



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.

OPERATIONAL OVERVIEW

Significant progress was made on multiple fronts during and post the period under review. First and foremost, the process of securing the mining license is at an advanced stage. The Environmental and Social Impact Assessment ("ESIA") Scoping and Terms of Reference Report was approved by the regulatory authorities and the draft ESIA has been submitted to the Department of Environmental Affairs ("DEA"). The balance of the required documentation for the award of the license has been reviewed by the various departments and is awaiting final approval in conjunction with the ESIA. Once again, we have had excellent engagement with and assistance from the Botswana government at all levels and this has given us comfort that the license should be awarded by Q3 2018.

The process to identify and appoint a suitable mining contractor is at an advanced stage with Minergy currently in discussions with two suitable companies. Mining operations should then commence during July 2018 following the award of the mining licence.

Following an exhaustive process to identify a company to build and operate the coal processing and washing plant, the contract was awarded to Pentalin Processing (Pty) Ltd ("Pentalin"), a South African based company with many years of experience in building and operating coal specific washing and processing plants. Pentalin is planning the final commissioning of the plant for September 2018.

Once again Minergy's capital partners stepped up to the plate and subscribed for a further BWP27 million during a capital raising exercise undertaken late in 2017 bringing their total commitment to date to BWP100 million. These major investors remain fully committed and supportive of the project and the associated business plan going forward.

Extensive work and preparation has taken place for a second listing on the London based Alternative Investment Market ("AIM"). The required London based broker has been appointed and we are in the process of appointing the accountants and lawyers. However, a final decision regarding the second listing will only be made once Minergy has formally tested the investment appetite. The listing on AIM is planned for the end of 2018.

Other notable progress made to date includes the approval by Botswana Rail for the construction of our rail siding, the renewal of the Company's prospecting license for coal and coal bed methane ("CBM") for a further period of two years and the finalisation of the updated competent persons report ("CPR") indicating improved results of in situ qualities, strip ratios and yields. The revised CPR is available on the Minergy website at http://www.minergycoal.com/content/cpr.html

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



FINANCIALS

The condensed unaudited interim consolidated results for the six months ending 31 December 2017 ("the results") are presented below as:

Statement of financial position

FIGURES IN BOTSWANA PULA	Half year 31 Dec 2017 Unaudited	Full year 30 Jun 2017 Audited
ASSETS		
Non-current assets		
Property, plant and equipment	610 126	654 915
Exploration and evaluation assets	22 860 857	20 198 869
	23 470 983	20 853 784
Current assets		
Other financial assets	24 002 099	_
Trade and other receivables	837 934	486 066
Cash and cash equivalents	20 367 664	54 171 748
	45 207 697	54 657 814
Total assets	68 678 680	75 511 598
EQUITY AND LIABILITIES		
Capital and reserves		
Ordinary shares	84 266 725	84 266 725
Accumulated loss	(16 924 839)	(9 509 378)
Equity attributable to ordinary shareholders	67 341 886	74 757 347
Total equity	67 341 886	74 757 347
Current liabilities		
Trade and other payables	1 336 794	754 251
Total liabilities	1 336 794	754 251
Total equity and liabilities	68 678 680	75 511 598



Statement of comprehensive income

FIGURES IN BOTSWANA PULA	Half year 31 Dec 2017 Unaudited	Half year 31 Dec 2016 Unaudited
Other income	_	_
Operating expenses	(8 480 005)	_
Operating loss	(8 480 005)	_
Finance income	1 064 593	_
Finance costs	(49)	
Finance income — net	1 064 544	_
Loss before income tax	(7 415 461)	_
Income tax expense	_	_
Total loss for the year	(7 415 461)	_
Other comprehensive income for the year	_	_
Total comprehensive loss for the year	(7 415 461)	_
Total comprehensive loss attributable to:		_
Owners of the parent	(7 415 461)	_
Non-controlling interest	_	_
	(7 415 461)	_
Loss per share (thebe)	(1.97)	_
— Diluted loss per share (thebe)	(1.97)	_
Headline loss per share (thebe)	(1.97)	_
 Diluted headline loss per share (thebe) 	(1.97)	_



Statement of changes in equity

FIGURES IN BOTSWANA PULA	Share capital	Accumulated loss	Total equity
Balance at 1 July 2016	15 263 287	_	15 263 287
Subscription for shares	72 008 200	_	72 008 200
Capitalisation of share issuance costs	(3 004 762)	_	(3 004 762)
Comprehensive loss	_	(19 566 122)	(19 566 122)
Share based payment expense	_	10 056 744	10 056 744
Balance at 1 July 2017	84 266 725	(9 509 378)	74 757 347
Comprehensive loss	_	(7 415 461)	(7 415 461)
Balance at 31 December 2017	84 266 725	(16 924 839)	67 341 886

