



**CONDENSED UNAUDITED  
INTERIM CONSOLIDATED  
RESULTS FOR THE SIX  
MONTHS ENDED  
31 DECEMBER 2018**

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

**Minergy Limited**

(Incorporated in accordance with the laws of Botswana) (Company number: 2016/18528) ("Minergy" or "the Group" or "the Company")

## INTRODUCTION

Minergy is a coal mining and trading company committed to becoming the supplier of choice to industrial customers and power utilities across southern Africa and to be the leader in developing the Botswana coal industry.

## OPERATIONAL OVERVIEW

At the end of August 2018 Minergy was awarded its mining license and since then the Company has focused on the establishment of a mine. Progress at the mine site has in some instances exceeded expectations and in others delays have been experienced.

On the positive side, mine infrastructure now includes extensive civil work, power reticulation, built water and waste management systems, access roads constructed, weighbridges installed and offices and workshops completed. The mine box cut is ahead of schedule with in excess of 1.2 million m<sup>3</sup> of material moved by February 2019. In the same month a bulk sample

of coal was blasted and extracted. A portion of the bulk sample coal was processed in South Africa and has exceeded expectations.

A video of the box cut and bulk sample blast can be viewed on the Minergy website at [www.minergycoal.com](http://www.minergycoal.com).

The delay in the completion and commissioning of the processing and wash plant, which is mostly being constructed in South Africa, is due primarily to the extensive load shedding being experienced in the country. The plant will now be commissioned in April 2019.

Local offices were opened in the villages of Medie and Lentsweletau primarily to ensure that detailed skills audits are conducted and that as much employment as possible is sourced from these areas. At the end of December 2018, of the 181 employees on the mine site, 164 or 91% were Botswana citizens. The current workforce, at the date of publication of these results, totals 215 employees of which 201 are Batswana.

Minergy at its own expense, commissioned the construction of a power line from Lentsweletau to Medie, which was constructed by the Botswana Power Corporation and is scheduled for completion by April 2019. This power line will provide electricity to the village residents, school and clinic for the first time. Several other social developments projects are also underway.

Minergy successfully raised a further BWP21 million via a private placement to existing shareholders and is in advanced discussions to conclude an investment of BWP100 million into its wholly owned subsidiary Minergy Coal (Pty) Ltd. The details of the investment will be communicated in due course. These funds are to be used to complete the mine commissioning and to reduce short term debt.

Due to uncertainty surrounding the economic effects of Brexit, the pro- posed listing on the AIM (Alternative Investment Market) of the London Stock Exchange has been rescheduled for the end of 2019.

Overall the management team is satisfied with the progress made and is excited about the road ahead and what can be achieved.

## FINANCIAL OVERVIEW

The reporting period has been characterised by two distinct halves. From 30 June 2018 to the end of August 2018 the Group still operated as an exploration company in anticipation of its long-awaited mining license which was issued at the end of August 2018. The award followed the approval of Environmental Impact Assessment Statement received from the Department of Environmental Affairs ("DEA").

These first half results reflect expenditure typical of the exploration phase, as was the case in the previous reporting period with cash being conserved for the developmental phase of the project.

Post August 2018, expenditures and cash flows were directly appropriated to the development of the mine. By December 2018 the box cut was significantly developed with more than 821 000m<sup>3</sup> of material displaced.

The most significant movement on the Statement of Financial Position relates to the increase in Property, Plant and Equipment ("PPE") and the decrease in cash resources. The PPE movement includes capitalised cost of the box cut, washing plant civil work, power and water reticulation as well as surface right compensations.

The increase in trade and other payables is a function of current amounts owing for the box cut and mine development.

The Statement of Comprehensive Income has seen the increase in operational expenditures, which now includes additional mine site overheads, additional staff and advisor costs not incurred in the comparative period.

The current period also includes an IFRS 2 Share Based Payment expense regarding share options in terms of the approved 2017 Share Option Plan of approximately BWP580 000.

Notable is the decrease in interest income earned as result of the utilisation of the cash resources to develop the mine.

In excess of BWP50 million of cash has been spent during the period which utilisation is represented in the Statement of Cash Flows. The Group is grateful for the support of existing shareholders for the additional capital of BWP21 million received late in the period from the specific issue of shares.

The group's cash resources have become limited and access to funding has become difficult. The specific issue of shares in December 2018 resulted in only BWP21 million being received from shareholders, leaving BWP49 million of shares not being taken up despite interest received for these shares during the process. These unissued shares are still available for placement and various discussions are underway with parties interested in participating.

However with the BWP100 million investment the Group should have sufficient funding to bring the mine into production.

## COAL INDUSTRY REVIEW

During the first quarter of 2019, thermal coal prices have softened due primarily to uncertainty surrounding Chinese policies. However, this has not impacted on the regional coal market with regional pricing continuing to rise as coal shortages are being experienced.

