minergy LIMITED

Minergy Results – Year Ended 30 June 2020

Presentation – September 2020

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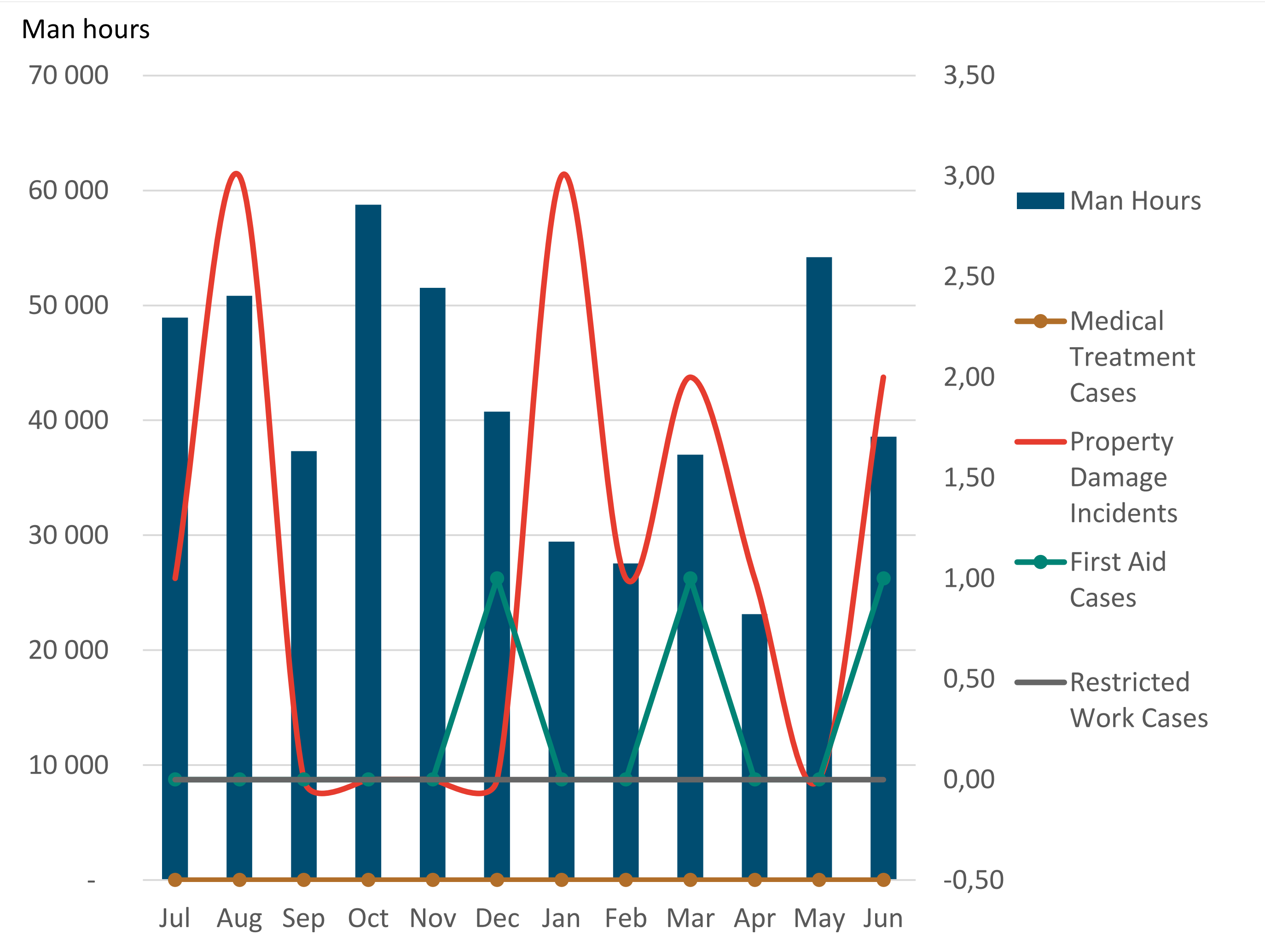
Operational overview

Pioneering the Botswana coal industry

HEALTH AND SAFETY – SHE PERFORMANCE



- No reportable health or safety incidents since inception > 750 days
- Continuous focus on safety protocols
- No COVID-19 cases
- Minergy COVID-19 action plan used as template by Department of Mines
- COVID-19 protocols in place at offices and mine site

COMMUNITY

ELECTRIFICATION OF MEDIE VILLAGE

- Project commissioned and switched-on on 15 May 2019
- Connectivity to national power grid for Medie clinic & Kgotla
- Connectivity available for homes

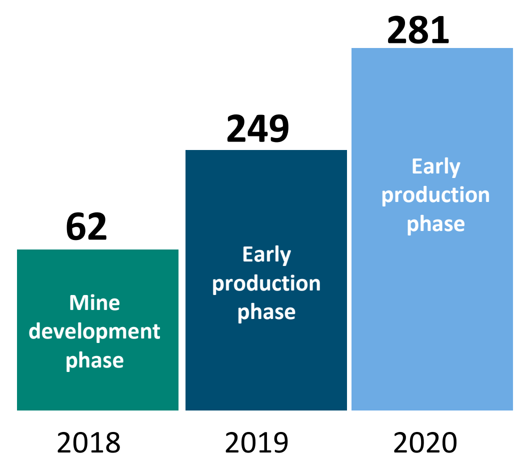
MINERGY COAL COMMUNITY SUPPORT FUND

- Medie village suffered from lockdown as result of COVID-19 pandemic
- Took initiative to establish fund
- Albeit small, is funded by contributions from the Company, the management team and some major contractors

