proved a valuable tool to guide the Board and its committees' pursuit of continuous improvement in its functioning and performance.

NON-EXECUTIVE DIRECTORS' REMUNERATION

Remuneration for Non-executive Directors for the year ended 30 June 2020, was as set out below:

NAME	2020 (Pula)	2019 (Pula)
Mokwena Morulane	360 600	131 380
Leutlwetse Tumelo	241 000	76 960
Claude de Bruin	251 500*	87 460
André Bojé	Nil*	N/A

* In addition to the above fees, Mr. de Bruin was also paid P1 480 000 (2019: P1 668 000) during the current reporting period with respect to corporate and administrative services provided to the Company, and Mr. Bojé was also paid P2 210 000 (consisting of P1 960 000 relating to coal marketing and strategic matters and CEO salary for the month of July 2020). Mr. Bojé does not receive any fees for his Non-executive directorship on the Board of the Company.

Both Mr. Bojé and Mr. de Bruin's services have been reduced by 40% and ~65% respectively from April 2020, which is reflected in the lower year on year fees, and which will result in substantial reductions during the next reporting period.

At the Company's previous AGM held on 11 December 2019, shareholders approved a transition from sitting fees to retainer fees for Non-executive Directors. Accordingly, this change in remuneration structure of the Non-executive Directors accounts for the difference in the amount of fees paid during the current reporting period compared to the previous reporting period.

The committee, and the Board, has recommended that there be no increase in fees paid to Non-executive Directors, it is accordingly recommended that retainer fees (paid monthly) for the 2021 financial year remain at the same level for the time being as approved at the 2019 AGM, to be presented at the 2020 AGM as follows:

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

It is expected that a review of the level of retainer fees will be required at an appropriate time in the near future, once the Group becomes profitable, to bring the level of fees up to what is paid to directors of mining companies that have successfully transitioned into production.

See table contained in Notice of Annual General Meeting on page 91 of this report.

EXECUTIVE DIRECTORS' REMUNERATION

The remuneration for Executive Directors (inclusive of mandatory provisioning for severance benefits) for the year ended 30 June 2020, was as set out below:

NAME	2020 (Pula)	2019 (Pula)
Morné du Plessis (CEO) (appointed as CEO on 1 Aug 2019)	3 046 448*	1 807 742
André Bojé (CEO) (resigned as CEO 31 July 2019, appointed as Non-executive Director)	339 375**	1 958 387
Jean-Pierre van Staden (CFO) (appointed 2 Jan 2020)	1 288 579	N/A

* Includes a prior year bonus of P72 000, but excludes a housing benefit of P192 675 and a once off relocation allowance of P200 000 relating to the relocation of the CEO to Botswana from South Africa.

** Includes a bonus of P78 000 in August 2019 and includes CEO salary for the month of July. Mr. Bojé was also paid the consulting fees noted in the footnotes to the table under the heading "Non-executive Directors' Remuneration" above.

The increase in salary received by the CEO reflects the following:

- › The dual role of CFO and CEO held by the CEO for a period of five months prior to the appointment of a new CFO in January 2020, with no salary paid to an external or substitute CFO during this period;
- › An adjustment of salary to market rates once in production. Management salaries up to this point were only between 50 – 60% of market rates.

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 or provided for.

THANK YOU

After a busy reporting period with significant change on many fronts as the Group transitioned into production and commercialisation, I would like to take the opportunity to thank my fellow committee Members, the Board, and Management, for their dedication, insights and unquestionable commitment in navigating the many complicated matters presented.



Claude de Bruin

Chairman of the Remuneration and Nominations Committee

SOCIAL AND ETHICS COMMITTEE REPORT

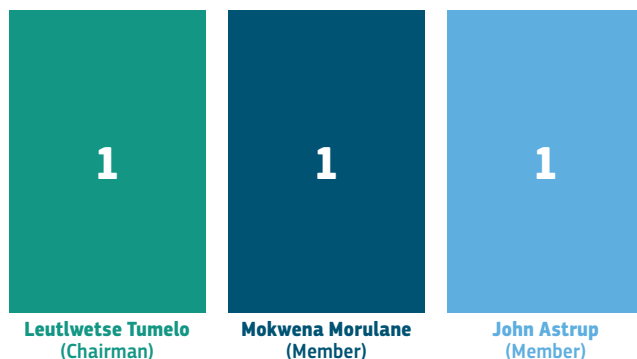
The Social and Ethics Committee was established by the Board of Directors to support the Board with oversight of and report organisational ethics, responsible corporate citizenship, sustainable development and management of stakeholder relationships. The role of the committee is to ensure that the growth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

The Committee derives its mandate and powers from its 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. A key focus of the Committee is to ensure ethical behaviour as mandated by the Board and executive management adheres to codes of best practice to create an ethical organisation culture.

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

ONE MEETING WAS HELD ACROSS THE FINANCIAL YEAR ON 25 MARCH 2020



PROJECTS AND OVERSIGHT FOR THE YEAR

In the 2019 Social and Ethics report, we made mention of our key project being to reticulate and bring electricity to the Medie village. This was successfully done with the Kgotla and the clinic connected to electricity. The village residents are now able to connect to the national grid at their own cost.

The outbreak of the COVID-19 pandemic led Minergy to establish the Minergy Coal Community Support Fund ("the fund"). The fund, although small, is backed by contributions from the Company, the management team and some major contractors and is dedicated to supporting the Medie village, the closest village to the mine. Further details on the fund can be found in the Chairman's Report on page 23 of this report.

The Minergy team continued to participate in number of community projects through monetary sponsorship or dedicating time to community projects. Some of these included the refurbishment of the community hall in Medie and purchasing stationary and providing financial support for the primary school in Medie.

Minergy has committed to ensuring a vibrant coal sector in Botswana and in order to make this sustainable, a focus on skills development, skills transfer and training are critical. During the year the Company trained weighbridge operators, a mine engineer is on track to receive a blasting licence and the training of a junior geologist has been completed.

Page 16 of this Integrated Annual Report contains a detailed Stakeholder Engagement report which has been enhanced with additional information for your review.

KEY INDICATORS MONITORED BY THE COMMITTEE INCLUDE:

INDICATOR	OUTCOME ACROSS THE YEAR
Labour relations	› No labour actions or strikes
Health and safety	› Zero fatalities › Zero injuries on the mine and 668 days (at 30 June 2020) without lost time due to injury
Reports of unethical behaviour	› Zero reports of unethical behaviour

The Anti-bribery and Anti-corruption Policy and the Code of Conduct for the Company has been substantially progressed and awaits final approval by the Board which is expected to be ratified at the September 2020 board meeting.

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.

95%

OF ALL STAFF ARE BATSWANA

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. Employees include direct Minergy staff as well as indirectly appointed compliments of contractors.

95% (2019: 93%) of 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.

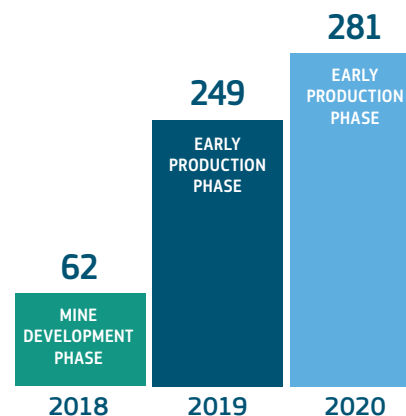
The increase in staff from 2019 onwards was necessary as the early production phase was entered. Staff turnover has remained at less than 1% (2019: <1%).

LABOUR RELATIONS

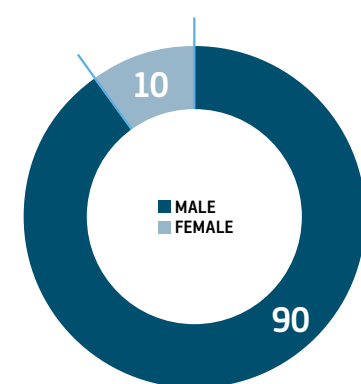
Minergy strives for continuous engagement with employees at various levels to ensure harmonious relations and good employee morale. Visible Felt Leadership ("VFL") sessions are conducted on a monthly basis to allow individual employees to engage with management on various work-related issues. There is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

During the year under review there was no labour or strike action.

TOTAL EMPLOYEES



MALE AND FEMALE COMPOSITION



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 Mine 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.

TRAINING AND SKILLS TRANSFER REMAIN ON-GOING AND INCLUDED THE FOLLOWING:

2020

- › Plant operator training
- › Weighbridge training was concluded with two officers
- › Two new officers undertook weighbridge tests and an additional officer is being trained
- › Training of a junior geologist has been completed
- › A mining engineer is undergoing training to obtain a blasting licence

Employees are taken through on-the-job training in order to prepare them for specific tasks.

Employees undergo continuous training on the various safety procedures developed in the mine.

2019

- › Machine operator and weighbridge operator training

SAFETY

Minergy has a Safety, Health, Environment and Quality (“SHEQ”) Management System in place, which details our management policies, processes and procedures. Our goal regarding safety is to:

BE A LEADER IN WORKPLACE SAFETY BY CREATING A SAFE WORKING ENVIRONMENT FOR OUR EMPLOYEES WHICH WILL RESULT IN ELIMINATING INJURIES AND FATALITIES. TO THIS END, MINERGY HAS 668 DAYS WITH NO LOST TIME DUE TO INJURY.

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 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



HEALTH AND COVID-19

Minergy strives to become a leader in the protection of our employees' health and the community's well-being. Particularly relevant to the year under review is the COVID-19 global pandemic. Minergy was quick to react, ensuring employees has the necessary information, protective gear and that they operated in an environment that was safe and consistently sanitised.

All employees and visitors undergo temperature screening at the mine gate, wash or sanitise their hands and maintain social distancing. Educational materials are circulated at the mine to educate employees on COVID-19 prevention measures and to keep awareness of the virus top of mind at all time. In support of these preventative measures undertaken The Minergy COVID-19 Action Plan was written in March 2020 and can be found on the website. [🌐](#)

At the time of writing this report Minergy has:

ZERO COVID-19 CASES AT THE MINE

Three training sessions have been conducted by the District Health Management Team ("DHMT") to sensitise employees on COVID 19. The training was done at the mine and attended by all employees of the mine.

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.

ENVIRONMENT

The SHE policy addresses Environmental Management and 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.

During the year under review additional procedures were development and are in place for Used Oil Management, Radiation Protection Procedure, Disposal of Fluorescent Tubes and Treatment of Hydrocarbon contaminated soils.

REHABILITATION

The open cast rehabilitation programme has commenced where waste from mining is used to rehabilitate the areas that have been mined out. Planned as a future phase, a nursery will be established at the mine, to provide trees for the rehabilitation process and environmental greening.

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 SAFETY AND HEALTH PERFORMANCE

› WORK-RELATED INJURIES

2020 TARGET: ZERO HARM

2020 ACHIEVEMENT: ✓ ACHIEVED

2019 ACHIEVEMENT: ✓ ACHIEVED

› NEW CASES OF OCCUPATIONAL DISEASE

2020 TARGET: YEAR-IN-YEAR REDUCTION

2020 ACHIEVEMENT: ZERO HARM

2019 ACHIEVEMENT: ZERO HARM

› FATALITIES

2020 TARGET: ZERO HARM

2020 ACHIEVEMENT: ✓ ACHIEVED

2019 ACHIEVEMENT: ✓ ACHIEVED

› LOST TIME INJURY RATE ("LTIR")

2020 TARGET: YEAR-IN-YEAR REDUCTION

2020 ACHIEVEMENT: ZERO HARM

2019 ACHIEVEMENT: ZERO HARM

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



FLORA AND FAUNA SURVEYS AND BIODIVERSITY MANAGEMENT PLANS



DUST AIR QUALITY



SOCIAL IMPACT STUDIES ON THE NINE VILLAGES SURROUNDING THE PROJECT



WATER HYDRO CENSUS, GROUND AND SURFACE WATER BASELINE DATA AND MODELLING



TRAFFIC MANAGEMENT



WASTE MANAGEMENT



SOILS BASELINE STUDY



ARCHAEOLOGY



HEALTH AND SAFETY

ACTIVITIES AND PROGRESS

	2019 AND EARLIER	2020 ACTIONS
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 was 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 and not harmful to the environment or the surrounding village of Medie.	Given the increase in mining activity and required blasting, monitoring done on all blasting activities has demonstrated compliance to the limits.
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.	Since then, air quality monitoring is done on a monthly basis, mainly focuses on fall out dust. Due to a shortage of water, dust suppression was not carried out at the desired levels, resulting in above normal dust fall out. To correct this, Minergy drilled a borehole specifically for dust suppression and dust suppression has commenced at the village of Medie.
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.	Water samples were collected from the identified boreholes for analysis to determine if the mine activities had any impacts on the water quality. The water samples were analysed against the B05 32:2015 Standard which is the Botswana Drinking Water Standard. The ions analysed were all within the limits when compared with the baseline therefore no contamination was recorded.