Statement of changes in cash flows

FIGURES IN BOTSWANA PULA	Half year 31 Dec 2017 Unaudited	Full year 30 Jun 2017 Audited
Cash flows from operating activities		
Cash utilised in operations	(9 104 006)	(9 497 648)
Interest paid	(49)	(323)
Net cash used in operating activities	(9 104 055)	(9 497 971)
Cash flows from investing activities		
Exploration and evaluation asset expenditure	(2 661 988)	(4 935 702)
Purchase of property, plant and equipment	(38 772)	(692 641)
Advances to other financial assets	(23 063 861)	_
Interest income	1 064 593	294 504
Net cash utilised in investing activities	(24 700 028)	(5 333 839)
Cash flows from financing activities		
Subscription for shares	_	69 003 558
Net cash from financing activities	_	69 003 558
Total cash movement for the period	(33 804 083)	54 171 748
Cash at the beginning of the period	54 171 748	_
Total cash at end of the period	20 367 665	54 171 748



FINANCIAL OVERVIEW

Minergy remains in the development and exploration phase of its business plan albeit that significant progress has been made towards operational status. The results, therefore, reflect expenditure typical of this phase. The Group started expensing costs in the second half of the 2017 financial year and the comparative information for the comparative interim period for the statement of comprehensive income consequently reflects no activity.

Operating expenditures consist mainly of typical head office expenditure specific to the holding company such as salaries, listing and statutory related costs as well as salary and office costs of the subsidiary, Minergy Coal (Pty) Ltd. However, in most cases, expenditure incurred in the subsidiary is capitalised to the project asset.

The Group invested surplus funds into shortterm South African Rand ("ZAR") denominated investments (reflected in the Other Financial Assets line item) as these instruments yielded higher returns than the equivalent Pula investment. Interest earned for the six-month period was BWP1.1 million.

Evaluation and exploration assets, representing the Masama project, increased by BWP2.7 million, mostly relating to capitalised costs for environmental studies, a further geological review and road studies.

Trade and other receivables include capitalised costs incurred in the raising of capital (Share Issue for Cash approved in January 2018) and will be offset against the capital raised in early January 2018 applying guidance from IFRS 2.

Cash and cash equivalents (including short-term investments) amount to BWP44.3 million at the period end. The expectation is that the majority of these balances will be expended during the second half of the 2018 financial year on capitalised expenditure, specifically mine development.

On 7 January 2018 at an extraordinary general meeting an additional issue for shares was approved by shareholders and from this additional capital, BWP26.9 million was raised for the project.

INDUSTRY MATTERS

Internationally, coal continues to defy the market commentators who project falling prices and a diminishing industry. During February 2018 physical coal shipments from Richards Bay Coal Terminal traded at \$US98 per ton, up 90% from the 2016 lows. This is driven by the lack of investment in new coal projects, China cutting back some 500 million tons per annum in production and increased demand for coal from new coal fired plants.

Regionally, prices are at levels not seen before due to the lack of investment in new projects in the dominant coal producer, South Africa. This lack of investment is partly due to policy uncertainty and the talk around resource nationalisation. However coal demand continues to rise as it is still the most economical form of energy available. Regional end users are finding it difficult to source reliable and consistent supply as most producers are favouring the export market.



STRENGTHENING OF THE MANAGEMENT TEAM

Two appointments have further bolstered the Minergy executive team. Firstly, a mining engineer has been appointed as the Company's technical advisor who has 34-year's of coal mining experience at various South African companies such as BHP Billiton and Wescoal and secondly, a marketing manager with 18-year's of coal marketing experience, in the southern African region, at companies including Glencore and Shanduka Coal. These appointments show the Company's resolve to drive the development of the Botswana coal industry and to ensure acceptable returns for shareholders.

PROSPECTS

Subject to the awarding of the mining licence and given the timelines outlined in the operational review, Minergy plans to have 250 000 tons of run of mine ("ROM") available for processing through the washing plant by September 2018 that will produce 150 000 tons of saleable coal and thereafter 100 000 tons per month.

Due to the current favourable coal pricing and product shortages, Minergy has had numerous approaches to enter into off-take agreements with both regional end users and international coal traders which could elevate the required saleable product to in excess of 200 000 tons per month. The mine's ability to service this increased tonnage will be dependent on factors such as the availability of capital for expansion and projected coal pricing to 2021.

As was widely reported, Transnet Freight Rail ("TFR"), the South African rail logistics provider, is targeting end-May 2018 for the conclusion of a memorandum of understanding with the Botswana government-owned Botswana Rail, for a rail line that will connect the Botswana coal fields with the South African rail infrastructure to access export possibilities through the various South African ports. This will be a game changer for the Botswana coal industry as it will cut some 500km out of the current rail route thereby significantly reducing logistics costs to allow Botswana coal producers to compete in the international seaborne thermal coal market.

CHANGES TO THE BOARD OF DIRECTORS

During the six-month period there were no changes to the Board of Directors as set out in the Integrated Annual Report for the year ended 30 June 2017.

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 unaudited interim consolidated financial statements were prepared by the Chief Financial Officer, Morne Du Plessis (CA) SA and were approved by the Board of Directors on 27 February 2018.

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

12 March 2018



CORPORATE INFORMATION

Non-executive Directors:

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C de Bruin

L Tumelo

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A Boje (Chief Executive Officer)

M du Plessis (Chief Financial Officer)

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Designated adviser:

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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.



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