EMPLOYMENT

95% of all staff are Batswana

TOTAL EMPLOYEES



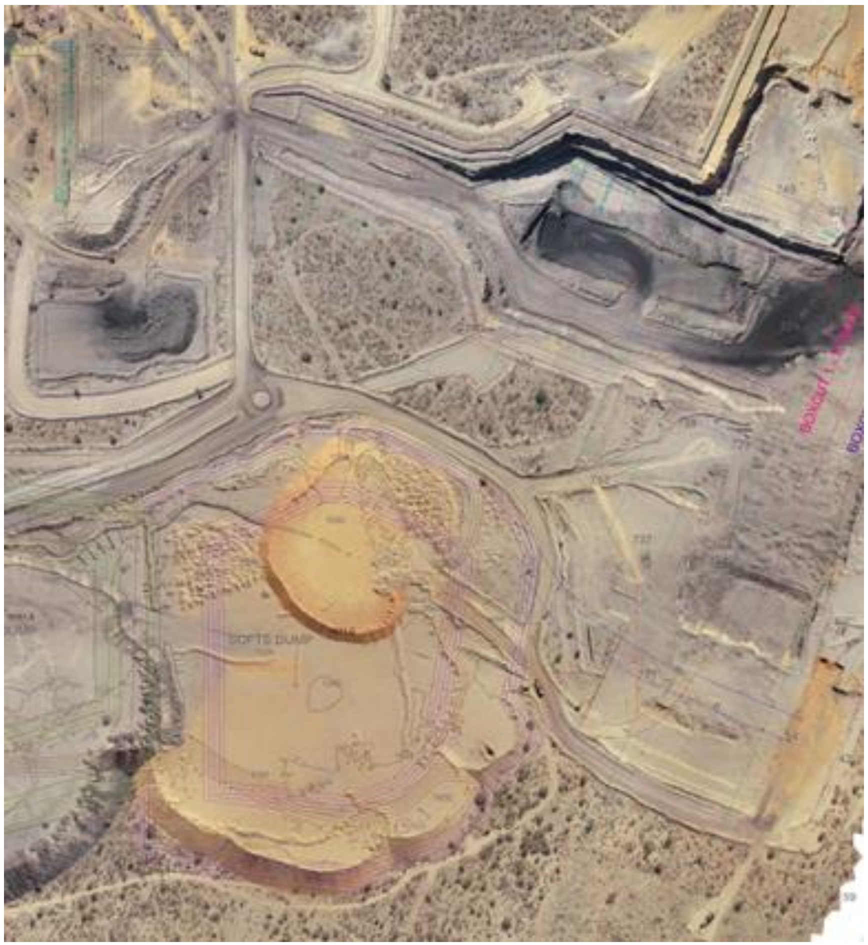
COMPOSITION

10% female

90% male

MINE DEVELOPMENT

August 2019

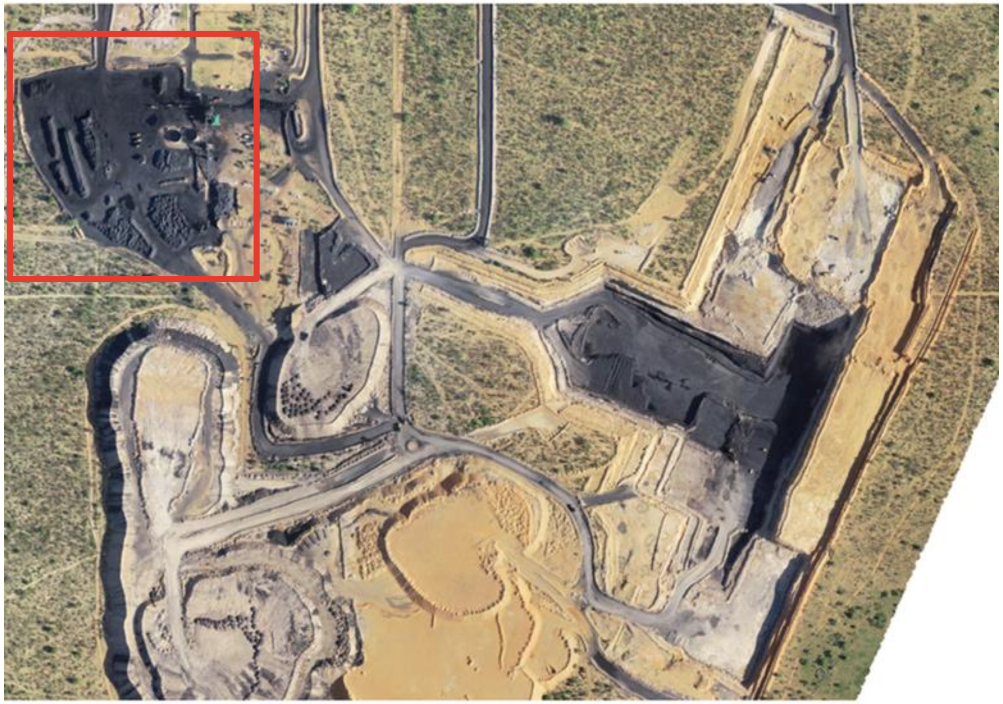


August 2020

MINE INFRASTRUCTURE LAYOUT

August 2019

August 2020



RAIL SIDING

OPERATIONAL UPDATE

Jul 2019 to Feb 2020

- Ramping up mining operations, including necessary infrastructure
- Water & power supplies in place sufficient for volume of production
- Commissioning of stage 1 of CHPP
- Successfully moving product to South Africa, Namibia & Botswana
- Completing rail siding & readying it for transport of coal
- Securing P150 million funding
- Raising P35 million equity
- Strengthening executive management team

COVID-19

March 2020 onwards (25% of financial year impacted)

- Roughly 15 weeks border closure had significantly negative impact
- Continuous challenges with border crossings
- Weakening ZAR
- Sales at 10% of pre-COVID-19 volumes

Post year end

- Further recovery in sales with record sales achieved in August 2020
- Coal exported from Botswana to South Africa by rail (normally road)
- Stage 2 CHPP scheduled for Q4 2020 completion
- Funding
- Executing 10-point Business Optimisation Plan focused on cost control, production & process efficiencies & governance