ACTIVITIES AND PROGRESS continued

	2019 AND EARLIER	2020 ACTIONS
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.	The waste management procedure has been implemented in totality. A waste collection contractor is on site to collect and dispose all waste generated. All domestic waste generated from site is sent to the local landfill and records of such are kept at site. All sewage is treated at the Sewage Treatment Facility and sludge accumulated is collected and disposed of at the Gaborone Water Works.
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.	All new excavations are monitored by an archaeologist and any archaeological findings are reported to the Department of Museums, Monuments and Art Gallery. From construction to date, no archaeological findings of value were recovered from site.
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.	The EMP requirements for Biodiversity to be monitored during construction and operation of the mine. All species identified in the EMP have been protected as required.
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.	A top soil stripping procedure has been developed and implemented to protect top soil from all excavation works. The procedure details the process of recovering all top soils from areas targeted for dumping of mine waste and storage of such top soils for use in rehabilitation of various areas.

	2019 AND EARLIER	2020 ACTIONS
TRAFFIC MANAGEMENT	<p>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.</p> <p>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.</p>	A traffic management plan for the mine has been developed and implemented. Road signs have been erected in the village and Minergy has employed traffic controllers to direct traffic and prevent high speed which results in high volumes of dust.
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.	The Safety and Health programme has been implemented in totality and has yielded positive results in safety performance.

CORPORATE SOCIAL INVESTMENT AND COMMUNITY SUPPORT

Minergy is a corporate who cares and spends a great deal of time and allocates resources towards ensuring that the community in the Medie village and the surrounds are supported and can thrive.

Minergy has a Corporate Social Investment plan in place and each year enhancements are made under the guidance of the Social and Ethics Committee. The two most prominent activities undertaken across the financial year included:

ELECTRIFICATION OF THE MEDIE VILLAGE

In our 2019 Integrated Annual Report we reported on the significant progress made regarding electrification, which was required at the mine.

It was decided that this needed to be extended to the village, as it has such a direct benefit on the lives of people in the village.

The project was commissioned and switched-on on 15 May 2019 providing connectivity to the national power grid for the Medie clinic and Kgotla and positively impacted roughly 500 people in Medie. Connectivity has now been extended to homes.

MINERGY COAL COMMUNITY SUPPORT FUND

The Medie village suffered from lockdown as a result of COVID-19 pandemic. Minergy took the initiative to establish the Minergy Coal Community Support Fund ("the fund").

The fund, albeit small, is funded by contributions from the Company, the management team and some major contractors. It was decided, in consultation with the community and the village social worker, to utilise the fund to provide food parcels and sanitary products to households most in need. The establishment of the fund has been extremely well received and Minergy has been able to widen the beneficiary pool in the village. The fund continues to be supported by contributions from the Company, management and Minergy service providers.

OTHER SOCIAL INVESTMENT PROJECTS UNDERTAKEN

During the course of the year under review Minergy has also assisted with the following:

REFURBISHING

OF THE COMMUNITY HALL IN MEDIE;

BUYING STATIONERY

FOR THE MEDIE PRIMARY SCHOOL;

FINANCIAL SUPPORT

FOR SCHOOL EVENTS;

ASSISTANCE

THROUGH THE SUPPLY OF A GRADER TO CLEAR OVERGROWN VEGETATION AT THE DITSHUKUDU PRIMARY SCHOOL;

PURCHASING

OF FOOD HAMPERS FOR EVERYONE IN MEDIE DURING COVID-19 LOCKDOWN; AND

ASSISTANCE

WITH SANITISING THE SCHOOL TO COMPLY WITH COVID-19 REGULATIONS.

THE WAY FORWARD

Minergy is passionate about participation in the local community. In light of this, a strategic plan has been drafted including a number of suggested projects and had been put forward to the Board for review.





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SHAREHOLDER INFORMATION

05

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 are undertaken. The website provides the latest and historical financial information, 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 November 2020
Interim period-end	31 December
Interim results announcement	March
Year-end	30 June
Final results announcement	September

SHAREHOLDER ANALYSIS

AS AT 30 JUNE 2020

Company	Minergy Limited
Register date	30 June 2020
Issued share capital	469 975 134

SHAREHOLDER SPREAD

	Number of shareholders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	263	49.91	115 223	0.02
1 001 – 10 000 shares	133	25.24	707 346	0.15
10 001 – 100 000 shares	46	8.73	1 799 047	0.38
100 001 – 1 000 000 shares	31	5.88	12 153 361	2.59
1 000 001 shares and over	54	10.25	455 200 157	96.86
Total	527	100.00	469 975 134	100.00

DISTRIBUTION OF SHAREHOLDERS

	Number of shareholders	% of total shareholders	Number of shares	% of issued capital
Retirement funds	14	2.66	171 186 993	36.42
Directors and Associates of the Company	6	1.14	114 219 980	24.30
Retail investors	477	90.51	71 513 406	15.22
Foreign company	18	3.42	41 880 732	8.91
Private companies	1	0.19	38 888 889	8.27
Trusts	5	0.95	19 218 751	4.09
Public companies	1	0.19	11 315 166	2.41
Banks/brokers	2	0.38	1 715 217	0.36
Other corporations	3	0.57	36 000	0.01
Total	527	100.00	469 975 134	100.00

During the previous financial year and early into the 2020 financial year the original shareholders in ENERGY MINERAL RESOURCES & MINING LIMITED successfully unbundled their shares into their own individual shareholdings in Minergy Limited.

PUBLIC/NON-PUBLIC SHAREHOLDERS

Shareholder type	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Non-public shareholders	7	1.33	153 108 869	32.58
Directors and Associates of the Company holdings	6	1.14	114 219 980	24.30
Jarcon Opencast Mining (Botswana) (Pty) Ltd	1	0.19	38 888 889	8.27
Public shareholders	520	98.67	316 866 265	67.42
Allan Gray	3	0.57	162 878 468	34.66
Firecrest Trust Corporation	1	0.19	13 503 760	2.87
Resource Capital Investment	1	0.19	11 315 166	2.41
Kgori Capital	7	1.33	3 035 459	0.65
Managed and Retirement funds through fund managers	4	0.76	6 920 140	1.47
Other Public Shareholders	504	95.64	119 213 272	25.37
Total	527	100.00	469 975 134	100.00

BENEFICIAL SHAREHOLDERS HOLDING 3% OR MORE

	Number of shares	% of issued capital
Allan Gray	162 878 468	34.66
De Bruin, C	42 634 421	9.07
Astrup, J	40 279 938	8.57
Jarcon Opencast Mining (Botswana) (Pty) Ltd	38 888 889	8.27
Bojé, AR	15 000 000	3.19
Total	299 681 716	63.77



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GROUP ANNUAL FINANCIAL STATEMENTS

06

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 2021 and, in light of this review, the current financial position and assumptions used, 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 60 – 61.

The annual financial statements set out on pages 62 – 89, which have been prepared on the going concern basis, were approved by the Board of Directors on 24 September 2020 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 2020

1. NATURE OF BUSINESS

Minergy Limited ("Minergy" or "the Company") is an investment holding company. Its principal subsidiary, Minergy Coal (Pty) Ltd ("Minergy Coal" or "the subsidiary") (together referred to as "the Group") holds Mining Licence 2018/9L (for coal) 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. During the year under review the Company was in the process of ramping up operations whilst progressing final development activities.

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 2020 was P91 872 696 (2019: P29 347 593) representing a loss per share of 20.69 thebe (2019: 7.01 thebe). Headline loss per share was 20.69 thebe (2019: 7.01 thebe).

The Group raised additional equity and borrowings during the year ended 30 June 2020. (Refer notes 10 and 13) in the financial statements. The additional funds were utilised to finance operational expenditures and further development of the Masama Coal Project covered by the Mining Licence.

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.

It is important to note that a comparison between the results for the year ended 30 June 2020 and the previous financial year is not practical on a like-for-like basis. During the previous year the Group was developing the Masama Coal Mine and advancing it toward operational status. During the year ended 30 June 2020, the Group moved into commissioning and production at the mine, whilst progressing final development activities.

4. STATED CAPITAL

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

- On 17 January 2020 the Company offered 64 662 936 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 38 888 889 shares on 25 February 2020, through a debt to equity conversion, increasing the net stated capital to P165 563 026.

The Company has capitalised P3 500 000 of share issuance costs directly attributable to the abovementioned raising and placing of shares. This has been set off against the share capital raised in line with accepted accounting practice.

Refer to note 10 of the annual financial statements for the movement in issued share capital.

At 30 June 2020 the number of ordinary shares in issue and the weighted average number of shares was 469 975 134 (2019: 431 086 245) and 444 049 208 (2019: 418 908 073), 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 was 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.

Unfortunately, as set out below due to factors largely outside of the control of participants in the Plan (including permitting delays during the early stages of the process, and more recently COVID-19), none of the options previously granted under the 2017 Share Option Plan will be exercised:

- the first tranche of options that vested (25% of the total granted, upon granting of a Mining Licence before the set date) expires out of the money in September 2020;
- the second tranche (35% of the total granted, upon reaching steady state production before the set date) could not vest;
- and it is impossible for the vesting criteria of the third tranche to be met (three consecutive six monthly reporting periods of operating profits from Masama Coal Project before 31 December 2020).

As a result, the Plan in its current form is essentially obsolete. In order to take into account that the Group no longer has a working share option plan, and that it has transitioned into a production environment, a review of the Company's retention and incentive programs was undertaken during the reporting period. As a result, as set out in the Notice of the AGM, the Board has recommended that the Group requires a revised option plan, and that accordingly the Plan be amended (refer to Ordinary Resolution 15 in the Notice) so that amongst other changes, the exercise price of Options granted under the Plan is more in line with the price of the Company's shares around the time that Options are granted to Participants. The intention of the revised Plan would therefore enable to the Company to grant new Options as an improved mechanism to retain top Management talent of the Company. Should Ordinary Resolution 15 be passed, the Board intends to make further amendments to the Plan to bring it in line with typical staff retention plans, including setting vesting criteria that rewards long term service to the Group, where options would vest upon the completion of not less than three continuous years of service to the Group (from the date upon which an Option is granted to a Participant pursuant to the revised Plan).

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
André Russel Bojé	South Africa		Non-executive
Claude de Bruin	New Zealand		Non-executive
Cross Kgosiile	Botswana		Non-executive
Leutlwetse Tumelo	Botswana		Non-executive
Jean-Pierre van Staden	South Africa	Chief Financial Officer	Executive

DIRECTORS' REPORT

CONTINUED

7. DIRECTORS' INTEREST IN SHARES

At 30 June 2020, the directors of the Company during the year held direct and indirect interests in 68 940 042 (2019: 68 940 042) of the 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	%
2020						
Executive Directors						
Morné du Plessis	10 000 000	—	—	—	10 000 000	2.13
	10 000 000	—	—	—	10 000 000	2.13
Non-executive Directors						
Claude de Bruin	40 142 781	2 491 640			42 634 421	9.07
André Bojé	15 000 000	—			15 000 000	3.19
Leutlwetse Tumelo	1 305 621	—			1 305 621	0.28
	56 448 402	2 491 640	—	—	58 940 042	12.54
Total Executive and Non-executive Directors' interest	66 448 402	2 491 640	—	—	68 940 042	14.67
2019						
Executive Directors						
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
Non-executive Directors						
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
Total Executive and Non-executive Directors' interest	66 448 402	2 491 640	—	—	68 940 042	15.99

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 Group, 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:

- › Specific issue for cash of the Placing Shares consisting of up to 12 000 000 Consolidated Shares subject to the passing of Ordinary Resolution to do so, or alternatively up to 120 000 000 Ordinary Shares, for the purpose of the Placing on AIM.
- › Shareholders waive their pre-emptive rights as set out in clause 5.1 of the Constitution and section 52 of the Companies Act in respect of the issue of the Placing Shares on AIM.
- › New Constitution is adopted by the Company in substitution for its existing Constitution.
- › 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.
- › 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 issue of up to 15% of the issued ordinary shares of the Company (up to a maximum of 64 662 936 new ordinary shares).

10. EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any material subsequent events as at the date of the report.

11. GOING CONCERN

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

By 30 June 2020, the Group had not yet achieved commercial/steady-state levels of production as the operational ramp-up phase was delayed by the impact of COVID-19 lockdowns. The Group consequently incurred a net loss during the year ended 30 June 2020 of P91 872 696 (2019: P29 347 593). As at 30 June 2020 the Group's had accumulated losses of P139 695 949 (2019: P48 675 336) and its net assets exceeded its net liabilities by P43 125 319 (2019: P83 951 678). It is expected that further losses and cash outflows will be incurred until the Group reaches steady-state levels of production.