South Africa exported four million tonnes of coal to the African continent during 2016, and this is forecast to rise to 38 million tonnes

by 2030. Botswana and Minergy both have a significant role to play in fulfilling that increase in demand as some large multinationals have announced they will peg production at 2019 levels despite this increase in demand. Investors seeking to invest in coal have significant opportunity at the moment; there is a deficit in supply and a strong demand, especially in the developing world which will drive up prices and keep them at a sustained high. In our experience, there has never been a better time to invest in coal.

## STRENGTHENING OF THE OPERATIONAL TEAM

During the period under review no changes took place within the executive or operational management team. The critical appointment of a Safety Health and Environment (SHE) Manager has been made.

Post the period under review, two senior appointments were made:

Mr Siyani Makwakwago was appointed as General Manager Mining to over-see all mining activities. Siyani has extensive mining experience having previously held executive posts at Debswana, BCL and Morupule coal mine.

Mr Julius Ayo was appointed as Financial Manager responsible for the full financial function within the operating subsidiary. Julius is an ACCA and BICA qualified Chartered Accountant with over 15 years of experience, including six years in the mining sector, specifically at Gem Diamonds.

## CHANGES TO THE BOARD OF DIRECTORS

During the period under review there were no changes to the Board of directors as set out in the Integrated Annual Report for the year ended 30 June 2018. Details of the Board of Directors is available on the Company website at [www.minergycoal.com](http://www.minergycoal.com).

## LOOKING FORWARD

The significant progress of mine construction and commissioning is pleasing to all and with first saleable coal now expected in April 2019, we can satisfy the needs of the customers who indicated interest in the product, of which some are currently testing the limited washed coal available from the bulk sample.

Minergy can now move on to the next phase of being a fully-fledged producer and begin exploring avenues to maximise returns to stakeholders and expand operations even further.

Whilst the postponement of the AIM listing in London is disappointing, albeit that there was significant investor interest, the positive is that the Company valuation is expected to be significantly enhanced once it moves from the exploration phase into the production phase.

## DIVIDEND

### Current year dividends

No dividends have been distributed to date as cash is utilised to ensure operations are in place.

### Future dividends

Dividends will only be payable once the Company is profitable and generates the required free cash flow. It is proposed that dividends will be declared annually based on the financial performance of the Company for the 12 months ended 30 June, on a two times cover (of headline earnings per share) basis, and paid on or about October of each year. The Board shall determine the specifics of the dividend policy of the Company from time to time.

## CONTINGENT LIABILITY

There are no contingent liabilities in the Group.

## BASIS OF PREPARATION

The interim consolidated financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and financial pronouncements as issued by the International Accounting Standards Board and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in preparing the interim consolidated financial statements are in terms of IFRS and are consistent with prior periods.

The condensed consolidated unaudited financial statements were prepared by the Chief Financial Officer, Morne Du Plessis (CA)SA and were approved by the Board of Directors on 19 March 2019.

## APPRECIATION

The Board would like to take this opportunity to thank the shareholders for their support of the project and the management team for their dedication to ensuring that we remain on track to have operations in place as soon as possible. This is paramount to ensuring that Minergy returns value to shareholders.

On behalf of the Board

**Mokwena Morulane**  
Non-executive Chairman

**Andre Boje**  
Chief Executive Officer

28 March 2019

## FINANCIALS

The condensed unaudited interim consolidated results for the six months ending 31 December 2018 ("the results") are presented below as:

### Condensed unaudited consolidated statement of financial position

As at 31 December 2018

FIGURES IN BOTSWANA PULA	Half year Dec 18	Full year Jun 18
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	78 449 665	1 918 090
Exploration and evaluation assets	25 060 043	27 272 920
Investment in subsidiary	—	—
Deferred income tax	9 395 868	6 660 454
	112 905 576	35 851 464
<b>Current assets</b>		
Trade and other receivables	19 870 680	404 012
Cash and cash equivalents	5 703 484	55 894 338
	25 574 164	56 295 350
<b>Total assets</b>	138 479 740	92 146 814
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Stated capital	130 563 026	109 779 736
Share-based payment reserve	581 875	—
Accumulated loss	(29 044 992)	(19 327 745)
<b>Equity attributable to owners of the parent</b>	102 099 909	90 451 991
<b>Total equity</b>	102 099 909	90 451 991
<b>Current liabilities</b>		
Trade and other payables	36 379 831	1 694 823
	36 379 831	1 694 823
<b>Total liabilities</b>	36 379 831	1 694 823
<b>Total equity and liabilities</b>	138 479 740	92 146 814

