



A large-scale industrial coal processing plant is shown at night, illuminated by artificial lights. The facility features complex conveyor systems, large storage silos, and a central processing building. In the foreground, a yellow CAT 320D excavator is positioned next to a yellow CAT 840D dump truck, both loaded with coal. The ground is covered in dark coal piles and tracks from heavy machinery. The background shows a flat, arid landscape under a clear night sky.

# Minergy Coal

Presentation – Junior Mining Indaba November 2020

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## INTRODUCTION

### OVERVIEW

Minergy Limited ("Minergy") is the holding company of the Minergy Group and the development of the Masama Coal Mine represents the first step in the strategy of becoming a **mid-tier southern African coal mining company**.

Minergy is a Botswana registered company **listed on the main board of the Botswana Stock Exchange ("BSE")**, with a proposed listing on a second, international stock exchange planned.

The coal mine is located on the **south-western edge of the Mmamabula Coalfield** in southern Botswana, 60km northeast of Gaborone, and has access to a **rail siding situated at Tshele Hills**.

### MILESTONES (CALENDAR YEAR)

#### 2017

Listed on BSE | complete exploration drilling | Submit EIA

#### 2018

EIA approved | mining license awarded | began mine development | additional equity raised

#### 2019

Mine development completed | commissioned stage 1 CHPP | first coal sales / first off-take agreement | ramped –up operations | first tranche of debt raised

#### 2020

Second and third tranches of debt raised | ramp –up operations halted by COVID-19 | rail siding completed | exported coal via rail | record sales in August 2020



## MASAMA COAL MINE

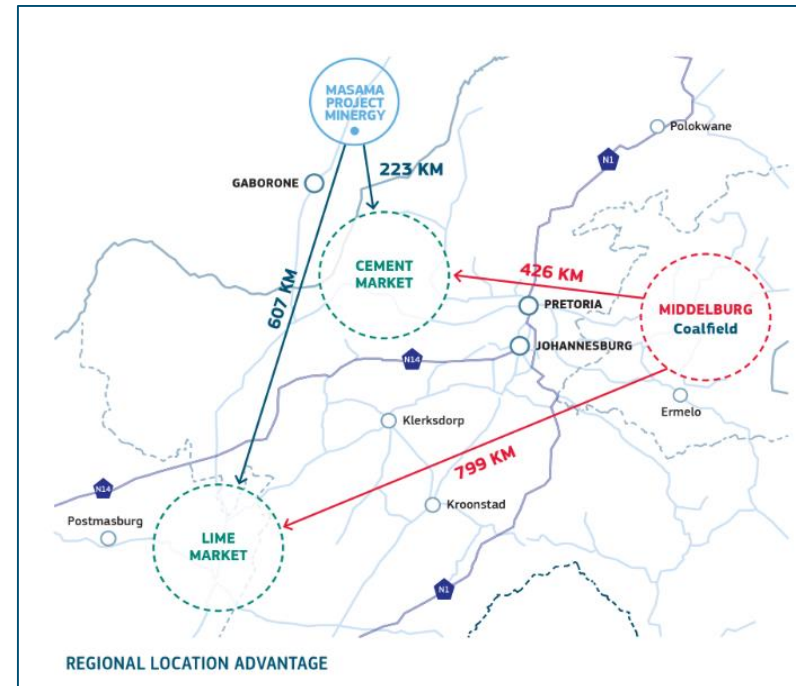
- › Substantial life of mine of circa **100 years**
- › Total available resource of **390 million tonnes** of high-quality coal
- › The resource is near to existing rail, road and water infrastructure, and has **significant distance advantages** over some existing coal suppliers to regional markets
- › **> 300 000 tonnes** of coal **sold** in last 12 months (including 3 COVID-19 months) into South Africa, Botswana and Namibia
- › Saleable coal per month of **60 000 tonnes targeted**, scalable to 80 000 based on market recovery from early Q1 2021
- › **Off-take agreement** in place for three years with a South African cement producer with further agreements being negotiated
- › Annual **Namibian Power utility tender awarded** and delivered
- › **Excellent safety**, health and environmental record (> 795 days LTI)
- › **Experienced management team** supported by relevant experience at Board level and with shareholding aligned with investors
- › **Pioneering Botswana coal industry** with strong Government support
- › Rail siding completed and **exported 7 trains** post June 2020

**Gentle dipping** coal seams  
(0.5° to 3.5°)

**Simple structure** with very few faults  
and no dolerite

**Shallow** 20m to 130m sub-crop to  
maximum depth

Potential of **additional resources** with  
further exploration (prospecting  
licence area 352km<sup>2</sup>)