The directors have prepared cash flow forecasts indicating that the Group will have sufficient cash resources to fund its operations for at least the 12 month period from the date of signing this report. These cash flow forecasts include the assumptions that additional debt and equity funding will be obtained during the 2021 financial year, that the coal beneficiation plant upgrades will be completed and that operations will subsequently ramp up to achieve steady state production volumes in a stable market. The Group's ability to continue as a going concern is therefore dependent on achieving the aforementioned objectives and assumptions. In combination, these events and conditions give rise to a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern, and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

DIRECTORS' REPORT

CONTINUED

11. GOING CONCERN continued

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 Group be unable to continue as a going concern. Such adjustments could be material.

The Group has achieved a number of important milestones during the year under review, including the commencement of production and successful evacuation and sale of coal to customers in Botswana, South Africa and Namibia; signing of first coal off-take agreement and negotiations for additional agreements in progress; establishing meaningful market share with positive feedback from customers; obtaining additional debt and equity funding; upgrade of the Tshele Hills rail siding and evacuation of coal via rail subsequent to year-end.

The Group has a history of successful debt and capital raisings to meet its funding requirements. Discussions with existing funders are at an advanced stage. The directors believe that at the date of signing the financial statements there are reasonable grounds to believe that they will be successful in achieving the matters set out above and that the use of the going concern basis remains appropriate.

12. AUDITORS

Grant Thornton Botswana has been appointed as auditors of the Company and its subsidiaries for 2020 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 5 of the consolidated annual financial statements.

INDEPENDENT AUDITOR'S REPORT



Chartered Accountants

Grant Thornton

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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 62 to 89, which comprise the consolidated and separate statement of financial position as at 30 June 2020, 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 2020, 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.

Material Uncertainty Related to Going concern

We draw attention to accounting policy 1(d) in the annual financial statements, which indicates that the group incurred a net loss of P91 872 696 during the year ended 30 June 2020 and, as of that date, the group has accumulated losses of P 139 695 949 and current liabilities exceeded its current assets by P 14 464 227. 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 group'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 Accountancy Oversight Authority registration number: F&P 005/2016 (Audit Firm of Public Interest Entity)
Botswana Institute of Chartered Accountants membership number: MufBW2023 (Audit and Non-Audit)

Partners

Kuljamesen Vijay (Managing), Dinesh B Mafon (Deputy Managing), Arwin Vaidyanathan, Mathew Venkatesh, Narendraswamy Narasimhan, Anthony Ousaka, Sunny K Mulokwen, Apama Vijay (Trainee)

Member of Grant Thornton International Ltd
Office in Gaborone & Francistown

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Independent Auditor's Report

Key audit matter	How the matter was addressed in our audit
Adoption of IFRS 16 – Leases The Group and Company adopted IFRS 16 – Leases ("IFRS 16") for the first time during the financial year ended 30 June 2020 to recognise, measure, present and disclose leases. In accordance with the requirements of IFRS 16 the Group reassessed the way in which it accounts for operating leases where it is a lessee. Whereas such leases had previously been accounted for by straight-lining all unavoidable contractual lease payments over the lease term, application of IFRS 16 required the Group and Company to recognise a lease liability reflecting the estimated present value of future lease payments and a right-of-use asset for the majority of such lease agreements. In applying IFRS 16 for the first time, the Group and Company adopted a modified retrospective approach, with the cumulative effect of IFRS 16 being recognised as an adjustment to the right of use asset. Prior periods have not been restated.	We performed the following audit procedures: -Obtained management's lease accounting policies and impact assessment, and assessed them for conformity with IFRS 16 requirements; -Evaluated the entity's determination of the discount rate used, which in the case of the Group was the weighted incremental borrowing rate (IBR) or rate implicit in the lease (where available) -Recalculated the expected right-of-use asset and lease liabilities and compared outcomes with balances recorded per the records -Performed substantive analytical procedures to develop expected depreciation charges and comparing to the depreciation recognised in respect of right-of-use; -Performed tests of detail on interest expensed recognised to determine whether the interest charge has been determined appropriately; -Inspected lease documentation and evaluated management's analysis of non-cancellable lease period to determine whether: <ol style="list-style-type: none"> 1. The extension and/or termination options are enforceable 2. Termination penalty is not more than insignificant 3. The terms of the contract give rise to an extension or a termination option 4. The lessee is reasonably certain to exercise an extension option or not to exercise an extension option 5. Any change in facts and circumstances that would affect the length of the lease term Determined the appropriateness of disclosures in the financial statements for completeness compared to IFRS 16 and any other relevant standards.
Going concern The Group incurred a net loss of P91 872 696 during the year ended 30 June 2020 and, as of that date, the group has accumulated losses of P 139 695 949 and current liabilities exceeded its current assets by P 14 464 227. 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 group's ability to continue as a going concern	-We obtained management's assessment of the Group's ability to continue as a going concern and evaluated their going concern assessment. -We evaluated management's plans for future actions in relation to the going concern assessment, including whether the outcomes of the plans are to improve the situations. -We evaluated and documented the entity's cash flow forecast by checking the reliability of the underlying data used to prepare the forecast, and that there is adequate support for the underlying assumptions. -We have assessed the disclosures made by the Group in relation to this matter.



INDEPENDENT AUDITOR'S REPORT

CONTINUED



Independent Auditor's Report

Provisions for close-down, restoration and environmental obligations

The Group has provisions for close-down, restoration and environmental obligations of P 69.7 million as at 30 June 2020.

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.

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 appropriate.

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 consolidated and separate 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 consolidated and separate 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 consolidated and separate 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.



Independent Auditor's Report

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, future 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.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

GRANT THORNTON

Chartered Accountants
Certified Auditor: Mr. Aswin Vaidyanathan: 19980110
Certified Auditor of Public Interest Entity
Certificate Number: CAP 0016 2020

24 SEP 2020
Gaborone

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2020

Figures in Pula	Notes	GROUP		COMPANY	
		2020	2019	2020	2019
ASSETS					
Non-current assets					
Property, plant and equipment	4	340 602 189	168 615 430	659 320	15 355
Investment in subsidiaries	5	—	—	145 888 664	102 503 129
Deferred tax assets	6	39 095 799	13 346 576	3 010 140	4 684 646
		379 697 988	181 962 006	149 558 124	107 203 130
Current assets					
Inventories	7	48 355 150	47 246 445	—	—
Trade and other receivables	8	13 960 609	23 190 740	14 249 983	18 197 288
Cash and cash equivalents	9	1 712 055	294 085	78 053	280 079
		64 027 814	70 731 270	14 328 036	18 477 367
Total assets		443 725 802	252 693 277	163 886 160	125 680 497
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	10	165 563 026	130 563 026	165 563 026	130 563 026
Accumulated loss		(139 695 949)	(48 675 336)	(6 334 170)	(12 641 417)
Other reserves	11	17 258 242	2 063 988	1 329 720	2 063 988
Equity attributable to owners of the parent		43 125 319	83 951 678	160 558 576	119 985 597
Total equity		43 125 319	83 951 678	160 558 576	119 985 597
Non-current liabilities					
Borrowings	13	252 348 149	—	438 822	—
Rehabilitation provision	12	69 760 293	22 665 812	—	—
		322 108 442	22 665 812	438 822	—
Current liabilities					
Borrowings	13	7 913 719	45 526 612	271 928	4 057 968
Trade and other payables	14	70 578 322	100 549 175	2 616 834	1 636 932
		78 492 041	146 075 787	2 888 762	5 694 900
Total liabilities		400 600 483	168 741 599	3 327 584	5 694 900
Total equity and liabilities		443 725 802	252 693 277	163 886 160	125 680 497

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

Figures in Pula	Notes	GROUP		COMPANY	
		2020	2019	2020	2019
Revenue	17	80 650 039	—	—	—
Cost of sales	18	(149 918 714)	—	—	—
Gross profit		(69 268 675)	—	—	—
Other income	19	97 614	—	15 855 603	5 520 000
Operating expenses		(31 093 212)	(35 139 496)	(13 635 934)	(11 550 250)
Operating (loss)/profit	20	(100 264 273)	(35 139 496)	2 219 669	(6 030 250)
Finance income	21	101 097	241 066	5 811 266	4 382 238
Finance costs	22	(17 458 743)	(1 135 285)	(49 182)	(57 968)
(Loss)/profit before income tax		(117 621 919)	(36 033 715)	7 981 753	(1 705 980)
Income tax	23	25 749 223	6 686 122	(1 674 506)	270 120
(Loss)/profit for the year		(91 872 696)	(29 347 593)	6 307 247	(1 435 860)
Other comprehensive income for the year		—	—	—	—
Total comprehensive (loss)/profit for the year		(91 872 696)	(29 347 593)	6 307 247	(1 435 860)
Total comprehensive loss attributable to:					
Owners of the parent		(91 872 696)	(29 347 593)		
Non-controlling interest		—	—		
		(91 872 696)	(29 347 593)		
Loss per share (thebe)	24	(20.69)	(7.01)		
Diluted loss per share (thebe)	24	(20.69)	(7.01)		

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

Figures in Pula	Stated capital	Accumulated loss	Other reserves	Total equity
GROUP				
Balance at 1 July 2018	109 779 735	(19 327 743)	—	90 451 992
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
Balance at 1 July 2019	130 563 026	(48 675 336)	2 063 988	83 951 678
Total comprehensive loss	—	(91 872 696)	—	(91 872 696)
Transactions — owners in their capacity as owners of equity				
Subscription for shares	38 500 000	—	—	38 500 000
Share issuance costs on subscription	(3 500 000)	—	—	(3 500 000)
Borrowings — conversion option reserve	—	852 083	15 928 522	16 780 605
Share-based payment expense	—	—	(734 268)	(734 268)
Balance at 30 June 2020	165 563 026	(139 695 949)	17 258 242	43 125 319
	Note 10		Note 11	
COMPANY				
Balance at 1 July 2018	109 779 735	(11 205 557)	—	98 574 178
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	—	—	2 063 988	2 063 988
Balance at 1 July 2019	130 563 026	(12 641 417)	2 063 988	119 985 597
Total comprehensive profit	—	6 307 247	—	6 307 247
Transactions — owners in their capacity as owners of equity				
Subscription for shares	38 500 000	—	—	38 500 000
Share issuance costs on subscription	(3 500 000)	—	—	(3 500 000)
Share-based payment expense	—	—	(734 268)	(734 268)
Balance at 30 June 2020	165 563 026	(6 334 170)	1 329 720	160 558 576
	Note 10		Note 11	

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

		GROUP		COMPANY	
Figures in Pula	Notes	2020	2019	2020	2019
Cash flows from operating activities					
Cash utilised in operations	25	(98 301 534)	(93 350 192)	(5 497 646)	(22 204 977)
Finance costs paid	22	(6 856 583)	(1 135 285)	(49 182)	(57 968)
Net cash used in operating activities		(105 158 117)	(94 485 477)	(5 546 828)	(22 262 945)
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(39 893 316)	(26 186 301)	—	—
Decrease/(increase) in investment in subsidiary		—	—	9 509 412	(62 557 681)
Finance income		101 097	241 066	26 176	4 382 238
Net cash utilised in investing activities		(39 792 219)	(25 945 235)	9 535 588	(58 175 443)
Cash flows from financing activities					
Proceeds from shares issued	10	—	20 783 291	—	20 783 291
Proceeds from borrowings	13	152 283 310	44 050 168	—	4 057 968
Repayment of borrowings		(5 915 004)	—	(4 190 786)	—
Net cash from financing activities		146 368 306	64 833 459	(4 190 786)	24 841 259
Total cash movement for the period		1 417 970	(55 597 253)	(202 026)	(55 597 129)
Cash at the beginning of the period		294 085	55 891 338	280 079	55 877 208
Total cash at end of the period		1 712 055	294 085	78 053	280 079

ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2020

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 2020 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").

(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 realisation of assets and satisfaction of liabilities in the normal course of business. During the current year, the Group has focussed exclusively on the operational ramp-up and continued development of its principal project in Botswana (The Masama Coal Project).

By 30 June 2020, the Group had not yet achieved commercial/steady-state levels of production as the operational ramp-up phase was delayed by the impact of COVID-19 lockdowns. The Group consequently incurred a net loss during the year ended 30 June 2020 of P91 872 969 (2019: P29 347 593). As at 30 June 2020 the Group's had accumulated losses of P139 695 949 (2019: P48 675 336) and its net assets exceeded its net liabilities by P43 125 319 (2019: P83 951 678). It is expected that further losses and cash outflows will be incurred until the Group reaches steady-state levels of production.

The directors have prepared cash flow forecasts indicating that the Group will have sufficient cash resources to fund its operations for at least the 12 month period from the date of signing this report. These cash flow forecasts include the assumptions that additional debt and equity funding will be obtained during the 2021 financial year, that the coal beneficiation plant upgrades will be completed and that operations will subsequently ramp up to achieve steady state production volumes in a stable market. The Group's ability to continue as a going concern is therefore dependent on achieving the aforementioned objectives and assumptions. In combination, these events and conditions give rise to a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern, and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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 Group be unable to continue as a going concern. Such adjustments could be material.

