

WHY MINERGY SHUNNED THE JSE

- Aborts plans to list on the JSE
- Researches show that AIM could had more pool of investors

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Minergy Limited halted its initial plans to list on the Johannesburg Stock Exchange (JSE), fearful that Africa's oldest and perhaps the largest exchange would not extract enough proceeds to cover mining costs and fees associated with being dual listed.

Andre Boje, the Chief Executive Officer of the coal explorer told *The Business Weekly & Review* that the company evaluated the potential of listing on the JSE, and research revealed that the company was better off listed in alternative exchanges.

Minergy's listing on the JSE had been touted for the latter half of the year, 2017, soon after debuting on the Botswana Stock Exchange (BSE), at the end of April. Minergy wants to augment the funds raised from a private placement of the Initial Public Offering in Botswana.

Boje says the Minergy evaluated the JSE, the Australian Stock Exchange (ASX) and the Alternative Investment Market (AIM) of the London Stock Exchange as alternatives to the JSE, before settling for AIM.

"After a detailed round of research and a visit, London was decided upon as the preferred location to access a larger pool of capital. From our experience, the fund managers in London understand Africa, Botswana and coal and have a preference to the coal story in Botswana."

At this stage, Boje says Minergy has so far met with advisors and is in the process of making all the necessary appointments. "Although we have not yet begun to speak to potential investor or fund managers, the discussions we have had with advisors are encouraging. Thus far, we have found them to be well informed and open to dealing with companies with a solid strategy in place."

Nonetheless, the company expects the initial capital raised will be low, roughly in the region of £700,000, about 9, 7 million in Pula terms.

Boje highlights that this is equivalent of the company's listing costs. The funds will be used to cover the listing costs and any residual, to supplement the capital already raised in Botswana to get the mine to operation and to pay for listing fees, according to the CEO. It is anticipated that Minergy will get its mining license by the second quarter of 2018.

PROJECT LOCATION

High-quality 390 Mt Coal Resource
(A and E Seams West block)

Shallow: Sub-crop - 20 metres to
130 metres maximum

Simple structure (very few faults, no dolerite)

Potential of additional coal resources with
further exploration

Gently dipping coal seams (0.5° to 3.5°)

Thick coal seams - up to 6 metres

Life of mine - approximately 100 years



The Masama Coal Project can reliably deliver a steady stream of coal product to the local, regional and international market places.

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

Main shareholders in the Company as at 27 June 2017 are Energy Mineral Resources and Mining Ltd with 60.5%, African Alliance Asset Management with 19.9% and Kgori Capital (previously Afana Capital) with 11.1%. (Please see detailed information under the heading "Shareholder analysis" on page 40 of this Integrated Annual Report.)

Minergy has undertaken an Environmental Impact Assessment (EIA), as required approval from the Department of Environmental Affairs in Botswana. The company says the EIA which is compiled and ready for submission upon finalisation of the Scoping Report and Terms of Reference, was conducted by environmental consultants, Ecosurv, who have already commenced specialist studies for the Masama Coal Mine that formed part of the full EIA relating to the development of the mine.

Once the mining license is granted, Boje says, there is still quite a long process of developing the mine and the washing plant. "Only once these are operational can coal be mined."

asked Boje how profitable the mine will be given the current pricing dynamics and volatility. He responded: "Being a listed company, Minergy is not allowed to make forecasts as to what this profitability will be."

Minergy plans to build an opencast coal mine with the potential to produce 2, 4 million tons per annum. Boje says the miner will focus on delivering high-quality coal to the regional market, including Botswana and South Africa, and potentially the export market. Minergy will be the second producer of coal in Botswana, and says it is committed to being on the forefront of developing a vibrant coal industry in the country.

"Minergy remains excited about growth prospects in Botswana as the country has good

coal seams and a low strip ratio. It remains Minergy's view that coal is a commodity that will be in high demand from the continent and there exists a possibility of export sales once production is ramped up. Minergy is very pleased with the commitment and support received from various Government departments across Botswana."

The miner operates the Masama Coal Resource, a unique coal asset that represents a low-cost mine development opportunity. The board of directors views the development of the Masama Coal Mine as representing the first step in Minergy's strategy of becoming a mid-tier Southern African coal mining and energy company.

Masama Coal Resource is in close proximity to existing rail,

road and water infrastructure, which the Board feel has significant advantages over existing competing suppliers, to regional customers. "With a resource of 390 Million tons of high-quality coal covering 120 km², the project offers great potential for the southern African region and possibly the export market." Mokwena Morulane, the Non-Executive Chairman recently wrote in to shareholders.

"The size of the resource also supports scalable production, presenting an opportunity to provide export coal to traders who supply India, China, and other areas of Asia, as well as Europe, should international coal prices remain at current levels."

Mokwena believes that coal will remain the dominant energy resource for the foreseeable future and will continue to play a major role in delivering energy access and security for a long time to come.

The International Energy Agency forecasts that coal will remain the largest single source of electricity generation until 2040. Coal still makes up 41 percent of global electricity generation and 29 percent of primary energy demand.

Minergy say its low-cost competitive advantage is cemented through coal seams which are shallow, with extraction through the opencast method at low strip ratios.

Minergy's business plan is to sell 1.2 Million tons of coal into the regional market, while looking to address the logistical challenges facing the coal industry in Botswana alongside government and other industry players.

Against this background, given the fact that the Masama Coal Resource can be mined at low cost and low risk, the listed company says, it offers investors the potential of attractive returns and future expansion opportunities in foreign-based earnings or to attract specialised skills in coal mining and trading. "It is to be expected that over time these skills will be transferred to local managers."

The development of the Masama Coal Resource is also expected create significant local job opportunities and skills development, estimates were not shared by the company. By listing first on the BSE, it was thought that the people of Botswana would enjoy the option into which they could directly invest and participate in the future of the country's mineral wealth.