

ABRIDGED CIRCULAR TO SHAREHOLDERS



Incorporated in the Republic of Botswana
on 1 September 2016

(Company number: BW00001542791)

BSE Ordinary Share code: MIN
("Minergy" or "the Company")

DATE OF ISSUE OF CIRCULAR: 19 JANUARY 2021

1. RELATING TO:

- Placing of new Ordinary Shares for cash to Selected and Qualifying Institutional Investors, to raise additional equity funding;
- Approval by Shareholders of a potential Category 1 Conversion as set out in the Circular; and
- Related Notice for an EGM and Form of Proxy attached as Annexure 1 and 2 to the Circular.

EGM — scheduled for 10:00am on Thursday, 18 February 2021

The Proposals set out in the Circular presents Botswana, the Company, and its Shareholders with the benefits of reaching targeted production capacity, and becoming profitable in the near term, through significant positive impact on operations, and importantly, within the window of opportunity currently presented in the regional coal market.

Furthermore, conversely, if the Proposals are not supported, not only would these significant benefits not materialise, it would also put significant strain on the Group's cash flow and its ability to become profitable in the near term. It also means that Minerals Development Company Botswana (Proprietary) Limited ("MDCB") may have no option but to exercise a larger portion of its Conversion Rights than it is desirous of, or than the Group is desirous of. Supporting the Proposals presents an opportunity to mitigate the need for some of the Funding Facilities and accordingly maximises the Company's ownership in the Subsidiary. Whilst the COVID-19 pandemic has presented significant challenges to the Company, it is presented with an opportunity for significant growth, which it believes will benefit Botswana and its Shareholders. Accordingly, the Circular explains the background to, and the reasons for the Proposals, and why the Board considers the Proposals to be in the best interests of the Company and its Shareholders.

2. CAUTIONARY STATEMENTS: This document is an Abridged version ("Abridged Circular") of the Circular of the Company published via X-News on 19 January 2021 ("the Circular"), representing an overview and extracts therefrom. Terms in this Abridged Circular, bear the same meanings as terms in the full Circular. This Abridged Circular is not intended to be a substitute for the full Circular, which is not a Prospectus, and should be read in full and can be downloaded from the BSE or Company website. If you are in any doubt as to what action you should take in relation to the Circular or the Proposals, you should consult your accountant, broker, banker, Central Securities Depository Participant, legal advisor or other professional advisor immediately. The Circular is issued, in compliance with the provisions of the Listings Requirements, to the Shareholders of Minergy, for the purposes of providing Shareholders with the background to, and reasons for the Company's Proposals set out in the Circular, being the proposed capital raising by way of Placing of Shares to Selected and Qualifying Institutional Investors, and approval of a potential Category 1 Conversion.

3. BSE DISCLAIMER: The Botswana Stock Exchange has not verified the accuracy and truth of the contents of the 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.

4. INTENDED DATES AND TIMES RELATING TO THE PROPOSALS:

DESCRIPTION	DATE ⁽¹⁾ (2)
Circular dispatched to Shareholders	Tuesday, 19 January 2021
Last date for lodgement of Forms of Proxy	10:00am on Tuesday, 16 February 2021
Extraordinary General Meeting	10:00am on Thursday, 18 February 2021
Publication of EGM results announcement	Friday, 19 February 2021

Notes:

- All times indicated above are local times in Botswana.
- The dates and times indicated in the table above are subject to change. Any such changes will be published in the press, X-News and the Company website.

5. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, whose names are given in paragraph 4.1 of the 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.

6. RATIONALE FOR THE PROPOSALS

The rationale for the Proposals is to enable the Company to raise additional capital by way of the Placing, by issuing new Ordinary Shares to Selected and Qualifying Institutional Investors, primarily for the following purposes:

The intended purpose of the Proposals is primarily to enable the Company:

- To access further approved funding by raising additional equity capital through a Placing of Placement Shares to Selected and Qualifying Institutional Investors; and
- In the near term, access to an approved Further Facility 2.

The Group's objective is to reach targeted production capacity, and therefore positive cashflow and profitable trading as quickly as possible, and within the window of opportunity presented in the regional coal market.

In order to achieve this objective, additional expenditure is required to enable significant operational benefits, including the following:

- Shorter distances to the market from the completion of road infrastructure, which would also bypass villages and significantly reduce traffic through nearby local communities, with its related environmental and safety benefits;
- Settlement of amounts owing to third-party creditors in respect of project capital and operating costs releasing full deployment of required equipment to achieve targeted capacities;
- Completing Stage 4 of CHPP (Rigid Screening and Stock Handling section) civils work enabling construction and commissioning by end of April 2021;
- Ensuring consistent supply of product into target markets, enabling further market penetration; and
- Completion of further confirmatory drilling and feasibility studies for future mine expansions.