## MINE INFRASTRUCTURE LAYOUT

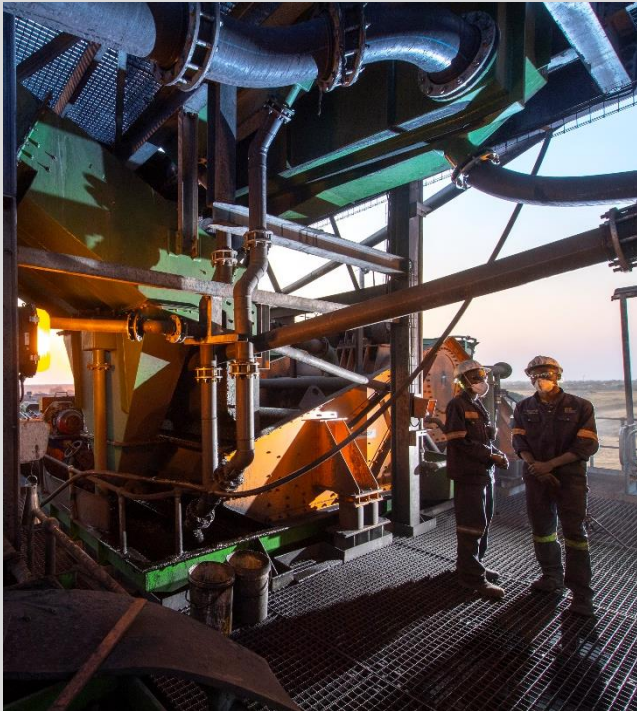




## MINE INFRASTRUCTURE LAYOUT



## CHPP INFRASTRUCTURE





## RAIL SIDING





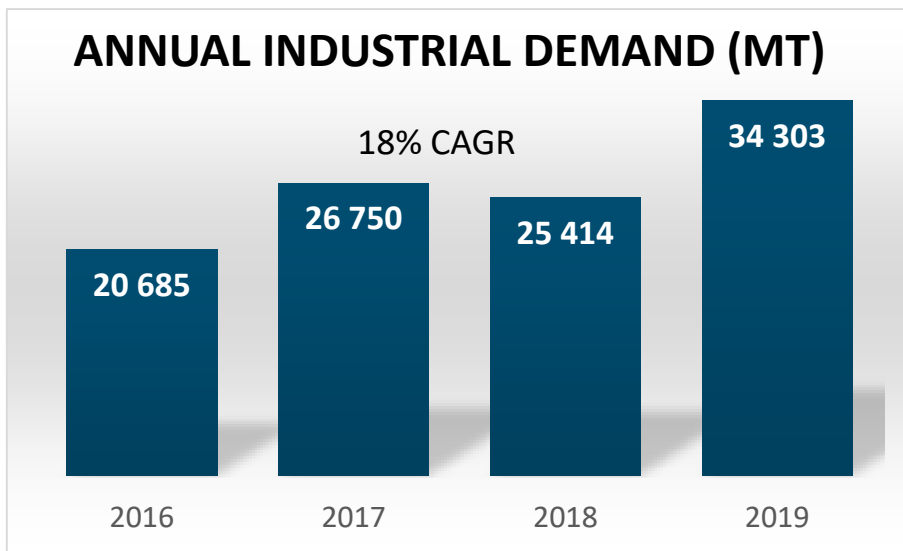


# Industry overview

Limited new entrants advantageous to Minergy

## COAL LANDSCAPE – REGIONAL MARKET SUPPLY & DEMAND

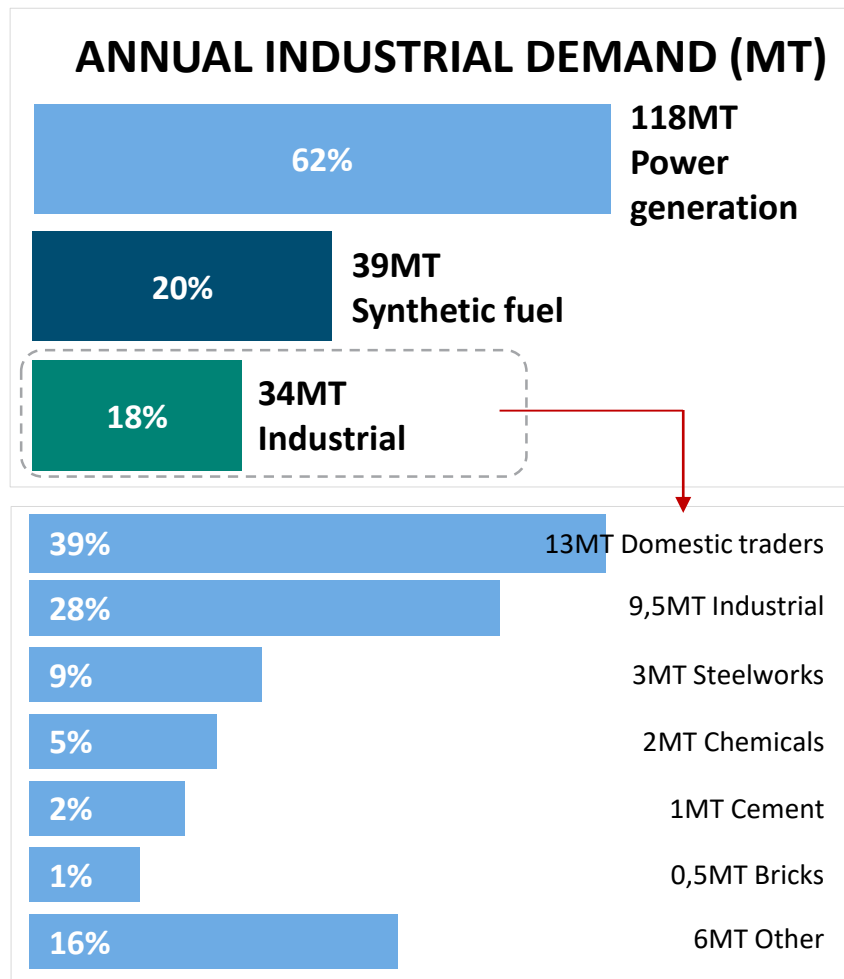
### › Increasing industrial demand



Graph excludes power generation and synthetic fuels

Source : Department of Mineral Resources / South African Coal Report

Source : SA Coal Report (2019)



- › 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



## 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



# Outlook

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Optimal performance supporting stable and sustainable cash and profit generation



## FUTURE FOCUS

- › Despite COVID-19 and depressed markets, the following support a return to profitability, steady state and sustainable cash flow position:
  - » Favourable Government support
  - » Successful Funding raised (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





## 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)
    - Tutuka delivery by rail (Minergy siding)
    - Minergy has product and resource
    - Requires entire new mine at low cost investment
    - Minergy only Botswana producing mine to tender





## 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

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# Thank you

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