Minergy releases financial results having transitioned into mine development in the current year with production status achieved post the year-end

Key achievements of the year under review

- Environmental Impact Assessment ("EIA") approved, with Mining License granted in August 2018
- Successful development of mine infrastructure
- Start-up of mining operations, including 340,000 tons in-pit coal exposed from
- 2.4 million m^3 of overburden removed
- Washing plant construction substantially completed with successful commissioning post year-end
- Successful testing of product quality by prospective customers resulting in the first long-term contract for 30% of current saleable production in process of being signed up post year-end
- New CEO and CFO appointed post year-end to take Minergy forward
- AIM listing progressed

Gaborone, Botswana, 25 September 2019 – Minergy, the Botswana Stock Exchange ("BSE") listed coal mining and trading company, today released results for the year ended 30 June 2019, proud to report that it transitioned from exploration and evaluation to a mine development company. Subsequent to year-end, the group moved into production status at its Masama Coal Project, within just 12 months after it was granted a mining license in August 2018.

New Chief Executive Officer ("CEO"), Morné du Plessis indicated that, "We are extremely proud of what has been achieved in a relatively short period of time, not only for Minergy but for the development of the coal sector in Botswana. Minergy has pioneered a process that will support the regional industrial demand for coal and in so doing, benefit the people of Botswana through job opportunities and vital coal skills development." He goes onto add, adapting the words of Neil Armstrong, that, "This is one small step for Minergy and a giant leap for the Botswana coal industry."

Subsequent to the year-end Minergy successfully commissioned the beneficiation plant and at the time of reporting, the plant had produced saleable coal to the expected qualities. The group recorded its first commercial sales during September 2019, and the ramp-up of its operations is currently on-track, with the target of mining 110,000 tons per month, resulting in 70,000 – 80,000 tons of saleable coal. The saleable coal target is expected to increase to 100,000 tons per month in early 2020.

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

Financial overview

"A direct comparison of the 2018 results versus the current results is not practical on a like-for-like basis, as the company was in the exploration and evaluation phase of the project for the prior year and has transitioned into mine development during the current year with production status achieved post the year end," du Plessis warned.

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

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

Being so close to production, Minergy has recorded inventory that reflects the work done to liberate the coal and feed the plant. The majority of the inventory value relates to coal exposed in the pit awaiting blasting and is classified as work in progress.

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

Debt was incurred for the first time to supplement funding for the development of the mine. Bridging finance was provided by the Botswana Development Corporation ("BDC") late in the current year. Subsequent to year-end additional funding was procured from the Minerals Development Corporation of Botswana ("MDCB") raising additional funding of P55 million from the MDCB subsequent to year-end and Minergy is in the process of securing a further P15 million, also from the MDCB. The funding will be sufficient to bring the mine into production and commissioning. The Bridging finance provided by the BDC is in the process of being refinanced over a longer term.

No dividends were declared to date as cash is utilised to ensure operations are in place.

The coal landscape

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

The regional industrial market, excluding power generation and synthetic fuels, has a demand of 32 Mt of which the relevant market Minergy is targeting is about 18 Mt. This market uses sized coal for energy generation and includes industries such as cement, steel and other industries. This market has shown compounded annual growth of 17% from the start of 2016, despite having to be content with inconsistent supply over time.

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

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

Safety and community involvement
Health and safety remain of paramount importance and Minergy is pleased to report that there have been no reportable incidents since mine development began in September 2018.

Community relations are managed through consistent communication. Minergy directly and indirectly employs 270 people, 93% of whom are local citizens. Approximately one-third of the current workforce is from the local Kweneng district.

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

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

In May 2019, Minergy announced that Andre Bojé would be retiring and stepping down as CEO but would remain involved in the company to retain oversight and strategic responsibility for group coal marketing and sales for a period of 12 months. He remains part of the team tasked with ensuring the successful listing of Minergy on the Alternative Investment Market ("AIM") of the London Stock Exchange ("LSE"). Andre will further continue to serve as a Non-Executive Director of the group until additional directors are appointed to the Board.

Effective 1 August 2019, Morné du Plessis, previously Chief Financial Officer ("CFO") of Minergy, took over at the helm as CEO of the group. Morné has extensive experience in coal mining and trading, particularly in southern Africa and internationally, and has significant listed public company director experience.

In September 2019, Minergy announced the appointment of Jean-Pierre van Staden as CFO, effective 2 January 2020. Jean-Pierre is a Chartered Accountant (SA) who has been an Audit Partner at PricewaterhouseCoopers in South Africa since 2004. He has extensive auditing and related experience working with and providing services to junior and major mining and construction companies and industrial products companies.

Looking forward

Du Plessis indicated that, "Management has earmarked the next few months as a period to stabilise production and optimise efficiencies in the beneficiation plant. The goal is to continuously produce consistent volumes and consistent qualities."

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

Minergy is further exploring various options for offtake, ranging from longer-term agreements for the finer duff product to spot deals for the bigger fractions. Du Plessis confirmed that an off-take agreement with a South African cement producer is in place for a minimum amount of P240 million.

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

-Ends-

Issued for:	Minergy Limited Morné du Plessis (CEO)
Issued and released by:	Keyter Rech Investor Solutions Tel: +27 (0) 87 351 3814 or +27 (0) 83 307 5600 Email: vrech@kris.co.za
	McKenna Townsend Tel: +44 (0) 1425 472330 Email: minergy@mckennatownsend.com
Website:	www.minergycoal.com