The Group has achieved a number of important milestones during the year under review, including the commencement of production and successful evacuation and sale of coal to customers in Botswana, South Africa and Namibia; signing of first coal off-take agreement and negotiations for additional agreements in progress; establishing meaningful market share with positive feedback from customers; obtaining additional debt and equity funding; upgrade of the Tshele Hills rail siding and evacuation of coal via rail subsequent to year-end.

The Group has a history of successful debt and capital raisings to meet its funding requirements. Discussions with existing funders are at an advanced stage. The directors believe that at the date of signing the financial statements there are reasonable grounds to believe that they will be successful in achieving the matters set out above and that the use of the going concern basis remains appropriate.

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:

- › 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.

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 Group 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.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2020 CONTINUED

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS continued

1.4 EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE continued

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 capitalised 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 as part of inventory 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 Statement of Comprehensive Income during the financial period in which they are incurred.

The depreciation charge for each year is recognised the Statement of Comprehensive Income unless it is included in the carrying amount of another asset.

Depreciation on mining development 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
› Environmental rehabilitation asset (included as part of mine development 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.

Leased assets/right-of-use assets (and related liabilities)

As described in note 3, the Group has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under IAS 17 and IFRIC 4.

Accounting policy applicable from 1 July 2019

For any new contracts entered into on or after 1 July 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- › the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- › the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract;
- › the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2020 CONTINUED

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS continued

1.5 PROPERTY, PLANT AND EQUIPMENT continued

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in borrowings.

Accounting policy applicable before 1 July 2019

Finance leases

Management applies judgment in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the Group obtains ownership of the asset at the end of the lease term. The interest element of lease payments is charged to profit or loss, as finance costs over the period of the lease.

Operating leases

All other leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

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 Group 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 Group has transferred substantially all risks and rewards.

(c) Measurement

Financial assets at amortised cost

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 to 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.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2020 CONTINUED

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS continued

1.6 FINANCIAL ASSETS continued

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 Group 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.

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 Group 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 Group'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 Group'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.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2020 CONTINUED

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS continued

1.12 SHARE-BASED PAYMENTS continued

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.

Value Added Tax ("VAT")

Where VAT registration is 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 Statement of Comprehensive Income. 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 Group transfers the appropriate amount of shares to the employee. The proceeds received net of any directly attributable transaction costs are credited directly to equity.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2020 CONTINUED

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS continued

1.16 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

- › the Group 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 is 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 REVENUE

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good to a customer. Customers obtain control of coal supplied when the goods are delivered to and have been accepted at the specified delivery point, which is usually the mine gate, unless it is agreed that the Group will deliver the coal to the customer, in which case delivery point will be the customer's specified premises.

1.18 COST OF SALES

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any writedown of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Royalty expenses are recognised on an accruals basis in accordance with the substance of the relevant agreements.

1.19 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.

1.20 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.

1.21 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 mining.

1.22 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.

1.23 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.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2020 CONTINUED

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:

Mineral reserves and resources

The estimation of mineral reserves and resources impacts on the depreciation of property, plant and equipment, the estimation of the recoverable amount of cash generating units and on the valuation and timing of environmental rehabilitation expenditure.

Factors impacting the determination of proved and probable mineral reserves and resources are:

- › The actual grade of mineral reserves may vary from projections in resource models;
- › Coal prices achieved may vary from price assumptions in resource models;
- › Unforeseen operational issues at mine sites;
- › Changes in capital, operating, mining, processing and reclamation costs, discount rates and foreign exchange rates; and
- › Expectations regarding future profitability would impact the decision to continue mining.

Property, Plant and Equipment — 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.

Property, Plant and Equipment — Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of the value-in-use calculations and fair value less cost of disposal. These calculations require the use of estimates and assumptions such as the estimation of cash flows and the use of discount rates.

The Group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Management assesses possible impairment indicators which include movements in coal prices, exchange rates and the economic environment. In estimating cash flows, the Group bases cash flow projections on reasonable and supportable assumptions that represent the Group's best estimate of the range of economic conditions that will exist over the remaining useful life of the assets.

Refer note 4 for additional information.

Financial assets — Impairment testing

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting inputs for the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

Refer note 8 for additional information.

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 Group'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.

Refer note 6 for additional information.

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.

Refer note 12 for additional information.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2020 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 its annual reporting period commencing 1 July 2019:

NEW STANDARD/AMENDMENT	KEY REQUIREMENT	EFFECTIVE DATE
IFRS 16 – Leases	<p>This standard replaces the 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 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>Refer to note 3(c) and note 4(iv) for additional information on the impact of adopting this new standard.</p>	Annual periods beginning on or after 1 January 2019
Amendments to IAS 28 — Joint Ventures and Associates	<p>The amendment now requires that an entity also applies IFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture.</p> <p>The adoption of this amendment had no impact on the results of the Group.</p>	Annual periods beginning on or after 1 January 2019
Amendments to IFRS 3 — Business Combinations	<p>The amendment clarifies that when a party to a joint arrangement obtains control of a business that is a joint operation, and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is a business combination achieved in stages. The acquirer shall therefore apply the requirements for a business combination achieved in stages.</p> <p>The adoption of this amendment had no impact on the results of the Group.</p>	Annual periods beginning on or after 1 January 2019
Amendments to IFRS 11 — Joint Arrangements	<p>These amendments include minor changes to:</p> <ul style="list-style-type: none"> › IFRS 3: Business Combinations — a company remeasures its previously held interest in a joint operation when it obtains control of the business. › IFRS 11: Joint Arrangements — a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business. › IAS 12: Income Taxes — The amendment clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised. › IAS 23: Borrowing Costs — a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale. <p>The adoption of this amendment had no impact on the results of the Group.</p>	Annual periods beginning on or after 1 January 2019
Amendments to IAS 12 — Income Taxes	<p>The amendment specifies that the income tax consequences on dividends are recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the events or transactions which generated the distributable reserves.</p> <p>The adoption of this amendment had no impact on the results of the Group.</p>	Annual periods beginning on or after 1 January 2019
Amendments to IAS 32 — Borrowing Costs	<p>The amendment specifies that when determining the weighted average borrowing rate for purposes of capitalising borrowing costs, the calculation excludes borrowings which have been made specifically for the purposes of obtaining a qualifying asset, but only until substantially all the activities necessary to prepare the asset for its intended use or sale are complete.</p> <p>The adoption of this amendment had no impact on the results of the Group.</p>	Annual periods beginning on or after 1 January 2019

ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2020 CONTINUED

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

(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 2020 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:

NEW STANDARD/AMENDMENT	KEY REQUIREMENT	EFFECTIVE DATE
Amendments to IAS 28 and IFRS 10 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	<p>If a parent loses control of a subsidiary which does not contain a business, as a result of a transaction with an associate or joint venture, then the gain or loss on the loss of control is recognised in the parents' profit or loss only to the extent of the unrelated investors' interest in the associate or joint venture. The remaining gain or loss is eliminated against the carrying amount of the investment in the associate or joint venture.</p> <p>The same treatment is followed for the measurement to fair value of any remaining investment which is itself an associate or joint venture. If the remaining investment is accounted for in terms of IFRS 9, then the measurement to fair value of that interest is recognised in full in the parents' profit or loss.</p> <p>It is unlikely that the amendment will have a material impact on the Group's consolidated financial statements.</p>	The effective date of the amendment is to be determined by the IASB

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year are not expected to have a material impact on the Group's financial statements.

(C) CHANGES IN ACCOUNTING POLICY

Adoption of IFRS 16 — Leases

The Group adopted IFRS 16: Leases from 1 July 2019. IFRS 16: Leases is a new standard which replaces IAS 17: Leases, along with three Interpretations (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').

The adoption of this new Standard has resulted in the Group recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings as at 1 April 2019. Accordingly, the comparative information presented for the 2019 financial year has not been restated, and is presented as previously reported under IAS 17 and related interpretations.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 July 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straightline basis over the remaining lease term.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application.

On transition to IFRS 16 the weighted average incremental borrowing rate or rate implicit in the lease (where available) applied to lease liabilities recognised under IFRS 16 was between 5.5% and 13%.

Refer to note 4(iv) for a reconciliation of the financial statement line items from IAS 17 to IFRS 16 at 1 July 2019.

Refer to note 28 for a reconciliation of operating lease commitments as at 30 June 2019 to lease liabilities recognised on 1 July 2019.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2020

4. PROPERTY, PLANT AND EQUIPMENT

GROUP

Figures in Pula	2020			2019		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Computer software	14 617	(14 617)	—	14 617	(11 256)	3 361
Furniture and equipment	835 703	(255 083)	580 620	525 602	(129 265)	396 337
IT equipment	301 879	(183 941)	117 938	253 613	(94 443)	159 170
Leasehold improvements	148 171	(112 869)	35 302	148 171	(75 826)	72 345
Right-of-use assets — washing plant	66 266 554	(857 481)	65 409 073	—	—	—
Right-of-use assets — property	4 903 534	(1 107 040)	3 796 494	—	—	—
Right-of-use assets — machinery	5 655 672	(1 238 628)	4 417 044	—	—	—
Motor vehicles	1 116 322	(646 374)	469 948	1 116 322	(367 293)	749 029
Plant and machinery	2 228 511	(266 690)	1 961 821	1 993 936	(49 848)	1 944 088
Capital work in progress	1 752 733	—	1 752 733	42 915 479	—	42 915 479
Mine development asset	263 095 565	(1 034 349)	262 061 216	122 375 621	—	122 375 621
Total	346 319 261	(5 717 072)	340 602 189	169 343 361	(727 931)	168 615 430

Reconciliation of property, plant and equipment

Figures in Pula	Opening balance	Transition to IFRS 16	Additions	Reclassified	Depreciation	Total
2020						
Computer software	3 361	—	—	—	(3 361)	—
Furniture and equipment	396 337	—	310 101	—	(125 818)	580 620
IT equipment	159 170	—	51 430	—	(92 662)	117 938
Leasehold improvements	72 345	—	—	—	(37 043)	35 302
Right-of-use assets — washing plant	—	—	66 266 554	—	(857 481)	65 409 073
Right-of-use assets — property	—	3 141 437	1 762 097	—	(1 107 040)	3 796 494
Right-of-use assets — machinery	—	5 468 598	187 074	—	(1 238 628)	4 417 044
Motor vehicles	749 029	—	—	—	(279 081)	469 948
Plant and machinery	1 944 088	—	234 575	—	(216 842)	1 961 821
Capital work in progress	42 915 479	—	16 786 331	(57 949 077)	—	1 752 733
Mine development asset	122 375 621	—	82 770 867	57 949 077	(1 034 349)	262 061 216
Total	168 615 430	8 610 035	168 369 029	—	(4 992 305)	340 602 189

See note (i)

Figures in Pula	Opening balance	Additions	Disposals	Reclassified	Depreciation	Total
2019						
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
Total	1 918 090	139 937 690	—	27 272 920	(513 270)	168 615 430
	See note (i)			See note (ii)		

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	2020	2019
Capitalised borrowing costs	14 298 797	1 476 444
Environmental rehabilitation asset	45 961 191	22 665 812
Beneficiation plant	66 266 554	—
Right-of-use assets — property	1 762 097	—
Right-of-use assets — machinery	187 074	—
Trade payables relating to capital purchases	—	89 609 133
	128 475 713	113 751 389

COMPANY

Figures in Pula	2020			2019		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Computer software	14 617	(14 617)	—	14 617	(11 256)	3 361
IT equipment	31 401	(28 189)	3 212	31 401	(19 407)	11 994
Right-of-use assets — property	843 568	(187 460)	656 108	—	—	—
Total	889 586	(230 266)	659 320	46 018	(30 663)	15 355

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 CONTINUED

4. PROPERTY, PLANT AND EQUIPMENT continued

Reconciliation of property, plant and equipment

Figures in Pula	Opening balance	Additions	Disposals	Reclassified	Depreciation	Total
2020						
Computer software	3 361	—	—	—	(3 361)	—
IT equipment	11 994	—	—	—	(8 782)	3 212
Right-of-use assets — property	—	843 568	—	—	(187 460)	656 108
Total	15 355	843 568	—	—	(199 603)	659 320
2019						
Computer software	8 185	—	—	—	(4 824)	3 361
IT equipment	22 356	—	—	—	(10 362)	11 994
Total	30 541	—	—	—	(15 186)	15 355

Note (ii) — Reclassification of exploration and evaluation asset:

During the 2019 financial year capitalised exploration and evaluation expenditure to the value of P27.2 million was reclassified to Property, Plant and Equipment as the project reached the point where technical feasibility and commercial viability was sufficiently demonstrated.

An impairment assessment was done prior to transfer. No impairment provision was required.

Note (iii) — Impairment assessment:

Management performed an impairment assessment at year-end. No impairment provision was required. The impairment assessment model is based on a fair value less cost of disposal ("FVLCD") methodology, which is based on estimated future cash flows discounted to net present value at a real post-tax discount rate over the projected life of mine.

The discount rate used was based on the Group's Weighted Average Cost of Capital ("WACC") rate.