PERFORMANCE DATA

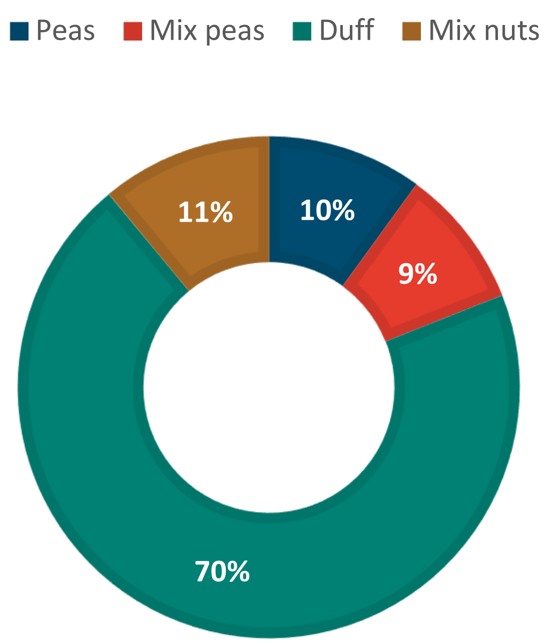
1,295,000 m^3 overburden moved

445,000 tonnes coal mined

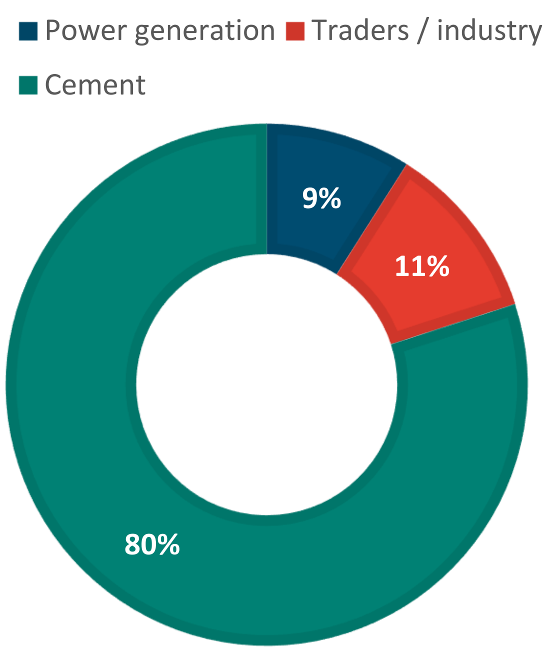
~198,000 tonnes coal sold

Sales pricing & product mix

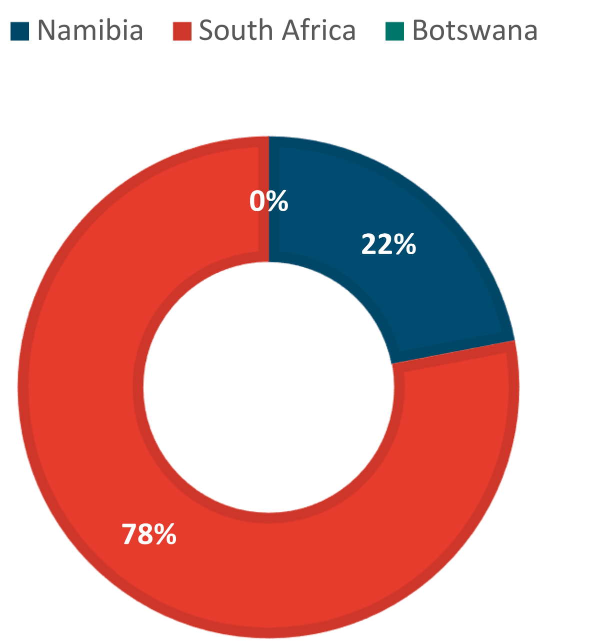
PRODUCT SPLIT



ECONOMIC SEGMENTS



GEOGRAPHIC



COVID-19 EFFECTS

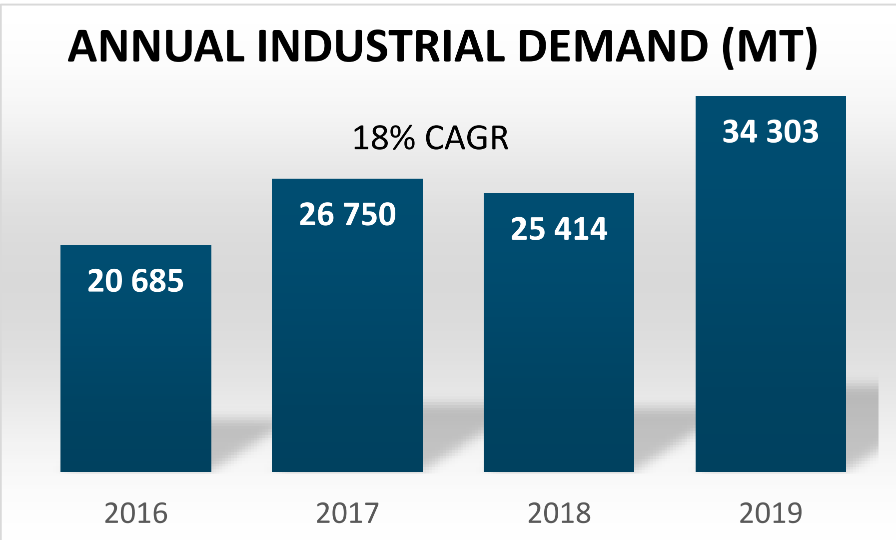
- Lost ability to generate sales for ~3 months (last week of March to end June 2020)
  - Target market closed / Force Majeure
  - Slow start up of SA industry
- Plant Stage 2 construction delayed by 4 months (planned completion 30 June 2020)
  - Manufacturing workshops closed
  - Orders placed for outsourced componentry on lead time items delayed
