

MINERGY CIRCULAR TO SHAREHOLDERS

DATE OF ISSUE: 3 OCTOBER 2019

RELATING TO

- ▶ The proposed admission of the entire issued, and to be issued share capital of the Company to trading on AIM;
- ▶ An associated Placing of new Ordinary Shares for cash to Selected and Qualifying Institutional Investors, to raise additional equity funding;

INTENDED DATES AND TIMES FOR THE PROPOSED SPECIFIC ISSUE OF SHARES FOR CASH

DESCRIPTION	DATE
Circular dispatched to Shareholders	Thursday, 3 October 2019
Last date for lodgement of Forms of Proxy	17:00 on Friday, 1 November 2019.
Extraordinary General Meeting	9:30 on Thursday, 7 November 2019
Publication of Extraordinary General Meeting announcement	Friday, 8 November 2019
Allot and upload shares on CSDB	Q1, 2020 3
Listing of new shares	Q1, 2020 3

Notes:

1. All times indicated above are local times in Botswana.
2. The dates and times indicated in the table above are subject to change. Any such changes will be published in the press and X News.
3. Provisional, timing is dependent on Admission to AIM, which is subject to change.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, whose names are given in paragraph 6.1 of this Circular collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no other material facts the omission of which would make any statement false or misleading, that they have made all reasonable enquiries to ascertain such facts, and that the Circular contains all information required by law.

The Directors confirm that the Circular includes all such information within their knowledge (or which it would be reasonable for them to obtain by making enquiries) as investors and their professional advisors would reasonably require and reasonably expect to find for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Company and of the rights attaching to the Ordinary Shares to which the Circular relates.

BSE DISCLAIMER

The Botswana Stock Exchange has not verified the accuracy and truth of the contents of this Circular and the Botswana Stock Exchange accepts no liability of whatever nature for any loss, liability, damage or expense resulting directly or indirectly from any decision taken based on the contents of the Circular.

1. RATIONALE FOR THE PROPOSALS

The Directors have determined that the Company should apply for admission of its entire issued, and to be issued, share capital to trading on AIM. Admission is expected to:

- ▶ assist to extinguish the current high-cost debt relating to the Funding Facilities;
- ▶ provide an opportunity to gain access to exploration capex which will also assist with working capital requirements;
- ▶ provide greater liquidity for Shareholders; and
- ▶ the Company will have access to an international pool of funds for expansion.

Being publicly listed in both Botswana and the UK provides the Company with access to a wider investor base from which to raise further funds in the future, and will enhance the Company's visibility, reputation and brand internationally and in Africa. Accordingly, and as part of the Admission process, the Company intends to raise further capital by way of the Placing to Selected and Qualifying Institutional Investors primarily for the following reasons:

- ▶ retirement of Funding Facilities; and
- ▶ other working capital.

In connection with the proposed Admission, the Company has appointed a team of professional advisors in the UK to implement the process, including the Company's nominated advisor and broker, legal advisors, reporting accountants, financial advisors, and public relations firms. The Company is currently proceeding with the early stages of the process, with the intention for Admission to take place during the first quarter of 2020, subject to market conditions.

The Board has also reviewed the Constitution and is asking Shareholders to approve the adoption of the New Constitution which is more appropriate for a company whose shares will be admitted to AIM. Annexure 6 of the Circular (available on the Minergy web-site www.minergycoal.com) sets out the principal proposed changes to the current Constitution, and also encloses the full New Constitution.

In addition, the Company is proposing a Share Consolidation, the principal effect of which will be to increase the price of an Ordinary Share so that the Placing is more attractive to participating Selected and Qualifying Institutional Investors.

All of the Proposals are subject to, inter alia, Admission.

2. DETAILS AND FINANCIAL EFFECTS OF PROPOSALS, INCLUDING THE PLACING AND ADMISSION

- 2.1 At the Last Practicable Date, the Company had a Stated Capital of P135 571 068 and 431 086 245 Ordinary Shares in issue. The financial information has been prepared in line with the BSE Listings Requirements.
- 2.2 If Shareholder approval is obtained for the relevant Resolutions proposed to be passed at the EGM and the Placing Shares are issued on Admission, the Stated Capital of the Company will increase by an amount equal to the price in Pula at which the Placing Shares are purchased, multiplied by the total number of Placing Shares, and the number of Ordinary Shares in issue will increase up to a maximum of 551 086 245, or if the Share Consolidation has become effective, the maximum number of Consolidated Shares in issue will be approximately 55 108 624.
- 2.3 On the basis that the Placing is made in accordance with the provisions of Rule 3.4 (c) (iii) of the Listings Requirements, it is recorded that:
 - 2.3.1 the Placing Shares are Ordinary Shares, and therefore of a class of securities already in issue by Minergy;
 - 2.3.2 the Placing Shares are to be issued to Selected and Qualifying Institutional Investors;
 - 2.3.3 the Placing Shares will not be issued to persons or entities deemed to be non-public shareholders under the Listing Requirements;
 - 2.3.4 the maximum number of Placing Shares to be issued is 120 000 000 Ordinary Shares or 12 000 000 Consolidated Shares (subject to the Share Consolidation becoming effective), representing up to a maximum of approximately 21% of the fully diluted share capital of the Company after the Placing;
 - 2.3.5 The Placing Price will be set following the Roadshow which will determine the demand for the Placing Shares and the price at which they can be issued to Selected and Qualifying Investors. The Roadshow will however only be held after the EGM and consequently the Placing Price will not be known to the Company at the Last Practical Date or the time of the EGM. Furthermore, on the Last Practical Date and prior to the EGM the Company will not know at what discount (if any) to the Ruling Price the Placing Shares will be issued at. The discount at which the Placing Shares may be issued is accordingly hereby stated to be unlimited as required by the BSE Rules;
 - 2.3.6 the Placing is conditional upon, inter alia, Shareholder approval by way of a special resolution (75% majority of votes cast), which will be sought at the EGM of the Company to be held on Thursday, 7 November 2019, notice of which is set out at Annexure 1 of the Circular. All Shareholders are entitled to vote including any related party that does not participate in the Placing (i.e. including the Directors and those shareholders listed in paragraph 6.7 in the Circular); and
 - 2.3.7 the issue of Placing Shares is also subject to a waiver by Shareholders of their pre-emptive rights as set out in clause 5.1 of the Constitution and section 52 of the Companies Act, by way of a special resolution in respect of the issue of the Placing Shares.
- 2.4 The Placing is also subject to the approval of the BSE for a listing of the Placing Shares.
- 2.5 The grant of the Shareholder approvals will ensure compliance by the Company with its obligations under Rule 3.4 (c) of the Listing Requirements, clause 5.1 of the Constitution and section 52 of the Act.
- 2.6 The Placing Shares will, on Admission, rank pari passu in all respects with the Existing Issued Shares, and will rank in full for dividends and other distributions declared, made or paid on Ordinary Shares after Admission.
- 2.7 Shareholders are also being asked to approve the proposed Admission and to authorise the Directors to take any other relevant steps to implement it.