## Condensed consolidated unaudited statement of comprehensive income

For the period ending 31 December 2018

FIGURES IN BOTSWANA PULA	Half year Dec 18	Half year Dec 17
Revenue	—	—
Cost of sales	—	—
<b>Gross profit</b>	—	—
Other income	—	—
Operating expenses	(12 683 158)	(8 480 005)
<b>Operating loss</b>	(12 683 158)	(8 480 005)
Finance income	230 496	1 064 593
Finance costs	—	(49)
Finance income — net	230 496	1 064 544
<b>Loss before income tax</b>	(12 452 662)	(7 415 461)
Income tax expense	2 735 415	—
<b>Total loss for the year</b>	(9 717 247)	(7 415 461)
Other comprehensive income for the year	—	—
<b>Total comprehensive loss for the year</b>	(9 717 247)	(7 415 461)
<b>Total comprehensive loss attributable to:</b>		
Owners of the parent	(9 717 247)	(7 415 461)
Non-controlling interest	—	—
	(9 717 247)	(7 415 461)
Loss per share (thebe)	(2.39)	(1.97)
Diluted loss per share (thebe)	(2.39)	(1.97)
Headline loss per share (thebe)	(2.39)	(1.97)
Diluted headline loss per share (thebe)	(2.39)	(1.97)

## Condensed consolidated unaudited statement of changes in equity

For the period ending 31 December 2018

FIGURES IN BOTSWANA PULA	Stated capital	Accumulated loss	Share-based payment reserve	Total equity
<b>Balance at 1 July 2017</b>	84 266 725	(9 509 378)	—	74 757 348
Shares issued				
26 January 2018 specific issue	26 953 378	—	—	26 953 378
Capitalisation of share issuance costs	(1 440 368)	—	—	(1 440 368)
Comprehensive loss	—	(9 818 367)	—	(9 818 367)
<b>Balance at 30 June 2018</b>	<b>109 779 736</b>	<b>(19 327 745)</b>	<b>—</b>	<b>90 451 991</b>
24 December 2018 specific issue	<b>21 346 203</b>	—	—	<b>21 346 203</b>
Capitalisation of share issuance costs	<b>(562 913)</b>	—	—	<b>(562 913)</b>
Comprehensive loss	—	(9 717 247)	—	(9 717 247)
Share-based payment expense	—	—	581 875	581 875
<b>Balance at 31 December 2018</b>	<b>130 563 026</b>	<b>(29 044 992)</b>	<b>581 875</b>	<b>102 099 909</b>

## Condensed consolidated unaudited statement of cash flows

For the period ending 31 December 2018

FIGURES IN BOTSWANA PULA	GROUP	
	Half year Dec 18	Half year Dec 17
<b>Cash flows from operating activities</b>		
Cash utilised in operations	3 329 933	(9 104 007)
Interest paid	—	(49)
Income tax paid	—	—
<b>Net cash used in operating activities</b>	<b>3 329 933</b>	<b>(9 104 056)</b>
<b>Cash flows from investing activities</b>		
Exploration and evaluation asset expenditure	(935 094)	(2 661 988)
Acquisition of property, plant and equipment	(73 596 479)	(38 772)
Increase in investment in subsidiary	—	—
Advances to other financial assets	—	(23 063 861)
Interest income	230 496	1 064 593
<b>Net cash utilised in investing activities</b>	<b>(74 301 077)</b>	<b>(24 700 028)</b>
<b>Cash flows from financing activities</b>		
Subscription for shares	20 783 290	—
<b>Net cash from financing activities</b>	<b>20 783 290</b>	<b>—</b>
<b>Total cash movement for the period</b>	<b>(50 187 854)</b>	<b>(33 804 084)</b>
Cash at the beginning of the period	56 065 851	54 171 748
<b>Total cash at end of the period</b>	<b>5 877 997</b>	<b>20 367 664</b>



## CORPORATE INFORMATION

**Non-executive Directors:**

M Morulane (Chairman)

C de Bruin

L Tumelo

**Executive Directors:**

A Boje (Chief Executive Officer)

M du Plessis (Chief Financial Officer)

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**Transfer secretaries:**

Corpserve Botswana

**Corporate adviser:**

Exchange Sponsors

**Attorneys:**

Armstrongs Attorneys

**Registered auditors:**

Grant Thornton Botswana

## DISCLAIMER

This announcement may contain certain forward-looking statements concerning Minergy's operations, business strategy, financial conditions, growth plans and expectations. These statements include, without limitation, those concerning the economic outlook, business climate and changes in the market. Such views involve both known and unknown risks, assumptions, uncertainties and important factors that could materially influence the actual performance of the Group. No assurance can be given that these will prove to be correct and no representation or warranty, expressed or implied, is given as to the accuracy or completeness of such views contained in this announcement.