The Group assessed the impact of COVID-19 on the impairment calculations, which resulted in the following adjustments to estimated future cash flows:

- › slower ramp-up phase to allow for market recovery
- › additional working capital requirements to support a longer ramp-up phase
- › lower sales prices in the short-term
- › risk adjustment to WACC rate

Summary of assumptions and inputs in impairment assessment model:

- › Life of mine 25 years
- › Risk adjusted real WACC rate (%) 13%
- › Long-term Rand : Pula exchange rate 1.35
- › Long-term average sales price (Pula per tonne) P580/t
- › Long-term steady state sales volumes 1.76 mtpa

Sensitivity analysis:

- › 5% increase in WACC rate
- › 10% decrease in sales volumes
- › 10% increase in exchange rate
- › 10% decrease in sales prices

None of the above resulted in the need for an impairment provision.

Note (iv) — Adoption of IFRS 16 — Leases

As discussed in note 3(a) and note 3(c) the Group adopted IFRS 16 - Leases on 1 July 2019.

The following is a reconciliation of the financial statement line items from IAS 17 to IFRS 16 at 1 July 2019:

Figures in Pula	Carrying amount on 30 June 2019	Remeasurement	IFRS 16 carrying amount on 1 July 2019
GROUP			
Property, plant and equipment	168 615 430	8 610 035	177 225 465
Lease liabilities (Right-of-use asset lease liabilities) (refer note 28)	—	8 594 604	8 594 604
COMPANY			
Property, plant and equipment	15 355	—	15 355
Lease liabilities (Right-of-use asset lease liabilities)	—	—	—

5. 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 2020	% Holding 2019	Carrying amount 2020	Carrying amount 2019
Minergy Coal (Pty) Ltd*	100	100	145 888 664	102 503 129
Minsales (Pty) Ltd**	100	100	—	—
			145 888 664	102 503 129

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

** Registered in South Africa — dormant.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 CONTINUED

5. INVESTMENT IN SUBSIDIARIES continued

Investments in subsidiaries are represented as follows:

Figures in Pula	Minergy Coal	Minsales	Carrying amount
2020			
Acquisition cost (loan acquired)	15 263 167	—	15 263 167
Share-based payment contribution	659 011	—	659 011
Loan***	129 966 486	—	129 966 486
	145 888 664	—	145 888 664
2019			
Acquisition cost (loan acquired)	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

*** The loan is unsecured and carries interest at the prevailing prime lending rate at First National Bank of Botswana Limited (5.75% as at year-end) (2019: 6.5%) 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 commencement of coal production for sale, positive feedback received from customers on product quality, growing order levels, growing interest in off take agreements and given that the Group's market capitalisation significantly exceeded its net asset value at 30 June 2020, no indicators of impairment were identified.

This is supported by the asset impairment assessment performed at subsidiary level.

6. DEFERRED TAX ASSETS

Deferred tax asset balance consist of:

Figures in Pula	GROUP		COMPANY	
	2020	2019	2020	2019
Temporary differences	(42 162 873)	(32 609 312)	205 992	(545)
Tax losses	81 258 672	45 955 888	2 804 148	4 685 191
Total deferred tax asset	39 095 799	13 346 576	3 010 140	4 684 646

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.

Figures in Pula	GROUP		COMPANY	
	2020	2019	2020	2019
Comprising:				
Deferred tax assets	81 415 585	45 955 888	3 010 140	4 685 191
Deferred tax liabilities	(42 319 786)	(32 609 312)	—	(545)
	39 095 799	13 346 576	3 010 140	4 684 646
Reconciliation:				
Balance at beginning of year	13 346 576	6 660 454	4 684 646	4 414 526
(Charged)/Credited to the Statement of Comprehensive Income	25 749 223	6 686 122	(1 674 506)	270 120
Balance at the end of the year	39 095 799	13 346 576	3 010 140	4 684 646

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

7. INVENTORIES

Figures in Pula	GROUP		COMPANY	
	2020	2019	2020	2019
Work in progress	26 166 660	45 166 905	—	—
Raw coal	816 960	2 079 540	—	—
Finished product	21 371 530	—	—	—
	48 355 150	47 246 445	—	—

Work In Progress represents overburden pre-stripping activity to expose coal for extraction.

As the Group is still in its phase of ramping up production volumes toward steady-state operations, the cost of finished product exceeds its selling price. Finished product as disclosed above is therefore carried at net realisable value.

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8. TRADE AND OTHER RECEIVABLES

Figures in Pula	GROUP		COMPANY	
	2020	2019	2020	2019
Trade receivables	8 518 133	—	13 953 836	5 520 000
Loss allowance	(118 205)	—	—	—
Trade receivables at amortised cost	8 399 928	—	13 953 836	5 520 000
Deposits	648 588	599 076	26 000	—
VAT and other taxes	4 332 946	9 859 864	75 548	73 212
Advances to BOOT operator for washing plant construction	—	12 473 761	—	12 473 761
Sundry debtors	295 780	4 901	34 325	4 901
Prepayments	283 367	253 138	160 274	125 414
	13 960 609	23 190 740	14 249 983	18 197 288

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

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 have provided securities in favour of the Group for the advances. This advance has been off-set against the related beneficiation plant liability in the current year.

EXPOSURE TO CREDIT RISK

The risk that counterparties or customers will not perform as expected, resulting in a loss to the Group, is defined as credit risk. The Group evaluates customers prior to the granting of credit. Exposure is evaluated by granting credit limits and constant evaluation of credit behaviour and considering credit ratings (where available), financial position and past experience.

The Group sells to a variety of customers in South Africa, Namibia and Botswana across a variety of industries, which mitigates the exposure of concentration risk resulting from credit risk.

There were no long outstanding third party trade receivables which required specific impairment as at year-end and the Group's customers all have a good payment history. The lockdown restrictions implemented to assist in limiting the spread of COVID-19 resulted in some minor and temporary delays in customer payments at the end of April and May 2020.

The Group does not hold any security against trade or other receivables and the maximum exposure to credit risk is the carrying value of the financial assets.

In determining the loss allowance, the Group applied a simplified lifetime expected credit loss approach with the use of a provision matrix where customers were grouped based on entity type and days past due.

Refer to note 33 for additional disclosure on credit risk.

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Figures in Pula	GROUP		COMPANY	
	2020	2019	2020	2019
Cash on hand	10 379	3 514	—	—
Bank balances	1 701 676	290 571	78 053	280 079
	1 712 055	294 085	78 053	280 079

The Group does not earn interest on current account balances and the Group has no overdraft facilities.

When surplus cash is held from time-to-time the Group utilises its call account with an interest rate of 3%.

The credit rating of the Group's banker is BB, albeit that Botswana sovereign credit rating is BBB+ (2019: A-).

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

10. STATED CAPITAL

Figures in Pula	GROUP		COMPANY	
	2020	2019	2020	2019
Number of shares issued				
Opening balance	431 086 245	405 973 065	431 086 245	405 973 065
Shares issued	38 888 889	25 113 180	38 888 889	25 113 180
Private placement	38 888 889	25 113 180	38 888 889	25 113 180
Closing balance	469 975 134	431 086 245	469 975 134	431 086 245
Value of shares issued				
Opening balance	130 563 026	109 779 735	130 563 026	109 779 735
Subscription for shares/shares issued	38 500 000	21 346 204	38 500 000	21 346 204
Private placement	38 500 000	21 346 204	38 500 000	21 346 204
Share issuance costs	(3 500 000)	(562 913)	(3 500 000)	(562 913)
Closing balance	165 563 026	130 563 026	165 563 026	130 563 026

The Group and Company have 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.

The shares issued during the current year consisted of a debt to equity conversion when one of the Group's main service providers elected to convert a portion of amounts due by the Group into equity.

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11. OTHER RESERVES

Figures in Pula	GROUP		COMPANY	
	2020	2019	2020	2019
Share-based payment reserve (refer note 11.1)	1 329 720	2 063 988	1 329 720	2 063 988
Borrowings — conversion option reserve (refer note 11.2)	15 928 522	—	—	—
	17 258 242	2 063 988	1 329 720	2 063 988
11.1 SHARE-BASED PAYMENT RESERVE				
Opening balance	2 063 988	—	2 063 988	—
Share-based payment contribution — subsidiary	—	—	(363 904)	1 022 915
Share-based payment (credit)/expense	(734 268)	2 063 988	(370 364)	1 041 073
Closing balance	1 329 720	2 063 988	1 329 720	2 063 988

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

The purpose of the 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 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

- › 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:
 - (i) 25% on granting of a mining licence 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.

The fair value at grant date was 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 was 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	
	2020	2019	2020	2019
As at 1 July	27 706 250	—	13 975 000	—
Granted during the year	—	42 625 000	—	21 500 000
Exercised during the year	—	—	—	—
Forfeited during the year	(17 050 000)	(14 918 750)	(8 600 000)	(7 525 000)
	10 656 250	27 706 250	5 375 000	13 975 000
Vested and exercisable at 30 June	10 656 250	10 656 250	5 375 000	5 375 000

The Tranche 1 share options allocated in terms of the Share Option Plan vested and can be exercised as the mining licence was awarded as required. As a result of the delay in the full commissioning of the beneficiation plant, Tranche 2 and 3 conditions have not been met and these tranches can therefore no be exercised and have been forfeited.

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

Figures in Pula	Expiry date	GROUP		COMPANY	
		2020	2019	2020	2019
Grant date					
30 September 2018 — Tranche 1	30 Sep 20	10 656 250	10 656 250	5 375 000	5 375 000
30 September 2018 — Tranche 2	30 Sep 20	—	—	—	—
30 September 2018 — Tranche 3	31 Dec 21	—	17 050 000	—	8 600 000
		10 656 250	27 706 250	5 375 000	13 975 000

The remaining contractual life of options outstanding at end of the period are 0.25 years (2019: between 1.25 and 2.5 years). The exercise per share option is P1.00.

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11. OTHER RESERVES continued

11.2 BORROWINGS — CONVERSION OPTION RESERVE

Figures in Pula	GROUP		COMPANY	
	2020	2019	2020	2019
Opening balance	—	—	—	—
MDCB debentures — conversion option	15 928 522	—	—	—
Closing balance	15 928 522	—	—	—

MDCB preference shares — conversion option

Refer to note 13.2 for additional information on this facility and its conversion option.

This facility has been accounted for as a compound financial instrument with a debt and equity component.

At inception, the debt component was measured at fair value using an interest rate of 18%.

The residual value (difference between fair value of debt component and principal advanced at inception) was allocated to the equity portion.

BDC preference shares — conversion option

Refer to note 13.1 for additional information on this facility and its conversion option.

As this facility already carries a preference dividend rate of 18% no value is attributed to the conversion option.

12. REHABILITATION PROVISION

Figures in Pula	GROUP		COMPANY	
	2020	2019	2020	2019
Opening balance	22 665 812	—	—	—
Increase during the year	45 961 190	22 665 812	—	—
Unwinding of discount rate	1 133 291	—	—	—
Closing balance	69 760 293	22 665 812	—	—

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.

The estimated cost of rehabilitation is reassessed on an annual basis.

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.

The increase in the current year is due to a larger mining infrastructure footprint and opencast pit volume as well as alignment of estimation approach with latest industry practice.

13. BORROWINGS

Figures in Pula	GROUP		COMPANY	
	2020	2019	2020	2019
BDC preference shares (refer note 13.1)	83 673 191	—	—	—
MDCB debentures (refer note 13.2)	106 430 816	—	—	—
Botrail siding advance (refer note 13.3)	4 602 493	—	—	—
Beneficiation Plant (refer note 13.4)	56 868 628	—	—	—
Right-of-use asset lease liabilities (refer note 13.5)	8 686 740	—	710 750	—
Short term vendor financing (refer note 13.6)	—	4 057 968	—	4 057 968
Bridging facility (refer note 13.7)	—	41 468 644	—	—
Total borrowings	260 261 868	45 526 612	710 750	4 057 968
Presented as follows:				
Non-current liabilities				
At amortised cost	252 348 149	—	438 822	—
Current liabilities				
At amortised cost	7 913 719	45 526 612	271 928	4 057 968
Total borrowings				
At amortised cost	260 261 868	45 526 612	710 750	4 057 968

The fair value of these instruments approximates their carrying value.

13.1 BDC PREFERENCE SHARES

Figures in Pula	GROUP		COMPANY	
	2020	2019	2020	2019
Botswana Development Corporation ("BDC")	83 673 191	—	—	—
Payable after one year	83 673 191	—	—	—
Payable within one year	—	—	—	—

The P80 million preference share facility accrues preference dividends at 18% and is repayable on 14 February 2026.

Preference dividends are payable quarterly from March 2021. Interest accrued in the first 12 months is capitalised.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 CONTINUED

13. BORROWINGS continued

Security

The facility is secured as follows:

- › Guarantee from Minergy Limited.
- › Pledge and session of Minergy Limited's shares and claims in Minergy Coal (Pty) Ltd.
- › Cession of all debts to Minergy Coal (Pty) Ltd, but excluding trade receivables.
- › First ranking mortgage bond over the land lease agreement in respect of the mine site.
- › Deed of hypothecation over moveable assets, including all licences and unencumbered plant and machinery.

