Minergy Limited
(Incorporated in accordance with the laws of Botswana,
with Company Number: BW00001542791)
("Minergy" or "the Company")
www.minergycoal.com
(listed on the Botswana Stock Exchange ("BSE")
with listing code: MIN)

minergy LIMITED

BOTSWANA STOCK EXCHANGE LISTING REQUIREMENTS SECTION 6, CATEGORY 1 APPROVAL, AND PLACING

BACKGROUND

Minergy wishes to notify shareholders that a Further Amended and Restated Secured Debenture Facility Agreement ("the Debenture Agreement") has been entered into between the Company, Mineral Development Company Botswana (Pty) Limited ("MDCB"), and Minergy Coal Pty Limited (the "Subsidiary"), being the owner and operator of the Masama Coal Mine in Botswana, and a wholly owned subsidiary of the Company (where the Company and the Subsidiary are herein referred to together as "the Group").

MDCB is a Government of Botswana owned mining and minerals investment company. In terms of the Debenture Agreement, MDCB may advance up to an additional P125 million (the "Further Facilities") to the Subsidiary in two tranches of P62.5 million each, being the "Further Facility 1" and the "Further Facility 2", where the Further Facility 2 is subject to certain shareholder approvals as set out in this announcement. MDCB has advanced Further Facility 1 to the Subsidiary, and has previously also advanced two funding tranches totalling P110 million to the Subsidiary ("Initial Facilities").

The base interest rate on the Initial Facilities and Further Facilities (together the "Funding Facilities") is 15%, (Nominal Annual, Compounded Annually) and any outstanding amounts under the Funding Facilities are to be repaid to MDCB by 28 February 2026, with all interest being capitalised until 31 March 2021.

As set out in a previous Circular of the Company dated 5 November 2020, the Company planned to complete a placing by way of specific issue of ordinary shares for cash (the "Placing") to selected and qualifying institutional investors in order to raise additional equity capital. Shareholders were advised on 27 November 2020 that an Extraordinary General Meeting ("EGM") that had been scheduled for 8 December 2020 was postponed due to business matters under consideration that arose after issuing the notice of EGM on 5 November 2020, and which may require additional shareholder approvals. To ensure efficiency, all required shareholder approvals will be sought at a single EGM.

An EGM to approve a Placing, and any Category 1 Conversions (see further down in this announcement) is being scheduled for early in 2021, and as set out in more detail below. The Group plans to utilise a portion of the proceeds from the Placing to *inter alia*:

- repay some of the Funding Facilities early; or alternatively,
- to utilise funds from the Placing so that the Further Facility 2 is not required.

It should be noted that in terms of Section 6 (12) (a) (ii) of the BSE Equity Listing Requirements ("Listing Requirements"), the Company is required to dispatch a circular to its shareholders within 28 days to provide additional information on the matters herein. However, considering the expected usual interruptions from the imminent festive season, the Company requested, and has been granted an exemption by the BSE from Section 16.2 (a)(ii), provided that a circular is dispatched to shareholders within 42 days of the date of this announcement.

A new circular setting out the information required by the Listing Requirements will accordingly be disseminated to shareholders within the next 42 days.

RATIONALE AND BENEFITS

In terms of the Debenture Agreement, MDCB has a right (not an obligation), if it chooses to, to convert ("Debenture Conversions") all or part of the total outstanding Funding Facilities advanced to the Subsidiary into ordinary shares in the Subsidiary (an "Equity Interest"), provided the Debenture Conversions do not constitute a Category 1 Transaction ("Category 1 Conversions") pursuant to the BSE Listing Requirements. Any Category 1 Conversions would first require shareholder approval, and the Debenture Agreement makes the drawdown of the Further Facility 2 conditional upon such approval.

In accordance with BSE Listing Requirements, Category 1 Transaction criteria generally encapsulate larger transactions that could potentially materially impact an issuer, or in general terms may represent 40% or more of its market capitalisation. Whether Debenture Conversions result in a Category 1 Transaction may therefore, amongst other things, depend on the market capitalisation of the Company at the time.