  - BOOT funding on hold until economy changes
- Cross border logistics
  - Crossing of vital technical staff from South Africa
  - Delays of trucks & return cycle (test results waiting period, escorted convoys)
- Cash flow and profitability
  - Contractual fixed costs payable
  - Botswana legislation prohibits retrenchments – all staff still employed
- COVID relief packages
  - Unattainable commercial hurdles for start up operations

Industry overview

Limited new entrants advantageous to Minergy

COAL LANDSCAPE – REGIONAL MARKET SUPPLY & DEMAND

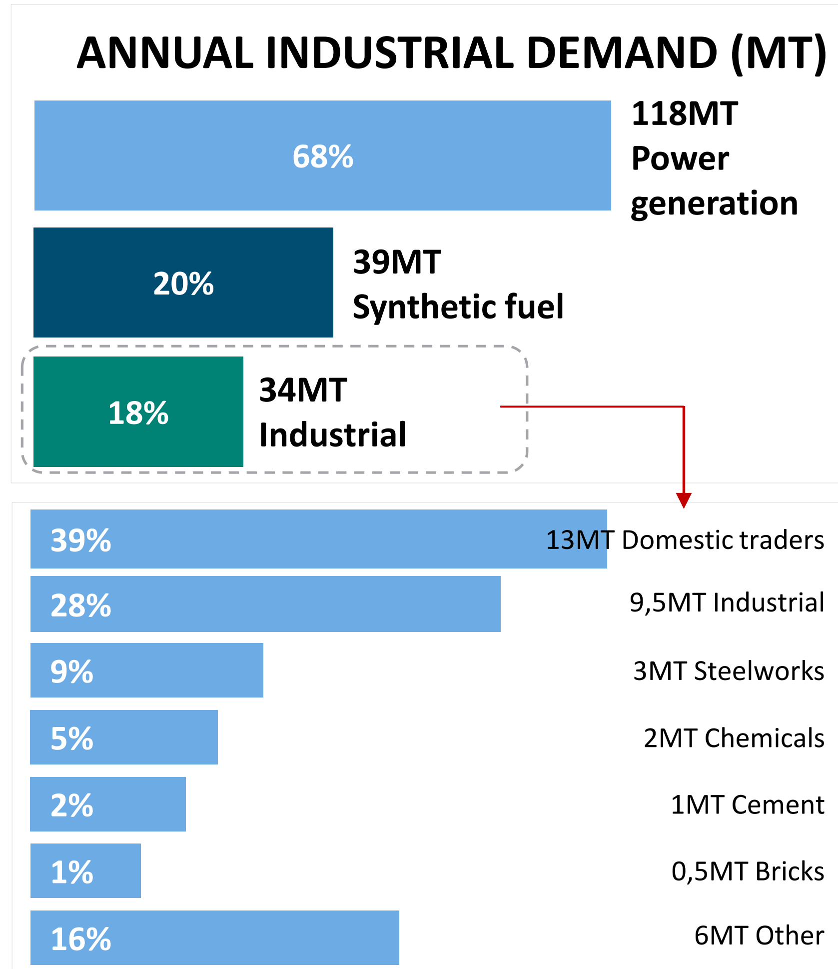
- Increasing industrial demand



Graph excludes power generation and synthetic fuels
Source : Department of Mineral Resources / South African Coal Report