The security package above is shared between the BDC and the MDCB (refer note 13.2) through an inter-creditor agreement.

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 subsidiary.

Conversion option

The BDC has the option, subject to applicable law and stock exchange requirements, to convert all of the preference shares into 88 000 000 ordinary shares in Minergy Limited. The same conversion ratio will apply to any accumulated preference dividends that remain outstanding on the conversion date.

13.2 MDCB DEBENTURES

Figures in Pula	GROUP		COMPANY	
	2020	2019	2020	2019
Mineral Development Company Botswana ("MDCB")	106 430 816	—	—	—
Payable after one year	106 430 816	—	—	—
Payable within one year	—	—	—	—

The P110 million debenture facility carries interest at 15% and is repayable on 19 March 2026.

Interest is payable quarterly from March 2021. Interest accrued in the first 12 months is capitalised.

An effective interest rate of 18% has been used for accounting purposes (refer note 11.2).

The facility is secured as described in note 13.1.

Conversion option

The MDCB has the option to convert the entire principal debenture amount outstanding, or part thereof (subject to a minimum of P30 000 000), into an equity interest in Minergy Coal (Pty) Ltd. The conversion ratio is based on a pre-determined formula. Should the MDCB elect to exercise the entire debenture principal of P110 000 000, this would result in an equity interest of 25.39%. A similar conversion ratio will apply to any unpaid capitalised items. Should the conversion option be exercised before 31 December 2021, the conversion will be limited to a maximum equity interest of 24.9%.

13.3 BOTRAIL SIDING ADVANCE

Figures in Pula	GROUP		COMPANY	
	2020	2019	2020	2019
Botswana Railways Organisation ("Botrail")	4 602 493	—	—	—
Payable after one year	4 102 493	—	—	—
Payable within one year	500 000	—	—	—

Botswana Railways Organisation ("Botrail") provided a P5 million facility to partially fund the construction of the Tshele Hills rail siding.

By 30 June 2020, P4.6 million had been advanced by Botrail.

This facility is repayable at a rate of P6.95 per tonne of coal loaded onto trains at the Tshele Hills rail siding.

The rail siding was brought into use subsequent to year-end with the first train being loaded in July 2020.

13.4 BENEFICIATION PLANT

Figures in Pula	GROUP		COMPANY	
	2020	2019	2020	2019
Johdee Mineral Processing Botswana	56 868 628	—	—	—
Payable after one year	51 468 710	—	—	—
Payable within one year	5 399 918	—	—	—

Minergy entered into a Build Own Operate Transfer ("BOOT") agreement with Johdee Mineral Processing Botswana ("Johdee") whereby Johdee would construct and finance the coal beneficiation plant. The washing module of the plant was commissioned at the end of August 2019, but certain modules of the plant (including the rigid front- and back-end, filter press and fines dewatering circuit) remained under construction at year-end. As the Group started using the washing module of the plant at the end of August 2019, an asset and reciprocal liability was raised on 1 September 2019 for the completed portion of the plant. An additional asset and reciprocal liability will be recognised upon completion of the outstanding modules referred to above. Minergy Coal will start paying for the beneficiation plant when fully complete (expected November 2020). Repayment will be in 60 equal monthly instalments over 5 years at an interest rate of 10%. Ownership of the beneficiation plant will transfer to Minergy Coal once all payments have been made.

For accounting purposes, the period from 1 September 2019 up to the estimated date of completion of the outstanding modules is considered to be an interest-free period and therefore reduces the effective interest rate to 6.7%, applied from 1 September 2019.

Refer to note 28 for additional information on lease commitments.

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13. BORROWINGS continued

13.5 RIGHT-OF-USE ASSET LEASE LIABILITIES

Figures in Pula	GROUP		COMPANY	
	2020	2019	2020	2019
Various land and building rentals	8 686 740	—	710 750	—
Payable after one year	6 672 939	—	438 822	—
Payable within one year	2 013 801	—	271 928	—

Upon adoption of IFRS 16 on 1 July 2019 the Group assessed existing operating lease agreements and determined that right-of-use assets, with reciprocal liabilities, would be raised for lease agreements covering various property and machinery. Certain similar leases were entered into during the year. The various lease agreements cover periods of between 1 and 25 years.

The Group's incremental borrowing rate or the rate implicit in the lease (where available) was used to discount the future lease payments upon initial recognition of the liability. Interest rates vary between 5.5% and 13%.

Refer to note 28 for additional information on lease commitments.

13.6 SHORT TERM VENDOR FINANCING

Figures in Pula	GROUP		COMPANY	
	2020	2019	2020	2019
Jarcon Opencast Mining Botswana	—	4 057 968	—	4 057 968
Payable after one year	—	—	—	—
Payable within one year	—	4 057 968	—	4 057 968

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

13.7 BRIDGING FACILITY

Figures in Pula	GROUP		COMPANY	
	2020	2019	2020	2019
Botswana Development Corporation ("BDC")	—	41 468 644	—	—
Payable after one year	—	—	—	—
Payable within one year	—	41 468 644	—	—

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

The agreement contained a Refinancing clause which allowed the BDC and/or the Minerals Development Company 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 was 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 subsidiary.

In February 2020 this facility was converted into the new BDC preference share facility discussed in note 13.1. Accrued interest amounting to P6.1 million was paid upon conversion into the new facility.

14. TRADE AND OTHER PAYABLES

Figures in Pula	GROUP		COMPANY	
	2020	2019	2020	2019
Trade payables	60 328 723	96 481 390	241 478	582 929
Accrued expenses	1 751 042	163 766	11 250	5 000
Other payables	309 236	1 555 602	133 168	251 087
Other taxes	2 496 653	133 498	141 650	40 183
Payroll accruals	5 692 668	2 214 919	2 089 288	757 733
	70 578 322	100 549 175	2 616 834	1 636 932

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

15. FINANCIAL ASSETS BY CATEGORY

GROUP

Figures in Pula	Amortised cost	Non-financial assets	Total
2020			
Trade and other receivables	9 344 296	4 616 313	13 960 609
Cash and cash equivalents	1 712 055	—	1 712 055
	11 056 351	4 616 313	15 672 664
2019			
Trade and other receivables	13 077 738	10 113 002	23 190 740
Cash and cash equivalents	294 085	—	294 085
	13 371 823	10 113 002	23 484 825

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COMPANY

Figures in Pula	Amortised cost	Non-financial assets	Total
2020			
Trade and other receivables	14 014 161	235 822	14 249 983
Cash and cash equivalents	78 053	—	78 053
	14 092 214	235 822	14 328 036
2019			
Trade and other receivables	17 998 662	198 626	18 197 288
Cash and cash equivalents	280 079	—	280 079
	18 278 741	198 626	18 477 367

16. FINANCIAL LIABILITIES BY CATEGORY

GROUP

Figures in Pula	Amortised cost	Non-financial liabilities	Total
2020			
Borrowings	260 261 868	—	260 261 868
Trade and other payables	62 389 001	8 189 321	70 578 322
	322 650 869	8 189 321	330 840 190
2019			
Borrowings	45 526 612	—	45 526 612
Trade and other payables	98 200 758	2 348 417	100 549 175
	143 727 370	2 348 417	146 075 787

COMPANY

Figures in Pula	Amortised cost	Non-financial liabilities	Total
2020			
Borrowings	710 750	—	710 750
Trade and other payables	385 896	2 230 938	2 616 834
	1 096 646	2 230 938	3 327 584
2019			
Borrowings	4 057 968	—	4 057 968
Trade and other payables	839 016	797 916	1 636 932
	4 896 984	797 916	5 694 900

17. REVENUE

	GROUP		COMPANY	
Figures in Pula	2020	2019	2020	2019
Coal: Sales	74 654 135	—	—	—
Coal: Transport	5 995 904	—	—	—
	80 650 039	—	—	—

18. COST OF SALES

	GROUP		COMPANY	
Figures in Pula	2020	2019	2020	2019
Mining	88 120 036	—	—	—
Beneficiation	40 729 987	—	—	—
Transport	6 208 938	—	—	—
Employee cost	5 412 885	—	—	—
Royalties	2 228 124	—	—	—
Depreciation	3 706 750	—	—	—
Inventory movement: WIP	19 000 245	—	—	—
Inventory movement: Raw coal	1 262 580	—	—	—
Inventory movement: Finished product	(21 371 530)	—	—	—
Other	4 620 699	—	—	—
	149 918 714	—	—	—

19. OTHER INCOME

	GROUP		COMPANY	
Figures in Pula	2020	2019	2020	2019
Administration and service fees received	—	—	15 840 000	5 520 000
Discount received	35 113	—	—	—
Sundry income	62 501	—	15 603	—
	97 614	—	15 855 603	5 520 000

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20. OPERATING LOSS/PROFIT

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

Figures in Pula	GROUP		COMPANY	
	2020	2019	2020	2019
Audit fees				
Current year fee	287 410	326 000	115 200	140 000
(Over)/Under provision — prior year	(24 576)	15 193	(10 976)	14 377
	262 834	341 193	104 224	154 377
Depreciation				
Cost of sales	3 706 750	—	—	—
Operating expenses	1 285 555	513 271	199 603	15 186
	4 992 305	513 271	199 603	15 186
Operating lease charges				
Property	69 520	449 787	—	—
Office equipment	21 168	35 328	—	—
	90 688	485 115	—	—
Employee costs	15 994 863	8 834 296	—	—
Directors' emoluments				
Executive Directors	5 067 076	3 766 129	5 067 076	3 766 129
Short-term employee benefits	5 067 076	3 766 129	5 067 076	3 766 129
Non-executive Directors	853 100	295 800	853 100	295 800
	5 920 176	4 061 929	5 920 176	4 061 929
Share-based payment (credit)/charge	(734 268)	2 063 988	(370 364)	1 041 073
Corporate advisory and consulting expenses	5 524 705	3 336 884	5 524 705	3 336 884
Loss/(profit) on foreign exchange	1 339 045	315 532	64 660	312 600

21. FINANCE INCOME

Figures in Pula	GROUP		COMPANY	
	2020	2019	2020	2019
Bank balances and short term deposits	101 097	241 066	26 176	241 066
Intercompany loan	—	—	5 785 090	4 141 172
	101 097	241 066	5 811 266	4 382 238

22. FINANCE COSTS

Figures in Pula	GROUP		COMPANY	
	2020	2019	2020	2019
Botswana Development Corporation	10 589 758	—	—	—
Mineral Development Company Botswana	13 219 318	—	—	—
Beneficiation Plant (BOOT)	3 075 835	—	—	—
Trade and other payables	2 972 110	1 135 285	—	57 968
Interest on right-of-use lease liabilities	767 228	—	49 182	—
Unwind of discounted rehabilitation provision	1 133 291	—	—	—
Bridging facility	—	1 476 444	—	—
Interest capitalised	(14 298 797)	(1 476 444)	—	—
	17 458 743	1 135 285	49 182	57 968
NON-CASH FINANCE COSTS:				
The following non-cash finance costs are included above:				
Botswana Development Corporation	4 500 403	—	—	—
Mineral Development Company Botswana	13 219 318	—	—	—
Beneficiation Plant (BOOT)	3 075 835	—	—	—
Jarcon Opencast Mining Botswana	2 972 110	—	—	—
Interest on right-of-use lease liabilities	—	—	—	—
Unwind of discounted rehabilitation provision	1 133 291	—	—	—
	24 900 957	—	—	—

23. INCOME TAX

MAJOR COMPONENTS OF THE INCOME TAX

Figures in Pula	GROUP		COMPANY	
	2020	2019	2020	2019
Normal				
Capital gains tax	—	—	—	—
Total current tax	—	—	—	—
Deferred				
Tax losses available for set off against future taxable income	35 302 784	45 955 888	(1 881 043)	4 685 191
Origination and reversal of temporary differences	(9 553 561)	(32 609 312)	206 537	(545)
Total deferred tax	25 749 223	13 346 576	(1 674 506)	4 684 646
Income tax (charge)/credit	25 749 223	6 686 122	(1 674 506)	270 120

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 CONTINUED

23. 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	
	2020	2019	2020	2019
Accounting loss before tax	(117 621 919)	(36 033 715)	7 981 753	(1 705 980)
Calculated tax at the applicable tax rate (22%)	25 876 822	7 927 417	(1 755 986)	375 316
Non-taxable items				
Share-based payment expense	161 539	(454 078)	81 480	(229 035)
Share issuance costs	—	123 841	—	123 841
Non-deductible finance cost	(289 139)	—	—	—
Impact of interest capitalisation by subsidiary	—	(911 058)	—	—
	25 749 223	6 686 122	(1 674 506)	270 122

24. LOSS AND HEADLINE LOSS PER SHARE (THEBE)

Figures in Pula	GROUP	
	2020	2019
Basic loss per share	(20.69)	(7.01)
Basic diluted loss per share	(20.69)	(7.01)
Headline loss per share	(20.69)	(7.01)
Diluted headline loss per share	(20.69)	(7.01)

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

Figures in Pula	GROUP	
	2020	2019
Loss attributable to the ordinary equity holders of the Company used in calculating basic loss per share	(91 872 696)	(29 347 593)
Adjustments	—	—
Headline loss	(91 872 696)	(29 347 593)

WEIGHTED AVERAGE NUMBER OF SHARES USED AS THE DENOMINATOR

Figures in Pula	GROUP	
	2020	2019
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	444 049 208	418 908 073
Adjusted for calculation of diluted earnings per shares	—	—
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per shares	444 049 208	418 908 073

No dilution has been calculated as the Group is in a loss position and the effect of the dilutive options would be anti-dilutive.