It should be noted that the Debenture Agreement at all times limits the Equity Interest that could result from Debenture Conversions without shareholder approval to a level that does not constitute a Category 1 Transaction. In addition, Debenture Conversions prior to 30 April 2021 are limited to an Equity Interest of not more than 35%. This allows the Company and shareholders an opportunity to limit the quantum of any Equity Interest. The potential Equity Interest would be significantly smaller if significant reductions of the Funding Facilities are made through early repayments using funds from the Placing or other funds, prior to any Debenture Conversions. In terms of the Debenture Agreement MDCB has agreed to as far as reasonably possible cooperate with the Company to facilitate a listing on an international stock exchange, it being understood that this may entail MDCB's rights to affect a Debenture Conversion being limited to a level that is agreed to as part of the listing process, but subject to acceptable consideration being agreed to by MDCB.

Direct investment into the licence holder is typical of MDCB's investment approach in terms of its investment mandate, and it is important to note that Debenture Conversions in no way relate to the issued share capital of the Company and pertains specifically to an Equity Interest in the Subsidiary.

MDCB identified the Group's Masama Coal Mine as an attractive investment for its mining and minerals investment portfolio, having the potential to achieve its objectives, which includes monetisation of Botswana's coal, generation of attractive commercial returns for its shareholder, and development of the Botswana coal industry, while also contributing broader benefits such as job creation and diversification of the economy. MDCB's right to Debenture Conversions secures its investment, particularly given its significant and continued investment throughout COVID-19 during which time further funding from shareholders and other funders were not available, albeit that its analysis shows the project to still be profitable with development and operational risks mitigated on the basis that development funding is resolved. The Further Funding Facilities were approved on this basis, and also given that the project would still be able to achieve MDCB's investment mandate, as it is imperative that the project does not lose the critical momentum gained. MDCB's objective is only to limit Debenture Conversions to the extent of the parameters of its initial investments, as opposed to the additional funding beyond the Initial Facilities, and accordingly it would expect shareholders to participate in the Placing prior to any Debenture Conversions to ensure the continuation of the project. This would also ensure that the Company's interest in the Subsidiary is maximised.

As highlighted above, one of the objectives of the Placing is to raise sufficient equity capital in the near term so that the Further Facility 2 is either not drawn down, or so that the proceeds can be utilised to make early repayments of the Funding Facilities. Additional funds from the Further Facility 2 would effectively become available immediately upon shareholder approval of Category 1 Conversions (even though such conversions may or may not be made), which would be ahead of receiving any funds from the Placing. This may enable the Group faster access to funding, which is expected to result in significant operational benefits that would put it in a position to more quickly reach targeted name plate production, generate positive cashflows, and a more profitable trading status. If the Further Funding Facility 2 is drawn down, the Company's objective is accordingly also to be in a position to utilise proceeds from the Placing to limit the Equity Interest by early repayment of as much of the Funding Facilities as possible.

CIRCULAR

As described, the Debenture Agreement makes the drawdown of Further Facility 2 by the Subsidiary and any Category 1 Conversions subject to shareholder approval. Accordingly, the Company will issue a Circular to shareholders in compliance with 6.12(a) (ii) of the BSE Listing Requirements, setting out further information with respect to the potential impacts of any Debenture Conversions, Category 1 Conversions, and also of the Placing, which will be disseminated to shareholders with a notice of meeting ("Notice") to obtain shareholder approval, where Further Facility 2 and any Category 1 Conversions shall remain conditional upon such approval being obtained.

ADDITIONAL FINANCIAL INFORMATION NOT ALREADY NOTED ABOVE, RELATING TO SECTIONS 6.8, 6.9, AND 6.12 OF THE BSE LISTING REQUIREMENTS:

- The anticipated financial effects relating to the Funding Facilities, the related potential Debenture Conversions, Category 1 Conversions, and the noted Placing will be presented in the Circular to be provided to shareholders, in the form of consolidated pro-forma financial statements of the Group. Until such time that the Circular is published, shareholders are therefore advised to exercise caution when dealing in the Company's shares.
- There are no service contracts relating to Directors proposed to be appointed to the Company in connection with the Debenture Agreement, the Funding Facilities, or any potential Debenture Conversions.
- The purpose of the Circular includes providing information to shareholders with respect to the Debenture Agreement, the Further Facilities, any Category 1 Conversions, the potential Debenture Conversions, the Further Facility 2, and planned Placing, where it should be noted that draw down of the Further Facility 2 and any Category 1 Conversions, remain conditional on the approval of shareholders.

By Order of the Board

Morné du Plessis
Chief Executive Officer
18 December 2020

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