- Stagnant / declining supply
- No new coal mines developed
- Eskom facing a coal cliff by 2020
  - Utility cannot be allowed to fail
  - Will divert coal out of the regional & export markets

Source : SA Coal Report (2019)



SALES OUTLOOK

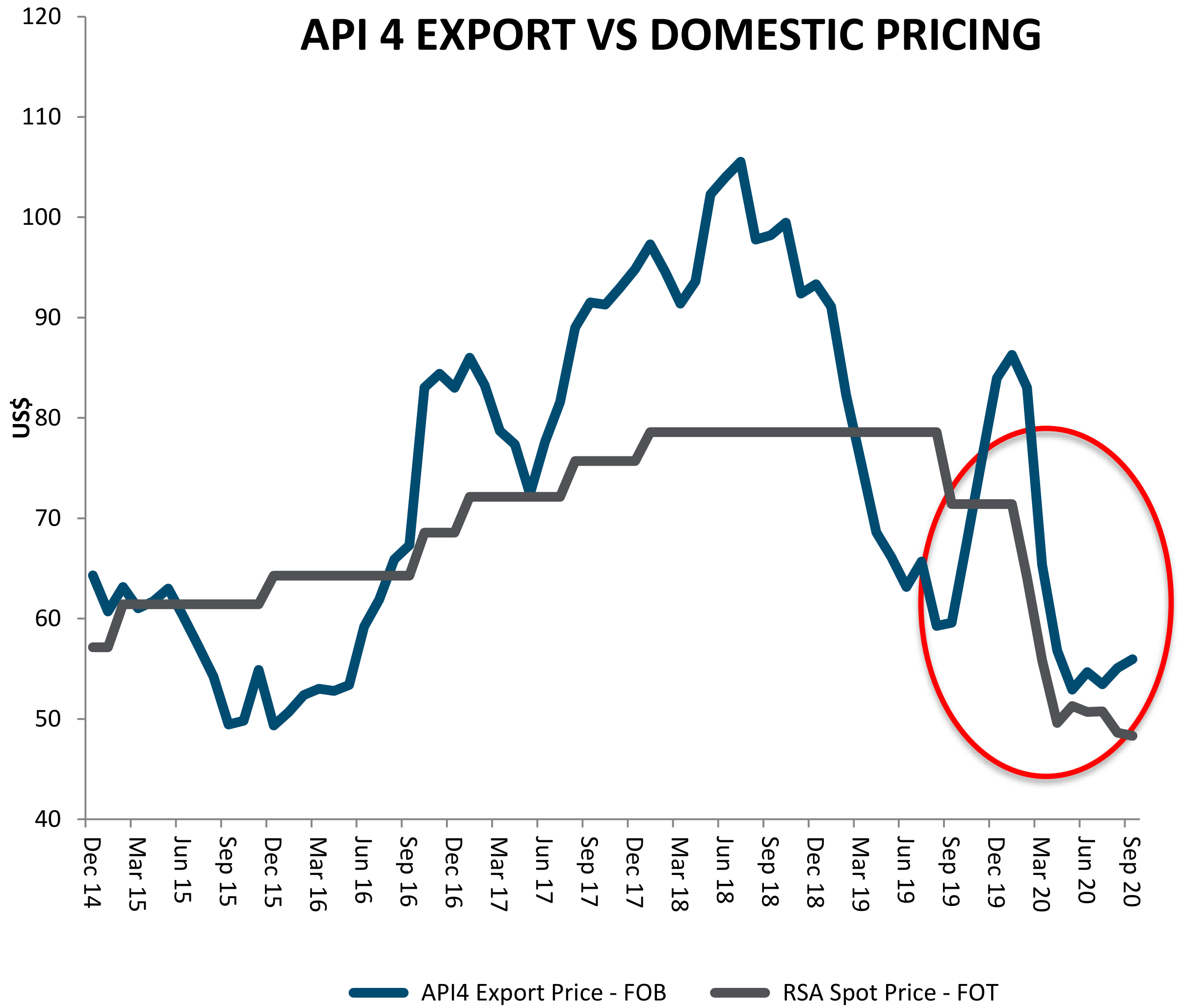
INTERNATIONAL DYNAMICS

- Tightening of SA thermal exports supplies due to aggressive marketing campaigns into Mediterranean, surging Indian demand and lower production
- Weak RBCT pricing putting pressure on local market pricing with export quality product diverted into market
  - Junior miners that typically sell into exporters to assist with take-or-pay quotas divert product into inland market
- Production cuts on certain export mines (i.e Wolwekrans) due to weak markets & rising operating costs until the end of 2020 & closure/ delayed start up of smaller operations creating supply vacuum

MINERGY VIEW

- Q3 & Q4 2020 – Domestic prices under pressure (COVID-19 effects “wait and see”)
- H1 2021 – Moderate recovery in domestic pricing as international prices rebound
  - Exporters remove product from domestic market including juniors

REGIONAL MARKETS



- Domestic A Grade peas 20% decrease from March 2020 in ZAR prices
- ZAR:$ depreciation of between 7 – 23% negative effect on converting domestic pricing

Source: Historical industry data/Argus-McCloskey

Financial overview

Results typical of first year of ramping-up production and trading

PLEASE NOTE

› Comparison between 30 June 2020 and 30 June 2019 is not practical on a like-for-like basis