25. CASH UTILISED IN OPERATIONS

Figures in Pula	GROUP		COMPANY	
	2020	2019	2020	2019
Loss before tax	(117 621 919)	(36 033 715)	7 981 753	(1 705 980)
Adjustments for:				
Depreciation	4 992 305	513 271	199 603	15 186
Loss allowance on trade receivables	118 205	—	—	—
Unrealised gain on foreign exchange	—	1 524	—	1 129
Finance income	(101 097)	(241 066)	(5 811 266)	(4 382 238)
Finance costs	17 458 743	1 135 285	49 182	57 968
Share-based payment (credit)/expense	(734 268)	2 063 988	(370 364)	1 041 073
Changes in working capital				
Inventories	(1 108 705)	(47 246 445)	—	—
Trade and other receivables	(3 361 835)	(22 786 729)	(8 526 456)	(17 981 919)
Trade and other payables	2 057 037	9 243 695	979 902	749 804
	(98 301 534)	(93 350 192)	(5 497 646)	(22 204 977)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 CONTINUED

26. CONTINGENT LIABILITIES

The Group had the following contingent liabilities as at 30 June 2020 and 30 June 2019:

PUT OPTION DEED IN FAVOUR OF BARAK FUND

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 Fund SPC Limited ("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.

SECURITY ON FACILITY WITH BOTSWANA DEVELOPMENT CORPORATION (BDC) AND MINERAL DEVELOPMENT COMPANY BOTSWANA (MDCB)

Minergy Limited provided the following security in favour of BDC and MDCB towards its facilities with Minergy Coal (Pty) Ltd:

- › A guarantee in favour of BDC and MDCB that ensures punctual performance by Minergy Coal (Pty) in all obligations under the facilities.
- › A pledge and cession of the Groups shares in Minergy Coal (Pty) Ltd to BDC and MDCB.

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

27. CAPITAL COMMITMENTS

Figures in Pula	GROUP		COMPANY	
	2020	2019	2020	2019
Authorised by Directors and contracted for	28 013 700	70 351 016	—	—
Authorised by Directors but not yet contracted for	—	—	—	—
	28 013 700	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 final commissioning. The washing module was completed in August 2019, but other front and back-end modules remained under construction at year-end. These outstanding sections are expected to be complete by November 2020. The expenditure will be financed from operating cash resources, funding from the holding company and vendor financing.

28. LEASE COMMITMENTS

Figures in Pula	GROUP		COMPANY	
	2020	2019	2020	2019
Leases not recognised as a liability:				
Operating leases - as lessee				
Minimum lease payments due				
— within one year	73 800	2 229 272	—	—
— in second to fifth year inclusive	—	10 667 615	—	—
	73 800	12 896 887	—	—

Operating lease payments represent rental payable by the Group for office equipment (2019: included property and machinery rentals).

As discussed in note 3 the Group adopted IFRS 16 - Leases on 1 July 2019. The following is a reconciliation of total operating lease commitments at 30 June 2019 to the lease liabilities recognised at 1 July 2019:

Figures in Pula	GROUP		COMPANY	
	2020	2019	2020	2019
Total operating lease commitments at 30 June 2019	12 896 887		—	
Recognition exemptions				
— leases with low value and/or less than 12 months remaining	(38 780)		—	
Operating lease liabilities before discounting	12 858 107		—	
Discounted using applicable borrowing rate	(4 725 646)		—	
Operating lease liabilities	8 132 461		—	
Reasonably certain extension options	462 143		—	
Finance lease obligations	—		—	
Total lease liability recognised under IFRS 16 on 1 July 2019	8 594 604		—	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 CONTINUED

28. LEASE COMMITMENTS continued

Leases recognised as a liability:

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognised:

Figures in Pula	No. of assets leased	Remaining term	No. of leases with extension options	No. of leases with purchase options	No. of leases with termination options
Right-of-use assets — washing plant	1	5.5 years	0	1	0
Right-of-use assets — property	8	1 to 25 years	2	0	8
Right-of-use assets — machinery	2	3.5 years	0	2	2

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 30 June 2020 were as follows:

Figures in Pula	Within 1 year	Within 1 – 3 years	Within 3 – 5 years	After 5 years	Total
Lease payments					
Right-of-use assets — washing plant	9 143 503	27 430 509	27 430 509	4 571 751	68 576 272
Right-of-use assets — property	1 262 652	1 511 420	825 147	5 663 171	9 262 390
Right-of-use assets — machinery	1 419 984	2 839 968	709 992	—	4 969 944
	11 826 139	31 781 897	28 965 648	10 234 922	82 808 606
Less: future finance costs					
Right-of-use assets — washing plant	(3 743 585)	(5 514 903)	(2 386 131)	(63 025)	(11 707 644)
Right-of-use assets — property	(458 703)	(718 447)	(640 923)	(3 286 225)	(5 104 298)
Right-of-use assets — machinery	(210 132)	(220 357)	(10 807)	—	(441 296)
	(4 412 420)	(6 453 707)	(3 037 861)	(3 349 250)	(17 253 238)
Right-of-use asset lease liabilities					
Right-of-use assets — washing plant	5 399 918	21 915 606	25 044 378	4 508 726	56 868 628
Right-of-use assets — property	803 949	792 973	184 224	2 376 946	4 158 092
Right-of-use assets — machinery	1 209 852	2 619 611	699 185	—	4 528 648
	7 413 719	25 328 190	25 927 787	6 885 672	65 555 368

29. RELATED PARTIES

RELATIONSHIPS

Subsidiaries

Minergy Coal (Pty) Ltd

Minsales (Pty) Ltd

Refer note 30

Members of key management

Finance providers with board representation at Group level

Botswana Development Corporation*

Finance providers with board representation at subsidiary level

Mineral Development Company Botswana*

Suppliers with board representation at subsidiary level and shareholding at Group level

Jarcon Opencast Mining Botswana*

The Group is controlled by Minergy Limited.

* These entities were not related parties in the previous financial year, hence no comparative information is presented in the table below.

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	GROUP		COMPANY	
	2020	2019	2020	2019
(i) Trade and other receivables				
Minergy Coal (Pty) Ltd	—	—	13 953 836	5 520 000
(ii) Trade and other payables				
Jarcon Opencast Mining Botswana	47 204 546	—	—	—
Key management — claims payable	3 858	48 145	—	48 145
(iii) Loan receivable				
Minergy Coal (Pty) Ltd	—	—	145 229 653	101 480 214
(iv) Loans payable				
Botswana Development Corporation	83 673 191	—	—	—
Mineral Development Company Botswana	106 430 816	—	—	—

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 CONTINUED

29. RELATED PARTIES continued

RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

	GROUP		COMPANY	
Figures in Pula	2020	2019	2020	2019
(i) Compensation paid to directors and other key management				
Short-term benefits	10 957 076	7 671 631	5 920 176	4 061 929
(ii) Advisory fees paid				
Non executive directors	3 440 000	1 668 000	3 440 000	1 668 000
(iii) Finance income				
Minergy Coal (Pty) Ltd	—	—	5 785 090	4 141 172
(iv) Finance cost				
Botswana Development Corporation	10 589 758	—	—	—
Mineral Development Company Botswana	13 219 318	—	—	—
Jarcon Opencast Mining Botswana	2 972 110	—	—	—
(v) Contractor services				
Jarcon Opencast Mining Botswana	119 476 585	—	—	—
(vi) Administration and Service Fees received				
Minergy Coal (Pty) Ltd	—	—	15 840 000	5 520 000

30. DIRECTORS EMOLUMENTS

COMPANY

Figures in Pula	Salary	Bonus	Benefits	Total
2020				
Executive				
Morné du Plessis (Chief Executive Officer)*	2 845 000	72 000	522 123	3 439 123
André Bojé (Chief Executive Officer — resigned 31 July 2019)	250 000	78 000	11 375	339 375
Jean-Pierre van Staden (Chief Financial Officer — appointed 2 January 2020)	1 232 500	—	56 079	1 288 579
	4 327 500	150 000	589 576	5 067 076

Benefits relate to housing and statutory severance benefits.

* The CEO's benefits in the current year include a housing benefit of P192 675 and a once off relocation allowance of P200 000 relating to the relocation of the CEO to Botswana from South Africa.

Figures in Pula	Fees	Bonus	Benefits	Total
2020				
Non executive				
Mokwena Morulane (Chairman)	360 600	—	—	360 600
Leutlwetse Tumelo	241 000	—	—	241 000
Claude de Bruin	251 500	—	—	251 500
	853 100	—	—	853 100

Figures in Pula	Salary	Bonus	Benefits	Total
2019				
Executive				
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
	3 600 000	—	166 129	3 766 129

Figures in Pula	Fees	Bonus	Benefits	Total
2019				
Non-executive				
Mokwena Morulane (Chairman)	131 380	—	—	131 380
Leutlwetse Tumelo	76 960	—	—	76 960
Claude de Bruin	87 460	—	—	87 460
	295 800	—	—	295 800

31. 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.

32. SUBSEQUENT EVENTS

The directors are not aware of any material subsequent events as at the date of the report.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 CONTINUED

33. 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 and Namibian Dollar. Foreign exchange risk arises mainly from sales to foreign customers.

To mitigate the Group's exposure to foreign currency risk, non-Pula amounts are monitored. Forward exchange contracts are considered from time to time, but none have been entered into to date.

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are translated into Pula at the closing rate:

Figures in Pula	ZAR	N\$	Other
Financial assets	6 603 310	1 882 423	—
Financial liabilities	(718 064)	—	(925)

The Group had no significant foreign currency risk exposure in the previous financial year.

The following table illustrates the sensitivity of profit in relating to the Group's financial assets and financial liabilities at year-end. If the Pula had strengthened against these currencies by 10% then this would have had the following impact on profit (a weakening of 10% would have an equal and opposite impact on profit):

Figures in Pula	ZAR	N\$	Other
Financial assets	660 331	188 242	—
Financial liabilities	(71 806)	—	(93)

Cash flow and fair value interest rate risk

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

At 30 June 2020 all of the Group's borrowings had fixed interest rates, hence no significant interest rate risk on borrowings. Overdue trade payables carry interest at prime rate.

Interest rate sensitivity

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

Figures in Pula	GROUP		COMPANY	
	Loss 2020	Loss 2019	Loss 2020	Loss 2019
Increase of 25 basis points in interest rate	118 011	113 817	—	10 145

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.

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

Price risk

The Group transitioned into its operational phase during the current financial year. The Group's sales prices are exposed to commodity price risk. Coal prices are subject to negotiations with customers, but are indirectly linked to international coal export prices. Sales prices are regularly reviewed and renegotiated with customers when deemed necessary. No hedging programmes are currently in place. A 5% movement in sales prices would have increased/decreased profit by P3 732 707. The Group was not exposed to commodity price risk in the previous financial year.

b) Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to credit risk from financial assets including cash and cash equivalents held at banks, trade and other receivables.

Credit risk management

The credit risk is managed on a Group basis based on the Group's credit risk management policies and procedures.

The credit risk in respect of cash balances held with banks and deposits with banks are managed by dealing only with major reputable financial institutions.

The Group continuously monitors the credit quality of customers based on a credit rating scorecard. Where available, external credit ratings and/or reports on customers are obtained and used. The Group's policy is to extend credit terms only to credit worthy counterparties. The credit terms are generally 30 days. The ongoing credit risk is managed through regular review of ageing analysis, together with credit limits per customer.

Trade receivables consist of multiple customers in various industries and geographical areas.

The Group does not hold any security on the trade receivables balance.

The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on entity type, the days past due and also according to the geographical location of customers.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 CONTINUED

33. RISK MANAGEMENT continued

FINANCIAL RISK MANAGEMENT continued

The expected loss rates are based on the payment profile for sales over the past 12 months before 30 June 2020 as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. Relative credit ratings and probability of default per geographical location and entity type was used as the most relevant factors to determine an expected credit loss rate.

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the Group on alternative payment arrangement amongst others is considered indicators of no reasonable expectation of recovery.

