



**Minergy Limited**  
(Incorporated in accordance with the laws of Botswana)  
(Company Number: BW00001542791)  
[www.minergycoal.com](http://www.minergycoal.com)  
("Minergy" or "the group" or "the Company")

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## **COVID-19 IMPACT ON THE BUSINESS**

### **OPERATIONAL IMPACT**

Minergy Limited and its wholly owned subsidiary Minergy Coal (Pty) Ltd, as with all industry in Botswana and the neighbouring countries, has and will be adversely affected by COVID-19. The last week of March 2020 and the entire month of April 2020 bear the brunt of industry and country-wide lock down regulations.

In Botswana, mining services are gazetted as essential services which allow for the operation of Minergy's coal mining activities. However, more than 90% of Minergy's target market, in volume terms, is in South Africa. In addition, industries within the target market are classified as non-essential services in South Africa and consequently, have by law, been shut down since 27 March 2020. In South Africa this lockdown continues to the end of April 2020. To this end Minergy has received formal confirmation from its contract customers that the lockdown had led them to invoke *Force Majeure*.

This has required Minergy, from an operational perspective, to scale down operations considerably.

Where sales are permitted to South African and Namibian essential services customers, primarily in the food processing and energy generation sectors, product stockpiles at the end of March 2020 are sufficient and are being utilised for this supply. Limited material handling activities are taking place, to allow for product loading and weighbridge operations to continue on a scaled-down basis.

Permission was granted to Minergy by the Department of Mines to undertake certain mining, plant and maintenance activities. These activities ceased on 17 April 2020 due to the extended lock down in South Africa and as a result the beneficiation plant and mining operations have stopped. Only necessary health, safety and maintenance activities, as required, are performed. Exposed, but unblasted coal stocks are adequate to restart mining operations in May 2020 without any delays, should lockdown rules in both South Africa and Botswana be relaxed. The effect on May 2020 volumes and results are dependent on how quickly customers can restart and take delivery, which is in-turn dependent on border operations too.

Minergy is pleased to announce that development of the rail siding, financed by BotRail, is progressing, with the necessary work permissions in place. Preparations are such that it is expected that the first loading of trains will take place in May 2020, bound for South Africa and provided lockdown is not extended.

Non-critical staff have been asked to stay at home. Other critical staff, where required are working from home. The permitting process, for legal and valid travel to and from the mine, is administratively burdensome but respected and complied with as a critical step in ensuring limited spread and control of the virus in Botswana. Minergy is pleased to confirm that staff currently remain on full pay.

Balancing the cash flow and cost implications on a start-up business in the ramp-up phase, with minimal sales and cash generation opportunity, is extremely challenging. Minergy recently reported that it received funding to alleviate historical working capital shortages and that future estimated cash flows were subsequently considered adequate to sustain the company. However, this is no longer the case with the company losing a minimum of one month's sales while still having to carry fixed cost burdens.

To this end, Minergy has been liaising with its government-linked funders and has requested additional funding and assistance during this period. Initial discussions reflect goodwill which is greatly appreciated and will be built and executed upon. Discussions are in progress with major suppliers, who are also battling the impact of COVID-19. During this period management is extensively managing cash preservation and cost minimisation which includes proportional salary cuts and/or deferrals.

## **COMMUNITY SUPPORT**

The Medie village, near the mine, is suffering from lockdown as a result of COVID-19. Minergy took the initiative to establish the Minergy Coal Community Support Fund ("the fund"). The fund, albeit small, is funded by contributions from the company, the management team and some major contractors. It has been decided, in consultation with the community and the village social worker, to utilise the fund to provide food parcels and sanitary products to households most in need. Depending on the funding available, further assistance will be provided. It is Minergy's belief that this pandemic requires as much of a humanitarian approach as it does financial and economic.

## **FUTURE IMPLICATIONS**

Understandably, uncertainty exists regarding extended lockdowns in South Africa and further actions envisaged by the Botswana government. This announcement does not consider the significant implications of such extensions and interventions and as a result it is too early with too many unknowns for Minergy to quantify the impact on the business now. Minergy remains supportive of swift action taken by both Governments in Botswana as well as South Africa to limit the spread of the pandemic, which we trust, has the best interest of the people, economy and financial well-being of the countries in mind.

A formal COVID-19 impact assessment, action plan and mitigating strategy is in place for Minergy and available for review on the website at [www.minergycoal.com/investor-relations/documentation/](http://www.minergycoal.com/investor-relations/documentation/). The plan regulates protocols during this period. Health and safety are paramount in all Minergy's actions, and it will adhere to Government regulations and guidelines at all times.

By Order of the Board

Morné du Plessis  
Chief Executive Officer  
20 April 2020

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