YE 2018 → Exploration & evaluation phase

Aug 2018 → Mining license awarded

YE 2019 → Mine development complete

YE 2020

Commissioning of plant, production and sales

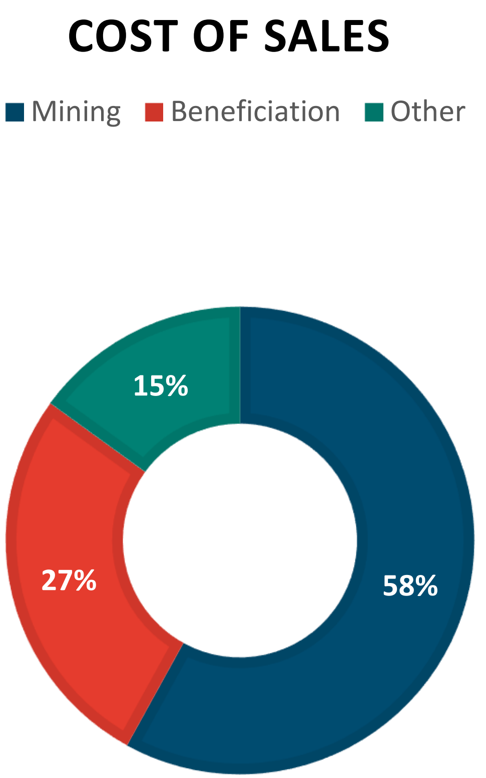
- Ramp-up July – March 2020
- COVID-19 April – June 2020

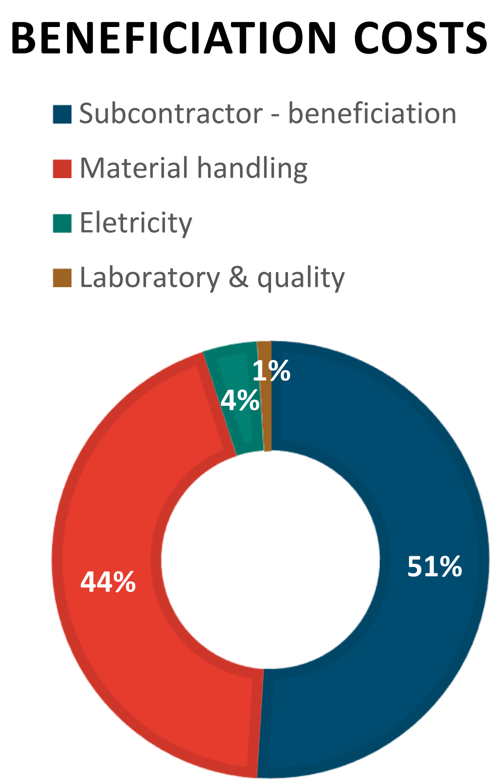
STATEMENT OF COMPREHENSIVE INCOME

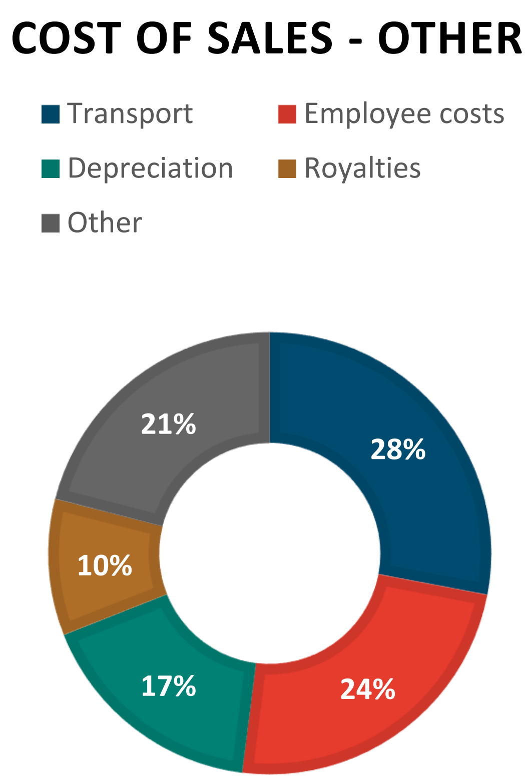
Group	30 June 2020 (Pula)	30 June 2019 (Pula)
Revenue	80 650 039	-
Cost of sales	(149 918 714)	-
Gross loss	**(69 268 675)**	**-**
Net operating expenses	(30 995 598)	(35 139 496)
Operating loss	**(100 264 273)**	**(35 139 496)**
Net finance costs	(17 357 646)	(894 219)
Loss before income tax	**(117 621 919)**	**(36 033 715)**
Income tax credit	25 749 223	6 686 122
Total loss for the year	**(91 872 696)**	**(29 347 593)**

- Revenue from sale of ~198 000 tonnes of coal, impacted by:
  - Lower average sales prices per tonne due to product mix with 70% to 80% low margin duff product
  - Weakening of ZAR vs BWP in second half of financial year
- Costs exceeded revenue during ramp-up to steady state operations:
  - Sale volumes below targeted break-even level of 60 000 tonnes per month
  - Inconsistent washing plant performance affecting volumes and product mix
  - Additional material handling cost due to mobile crushing and screening solutions
- Finance costs increase, net of capitalised interest (P14.3 million), due to additional borrowings