On the above basis the expected credit loss for trade receivables as at 30 June 2020 was determined as follows:

Figures in Pula	Not past due	Less than 30 days past due	More than 30 days past due	Total
Weighted expected credit loss rate (%)	1,38	1,41	1,76	
Gross carrying amount	6 811 872	1 623 003	83 258	8 518 133
Lifetime expected credit loss	93 875	22 864	1 466	118 205

As this was the Group's first year with sales revenue, no loss allowance was calculated in the previous financial year.

Other receivables includes mainly VAT, deposits and prepayments. No loss allowance has been provided on these balances.

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 2020 is made up as follows:

Figures in Pula	GROUP		COMPANY	
	2020	2019	2020	2019
Cash and cash equivalents	1 712 055	294 085	78 053	280 079
Trade and other receivables	13 960 609	23 190 740	14 249 983	18 197 288
	15 672 664	23 484 825	14 328 036	18 477 367

The credit rating of the Company's banker is BB, albeit that Botswana sovereign credit rating is BBB+ (2019: A-).

No collateral is held for any of the above assets.

None of the above assets are past due or impaired.

c) Liquidity risk

Liquidity risk is that the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings:

GROUP

Figures in Pula	Less than 1 year	Between 2 and 5 years	After 5 years	Total
At 30 June 2020				
Borrowings	7 913 719	51 255 977	201 092 172	260 261 868
Trade and other payables	62 389 001	—	—	62 389 001
At 30 June 2019				
Borrowings	45 526 612	—	—	45 526 612
Trade and other payables	98 200 758	—	—	98 200 758

COMPANY

Figures in Pula	Less than 1 year	Between 2 and 5 years	After 5 years	Total
At 30 June 2020				
Borrowings	710 750	—	—	710 750
Trade and other payables	385 896	—	—	385 896
At 30 June 2019				
Borrowings	4 057 968	—	—	4 057 968
Trade and other payables	839 016	—	—	839 016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 CONTINUED

33. RISK MANAGEMENT continued

CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group'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 Group 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 borrowings.

Management continually monitors the level of equity and debt. 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 equity and external long-term loan facilities with maturities spread over time.

In terms of the BDC and MDCB facilities, 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 facilities have been adequately serviced.

During the current financial year the Group started its operational phase and was ramping up its operations toward a level of steady state operations. By 30 June 2020 the Group had not yet achieved steady state operating levels, due largely to the impact of COVID-19 lockdowns and the related delays in completion of the beneficiation plant upgrades. This resulted in the Group depleting available facilities.

Additional funding is required to fund the Group's continued operational ramp-up and completion of mine and plant development activities.

Refer to note 11 in the directors' report for additional discussion on this topic.

NOTICE OF ANNUAL GENERAL MEETING

Minergy Limited

(Incorporated in accordance with the laws of Botswana)

(Botswana registration number: BW0001542791)

www.minergycoal.com

("Minergy" or "the Company", and where referred to with its subsidiaries "the Group")

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 conducted electronically via a Microsoft Teams webinar in order to adhere to COVID-19 social distancing and gathering confines, and will take place at 08:30 on Wednesday, 11 November 2020 for the purpose of transacting the business and passing if deemed fit with or without amendment, the resolutions proposed.

VOTING AND PROXIES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his/her stead.
2. The instrument appointing such a proxy must be deposited at the registered office of the Company or sent by email to contactus@corpservebotswana.com not less than 48 hours i.e. 08:30 on Monday, 9 November 2020 before the meeting.
3. The completion and lodging of the form of proxy will not preclude the relevant member from attending the meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms thereof.

AGENDA

Presentation of annual financial statements and report.

The complete set of the consolidated audited annual financial statements (pages 62 – 89), together with the independent auditor's report (pages 60 – 61) and report of the Audit and Risk Committee and the report of the Remuneration and Nominations Committee (pages 40 – 46), are contained in the Integrated Annual Report.

The following resolutions are proposed for consideration and adoption to be moved, with or without modification.

With respect to Ordinary Resolution 15 below, take notice of the following background sets out the motivation therefore:

- › The 2017 Share Option Plan ("the Plan" unless referred to in full) in its current form as was approved at the AGM of the Company during 2017 is now essentially obsolete, and no options were exercised thereunder;
- › The Plan became obsoleted due to factors largely outside of the control of Participants (including permitting delays early in the process, and more recently COVID-19), which resulted in options either not vesting or expiring;
- › Accordingly, a review of the Company's retention and incentive programs was undertaken to take into account that the Group does not have a working option plan, and that it has transitioned into a production environment;
- › The purpose of Ordinary Resolution 15 is therefore to amend the 2017 Share Option Plan so that the exercise price of Options granted under the Plan is in line with the price of the Company's shares at the time that Options are granted to Participants going forward, so that the revised Plan can be used as a Retention Plan for the Company's top Management and Executives.
- › Should Ordinary Resolution 15 be passed, the Board intends to make further amendments to the Plan to bring it in line with typical staff retention plans, including setting vesting criteria that rewards long service to the Group. Accordingly, the Board will amend the Plan so that Options granted in terms thereof vest upon the completion of not less than three continuous years of service to the Group from the date upon which an Option is granted to a Participant.

ORDINARY RESOLUTIONS

2020 FINANCIAL STATEMENTS

Ordinary resolution number 1

To receive, consider and adopt the audited financial statements for the year ended 30 June 2020.

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 19.9.1 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 19.9.1 of the constitution, and who is eligible and offers himself for re-election.

Ordinary resolution number 4

To re-elect, by way of a separate vote, Mr Claude de Bruin who retires in terms of clause 19.9.1 of the constitution, and who is eligible and offers himself for re-election.

Ordinary resolution number 5

To elect, by way of a separate vote, Mr André Bojé who was appointed by the Board in terms of clause 19.4 of the constitution, and who is eligible and offers himself for election.

Ordinary resolution number 6

To elect, by way of a separate vote, Mr Cross Kgosiile who was appointed by the Board in terms of clause 19.4 of the constitution, and who is eligible and offers himself for election.

Brief CVs in respect of each Director offering himself for re-election can be found on page 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") and Social and Ethics Committee ("SEC")

Ordinary resolution number 7

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

Ordinary resolution number 8

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

Ordinary resolution number 9

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

Ordinary resolution number 10

To re-elect Mr John Astrup as member of SEC.

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 election or re-election are contained in the Integrated Annual Report.

APPOINTMENT OF AUDITORS AND REMUNERATION OF AUDITORS**Ordinary resolution number 11****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 12**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 2020 AND 2021**Ordinary resolution number 13****Remuneration of Non-executive Directors for 2020**

To approve remuneration of Non-executive Directors for the financial year ended 30 June 2020, in terms of Note 30 of the consolidated annual financial statements, as recommended by the Board and set out in the following table.

Non-executive remuneration for the financial year ended 30 June 2020:

NAME	2020 (Pula)
Mokwena Morulane	360 600
Leutlwetse Tumelo	241 000
Claude de Bruin	251 500
André Bojé	Nil

Ordinary resolution number 14**Remuneration of Non-executive Directors for 2021**

To approve remuneration of Non-executive Directors for the financial year ending 30 June 2021, as recommended by the Board and set out in the table below.

Non-executive remuneration for the financial year ended 30 June 2021:

RETAINER FEE PER MONTH	2021 (Pula)	2020 (Pula)
Chairman of the Board	25 000	25 000
Board member	17 000	17 000
Chairman of Governance Committee	Nil	Nil
Member of Governance Committee	Nil	Nil

APPROVAL OF AMENDMENT OF PARAGRAPH 7 OF THE 2017 SHARE OPTION PLAN**Ordinary resolution number 15**

Resolved that shareholders approve the replacement of paragraph 7 of the 2017 Share Option Plan with the following new paragraph 7:

Paragraph 7:

"The exercise price of each vested Option (the "Exercise Price") shall be BWPO.83 (Botswana Pula zero point eight three), representing the 30 day VWAP of Ordinary Shares as traded on the Botswana Stock Exchange during the 30 trading days immediately preceding the last approval by the Board of this paragraph 7(a) of the Plan, where the total amount in Pula (the "Consideration") due to Minergy as payment for the exercise of more than one Option shall be the number of Options being exercised multiplied by the Exercise Price."

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.

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 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 _____ 2020.

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
Ordinary resolution number 1: Audited Financial Statements for the year ended 30 June 2020			
Ordinary resolution number 2: Re-elect Mr Leutlwetse Tumelo: Board			
Ordinary resolution number 3: Re-elect Mr Mokwena Morulane: Board			
Ordinary resolution number 4: Re-elect Mr Claude de Bruin: Board			
Ordinary resolution number 5: Elect Mr André Bojé: Board			
Ordinary resolution number 6: Elect Mr Cross Kgosidiile: Board			
Ordinary resolution number 7: Re-elect Mr Mokwena Morulane: ARM, SEC, and Remco			
Ordinary resolution number 8: Re-elect Mr Leutlwetse Tumelo: ARM, SEC, and Remco			
Ordinary resolution number 9: Re-elect Mr Claude de Bruin: ARM and Remco			
Ordinary resolution number 10: Re-elect Mr John Astrup: SEC			
Ordinary resolution number 11: Appointment of auditors			
Ordinary resolution number 12: Remuneration of auditors			
Ordinary resolution number 13: Approve remuneration of Non-executive Directors for 2020			
Ordinary resolution number 14: Approve remuneration of Non-executive Directors for 2021			
Ordinary resolution number 15: Approve amendment to paragraph 7 of the 2017 Share Option Plan			

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 shareholders votes exercisable thereat. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the 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 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.

ELECTRONIC PARTICIPATION FORM

This form is to be completed should you wish to vote electronically on the day of the AGM. Alternatively, your vote can be sent to the Transfer Secretaries ahead of the AGM and you will still be able to listen in and ask questions at the AGM.

PARTICIPATION IN THE AGM VIA ELECTRONIC COMMUNICATION

CAPITALISED TERMS USED IN THIS FORM SHALL MEAN THE MEANINGS ASCRIBED THERETO IN THE NOTICE OF AGM TO WHICH THIS PARTICIPATION FORM IS ATTACHED

- Shareholders or their duly appointed proxy(ies) that wish to participate in the AGM via electronic communication (Participants), must apply to Corpserve Botswana, by delivering the duly completed Form to:
Corpserve Botswana, Unit 206, Second Floor, Plot 64516, Showgrounds Close, Fairgrounds, or posting it to PO Box 1583, AAD, Gaborone (at the risk of the Participant), or by email to contactus@corpservebotswana.com to be received by Corpserve by no later than 5 business days prior to the Meeting. Corpserve will first validate such requests and confirm the identity of the shareholder in accordance with the Act, and, if the request is validated, further details on using the electronic communication facility will be provided.
- Important notice
The Company shall, by no later than four business days prior to the Meeting, notify Participants that have delivered valid notices in the form of this Form, by email of the relevant details through which Participants can participate electronically.

APPLICATION FORM

Full name of participant:	
ID number:	
Email address:	
Cell number:	
Telephone number: (code)	(number)
Name of CSDP or broker (if shares are held in dematerialised format):	
Contact number of CSDP/broker:	
Contact person of CSDP/broker:	
Number of share certificates (if applicable):	
Signature:	
Date:	

TERMS AND CONDITIONS FOR PARTICIPATION IN THE AGM VIA ELECTRONIC COMMUNICATION

- The cost of electronic participation in the AGM is for the expense of the Participant and will be billed separately by the Participant's own service provider.
- The Participant acknowledges that the electronic communication services are provided by third parties and indemnifies Minergy against any loss, injury, damage, penalty or claim arising in any way from the use or possession of the electronic services, whether or not the problem is caused by any act or omission on the part of the Participant or anyone else. In particular, but not exclusively, the Participant acknowledges that he/she will have no claim against the Company, whether for consequential damages or otherwise, arising from the use of the electronic services or any defect in it or from total or partial failure of the electronic services and connections linking the participants via the electronic services to the AGM.
- The application to participate in the AGM electronically will only be deemed successful if this application form has been completed and signed by the Participant.
- Minergy cannot guarantee there will not be a break in electronic communication that is beyond the control of the Company.

Participant's name: _____

Signature: _____ Date: _____

CORPORATE AND GENERAL INFORMATION

CORPORATE INFORMATION

REGISTERED OFFICE AND BUSINESS ADDRESS

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

POSTAL ADDRESS

PO Box AD 10 ABC
Phakalane
Gaborone

COMPANY SECRETARY

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

WEBSITE

www.minergycoal.com

TRANSFER SECRETARIES

Corpserve Botswana

ATTORNEYS

Akheel Jinabhai & Associates

BANKERS

RMB Botswana

AUDITORS

Grant Thornton (Botswana)
Certified auditors of public interest entities

REGISTRATION NUMBER

BW00001542791

GENERAL INFORMATION

COUNTRY OF INCORPORATION AND DOMICILE

Botswana

NATURE OF THE BUSINESS

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

DIRECTORS

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

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

LEVEL OF ASSURANCE

The financial statements have been audited in compliance with the applicable requirements of the Companies Act of Botswana (CAP 42:01).

PREPARER

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