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

minergycoal.com

- ▶ The proposed adoption of a New Constitution, conditional on Admission; and
- ▶ A proposed 10:1 Ordinary Share Consolidation, conditional on Admission, including a Notice for an Extraordinary General Meeting and a Form of Proxy.

FINANCIAL EFFECTS

- 2.8 Subject to the Share Consolidation the Placing will result in an increase in the number of Ordinary Shares of the Company in issue as well as cash balances.
- 2.9 Shareholders are advised that the Placing will impact, in relation to the Ordinary Shares, on the earning per share, net asset value per share and tangible net assets per share of the Company. The financial effects of the Placing will depend on, inter alia, the number of Placing Shares and the Company's application of the net proceeds.
- 2.10 The pro forma financial information showing the effects of the Placing, and the assumptions in connection therewith are set out in Annexure 5 to the Circular.
- 2.11 Subject to the Share Consolidation described below, Shareholders that do not participate in the Placing will continue to own the same number of Ordinary Shares which they owned prior to the Placing, but their percentage Shareholding in the Company will be diluted to a lower percentage.

4. ADOPTION OF NEW CONSTITUTION

- 4.1 The adoption of the New Constitution is being proposed to bring the Company into line with UK investor expectation of corporate governance for an AIM quoted company.
- 4.2 The New Constitution which is proposed for adoption at the EGM is incorporated at Annexure 6 of the Circular and a table setting out the material changes to the Constitution is also included to indicate changes being proposed.

5. SHARE CONSOLIDATION

- 5.1 The Board proposes to implement the Share Consolidation on the basis that every 10 (ten) Existing Issued Shares will be consolidated into 1 (one) Consolidated Share.
- 5.2 As at the Last Practicable Date, 431 086 245 Existing Issued Shares have been allotted and issued. Assuming Existing Issued Shares of 431 086 245 immediately prior to the Last Practicable Date, following completion of the Share Consolidation, the Company will have 43 108 624 Consolidated Shares in issue (excluding the Placing Shares).
- 5.3 The implementation of the Share Consolidation will not alter the underlying assets, business operations, management or financial position of the Company or the shareholdings, proportionate interests or rights of the Shareholders, save with respect to any fractional Consolidated Shares as set out in paragraph 5.4 below.
- 5.4 No Shareholder will be entitled to a fraction of a Consolidated Share. Instead, their entitlement will be rounded down to the nearest whole number of Consolidated Shares. Remaining fractional entitlements to Consolidated Shares will be aggregated and sold on behalf, and for the benefit, of the Company. At the Last Practicable Date there were no Shareholder holding fewer than 10 Existing Issued Shares, however, any Shareholder who at the Record Date holds fewer than 10 Existing Issued Shares, such that the rounding down process results in a Shareholder being entitled to zero Consolidated Shares, then as a result of the Share Consolidation they will cease to hold any Ordinary Shares (of any description) in the share capital of the Company.

6. ACTION TO BE TAKEN

A Form of Proxy for use at the EGM accompanies this Circular. The Form of Proxy should be completed and signed in accordance with the instructions thereon and returned to the Transfer Secretary, Corpserve Botswana, if by hand to Unit 206, Second Floor, Plot 64516, Showgrounds Close, Fairgrounds, Gaborone, if by post to PO Box 1583, AAD, Gaborone, or if by email to contactus@corpservebotswana.com, as to be received by no later than 17:00 on Friday, 1 November 2019. Submission of a proxy will not preclude Shareholders from attending and voting in person at the EGM, should they so desire.

7. RECOMMENDATION

The Directors consider the Proposals to be in the best interests of the Company and its Shareholders as a whole and accordingly recommend unanimously that Shareholders vote in favour of the Resolutions to be proposed at the EGM, as they intend to do in respect of their beneficial holdings amounting, in aggregate, to 68 969 738 Existing Issued Shares, representing approximately 16 per cent of the total voting rights of the Company.

SPONSORING BROKER



TRANSFER SECRETARY



REPORTING ACCOUNTANTS



LEGAL ADVISOR



Morné du Plessis
Chief Executive Officer
3 October 2019

CORPORATE INFORMATION

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M du Plessis (Chief Executive Officer)
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Company secretary:
Desert Secretarial Services (Pty) Ltd
Transfer secretaries:
Corpserve Botswana
Registered auditors:
Grant Thornton Botswana
Attorneys:
Armstrongs Attorneys

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