COST OF SALES ANALYSED







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STATEMENT OF FINANCIAL POSITION

- Significant investment in mine assets (P177 million)
- Inventory represents ~180,000 tonnes WIP and ~55 000 tonnes Finished Product
- Trade and other receivables mainly trade debtors (P8.5 million) and VAT receivable (P4.3 million)
- Stated capital boosted by share raise in February 2020 through conversion of debt (P35 million)
- New borrowings mainly arising from MDCB (P110 million), BDC (P40 million), Washing plant BOOT (P66 million)
- Rehabilitation liability increased by P46 million (with reciprocal asset raised)
- Trade and other payables include vendor financing by service providers in anticipation of further funding

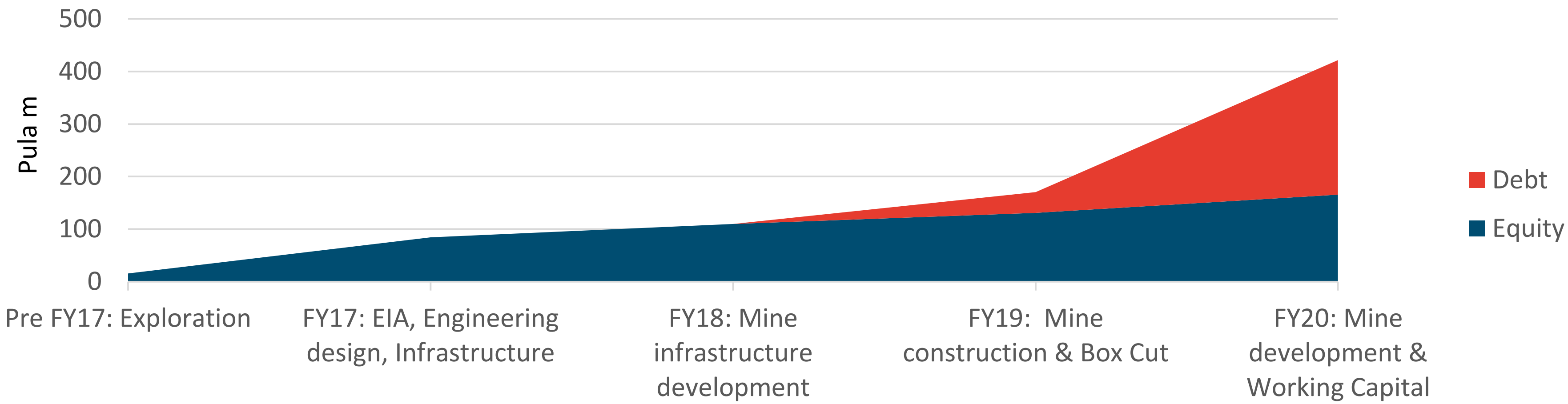
Group	2020 (Pula)	2019 (Pula)
Assets		
Non-current assets		
Property plant and equipment	340 602 189	168 615 430
Deferred tax asset	39 095 799	13 346 576
Current assets		
Inventory	48 355 150	47 246 445
Trade and other receivables	13 960 609	23 190 740
Cash and cash equivalents	1 712 055	294 085
Total assets	**443 725 802**	**252 693 276**
Equity and liabilities		
Capital and reserves		
Stated capital	165 563 026	130 563 026
Other reserves	17 258 242	2 063 988
Accumulated loss	(139 695 949)	(48 675 336)
Total equity	**43 125 319**	**83 951 678**
Non-current & current liabilities		
Rehabilitation liability (non-current)	69 760 293	22 665 812
Borrowings (non-current)	252 348 149	-
Borrowings (current)	7 913 719	45 526 612
Trade and other payables (current)	70 578 322	100 549 174
Total equity and liabilities	**443 725 802**	**252 693 276**

CAPEX SPEND

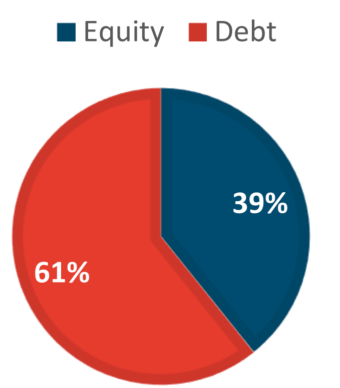
Capex FY20	Statement of Financial Position	Non-cash	Statement of Cash Flows
Washing plant (BOOT)	66 266 554	(66 266 554)	-
Rehabilitation asset	45 961 191	(45 961 191)	-
Capitalised interest	14 298 797	(14 298 797)	-
Additional box cut development	12 466 700	-	12 466 700
IFRS 16 – right of use assets	10 559 206	(10 559 206)	-
Rail siding	9 108 443	-	9 108 443
Water and reticulation	8 526 869	-	8 526 869
Washing plant (civils)	7 505 999	-	7 505 999
Other	2 285 306	-	2 285 306
	176 979 064	(137 085 749)	**39 893 316**

FUNDING OF THE BUSINESS

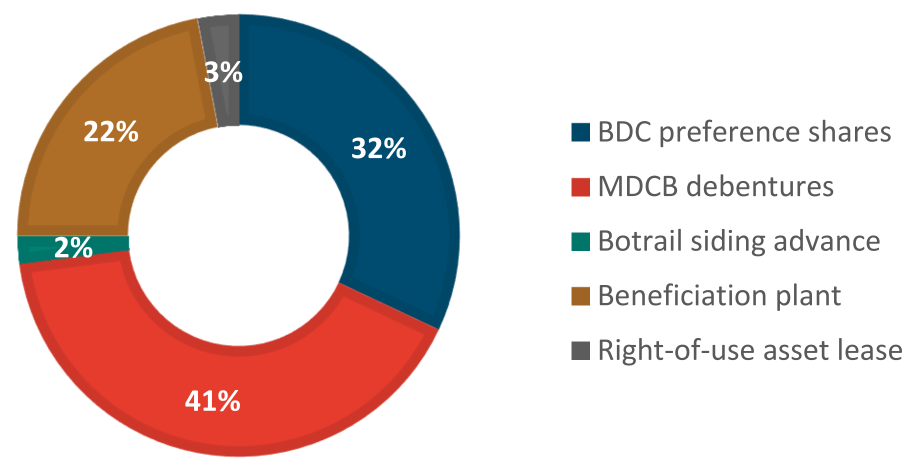
DEBT & EQUITY TIMELINE



DEBT VS EQUITY



BORROWINGS



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STATEMENT OF CASH FLOWS

Group	2020 (Pula)	2019 (Pula)
Cash flows from operating activities		
Cash utilised in operations	(98 301 534)	(93 350 193)
Interest paid	(6 856 583)	(1 135 285)
Net cash used in operating activities	**(105 158 117)**	**(94 485 478)**
Cash flows from investing activities		
Acquisition of property, plant and equipment	(39 893 316)	(26 186 301)
Interest income	101 097	241 066
Net cash utilised in investing activities	**(39 792 219)**	**(25 945 235)**
Cash flows from financing activities		
Subscription for shares	-	20 783 292
Net proceeds from borrowings	146 368 306	44 050 168
Net cash from financing activities	**146 368 306**	**64 833 460**
Total cash movement for the period	1 417 970	(55 597 253)
Cash at the beginning of the period	294 085	55 891 338
Total cash at the end of the period	**1 712 055**	**294 085**

Notes:

- Cash used in operating activities (P170 million) partially funded by cash from revenue (P72 million) with balance funded from borrowings
- Cash Capex spend of P40 million funded from borrowings
- Cash from borrowings mainly new facilities from MDCB (P110m) and BDC (P40 million)

LIQUIDITY

- Statement of Financial Position ("SOFP") shows current liabilities exceed current assets by P14 million (improved from P74 million in the previous year)
- SOFP shows Total assets exceed Total liabilities by P43 million (2019: P84 million)
- Slower than planned operational ramp up to steady-state levels has created working capital shortfalls
- Additional funding is being pursued through a combination of debt and equity.
  - Debt applications submitted to a number of potential funders
  - Equity raise will follow a circular to shareholders – 3-month process

Outlook

Optimal performance supporting stable and sustainable cash and profit generation

FUTURE FOCUS

- Despite COVID-19 and depressed markets, the following supports a return to profitability, steady state and sustainable cash flow position
  - Favourable Government support
  - Funding (debt and equity)
  - Record sales achieved in August 2020
  - Completed plant operating at nameplate capacity
  - Export price recovery driving domestic prices
  - RSA large industry support and continued increased demand
  - Eskom potential
  - Rail siding
  - Business optimisation efficiencies

Operational targets (Q3 & Q4 20)
- Mining 75,000 tonnes / month
- Saleable coal 50,000 tonnes / month

Operational targets (H1 21)
- Mining 125,000 tonnes / month
- Saleable coal 80,000 tonnes / month

MILESTONES FOR THE YEAR AHEAD

Double capacity FY22

Plant Stage 2 completion providing efficiencies

Steady State Production

Focus on cash flow to limit debt

List on AIM or similar exchange to unlock value and access capital markets

ESG and mine-safety as key focus areas

MEDIUM TO LONG-TERM OPPORTUNITIES - ESKOM

- Request For Proposal (RFP) of 100 MT coal to Tutuka Power Station (for estimated 20 years)
  - RFP for supply including other stations
  - Potential game changer for Minergy
    - Tailored for cross border (relaxed RFP criteria)
    - Eskom coal cliff (no new SA operations)
    - Tutuka delivery by rail (Minergy siding)
    - Minergy has product and resource
    - Requires entire new mine at low cost investment
    - Excellent margins due to no washing required
    - Minergy only Botswana producing mine to tender
    - Very competitive pricing offered
    - Adjudication expected early Q1 2021

MEDIUM TO LONG-TERM OPPORTUNITIES – RAIL EXPORT

- Botswana Rail committed to:
  - Competitive rail rates
  - Mmamabula-Lephalale export line ("the link") to RSA
  - 550km taken out of the logistics loop
- The link is supported by Botswana Government
- TFR to increase coal railings capacity on Lephalale-Ermelo line which will used by the link
  - End 2020 from the current 3.6mt/y to 9.5 mt/y by the end of 2020
  - Up to 13.8 mt/y by March 2022
- Opportunities over Kazungula Bridge to Zambia and other countries

For any further Investor Relations questions please contact:

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Thank you