Application of Funds

To the extent the Placing is subscribed for in full, the Placing represents potential replacement funds for items relating to Further Facility 2 as set out below, so that the Further Facility 2 may not be required. Placing proceeds (P125 million) is planned to be applied as follows:

- Capital Expenditure of ~P60 million, mainly including the construction of a new road, civil construction work for the final product screening and handling section of the CHPP (also referred to as Stage 4 of the CHPP), and additional confirmatory drilling and evaluation studies;
- Working capital requirements and payment of overdue creditors (~P42 million); and
- Any residual balance will, with MDCB consent, be applied toward early redemption payments toward Funding Facilities.

Further Facility 2 (P62.5 million) funds, to the extent that the Placing is not subscribed for in full, or is not available in the near term, are planned to be applied as follows:

- Capital expenditure of ~P40 million, mainly including the construction of a new road and civil construction work for the final product screening and handling section of the CHPP (also referred to as Stage 4 of the CHPP); and
- Working capital requirements and payment of overdue creditors (~P22.5 million).

The above items are critical in ensuring that the Group reaches steady state (full production) for assumed MCP Phase 1 beneficiation capacity of 125 000 ROM tonnes per month.

For completeness, Further Facility 1 (P62.5 million) funds is in terms of the Debenture Agreement required to be applied as follows:

- Settlement of overdue royalties due to the Botswana Government in respect of the Mining Licence;
- Funding of the appointment of specifically technically required staff;
- Settlement of amounts owing to third-party creditors in respect of Project capital costs;
- Settlement of amounts owing to other third-party creditors involved with the Project;
- Funding of working capital requirements.

7. FINANCIAL EFFECTS OF THE PLACING

- The Placing will result in an increase in the number of Ordinary Shares of the Company in issue, as well as an increase in the Company's cash balances and a decrease in debt (to the extent that funds are applied toward early redemption of Funding Facilities).
- Shareholders are advised that the Placing will impact, in relation to the Ordinary Shares, on the earnings 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 purchased.
- As described in paragraph 2.3.7 of the Circular and related paragraphs, the Placing will also have the effect of reducing the potential Equity Interest of MDCB in the Subsidiary to the extent that proceeds received from the Placing are utilised to repay Funding Facilities.
- The pro-forma financial information showing the effects of the Placing (and of Category 1 Conversions), and the assumptions in connection therewith are set out in Annexure 5 to the Circular.
- Shareholders who do not participate in the Placing will continue to own the same number of Ordinary Shares, which they owned prior to the Placing, but the percentage Shareholding in the Company that their Ordinary Shares represent will be diluted to a lower percentage.

8. FINANCIAL EFFECTS OF CATEGORY 1 CONVERSIONS

- The maximum Equity Interest in the Subsidiary that could result from a Debenture Conversion, without Shareholder approval in terms of Resolution 3, is such Equity Interest that does not result in its categorisation as a Category 1 Transaction.
- If Resolution 3 is passed by Shareholders, a Category 1 Conversion will have been approved, the result of which will be that the Company is able to satisfy the related condition precedent to Funding Facility 2 that such approval is first granted, so that it may draw down on that facility if required.
- The expected financial effects of approval of the Proposals, including the Placing and the Category 1 Conversion are set out in the pro forma financials as presented in Annexure 5 to the Circular.
- Shareholders are reminded that the Equity Interest that could result from Conversion Rights being exercised has by agreement been limited to 35% up to the end of April 2021 to enable Shareholders to participate in the Placing and as such, depending on the quantum of the proceeds from the Placing, as indicated in the Circular, it is planned that some of the funds from the Placing is used to pay back a portion of the Funding Facilities prior to any Debenture Conversion, and /or, to utilise the proceeds from the Placing as a way to replace the need to draw down on Further Facility 2 whilst at the same time supporting the future growth of the Group as described in the Circular.

9. ACTION TO BE TAKEN

A Form of Proxy for use at the EGM accompanies the 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, so as to be received by them not less than 48 hours, i.e. 10:00am on Tuesday, 16 February 2021 before the EGM, which is scheduled for **10:00am on Thursday, 18 February 2021**. Submission of a proxy will not preclude Shareholders from attending and voting in person at the EGM, should they so desire.

10. 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 proposed to be passed 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 15 per cent of the total voting rights of the Company. It is further noted that other directors in the Group holding an additional 45 278 938 Ordinary Shares representing an additional approximately 10 per cent of the total voting rights also intend to vote in favour of the Resolutions proposed to be passed at the EGM.

SPONSORING BROKER



REPORTING ACCOUNTANTS



TRANSFER SECRETARY



LEGAL ADVISOR



Morné du Plessis
Chief Executive Officer
19 January 2021

Directors

Mokwena Morulane
(Independent Non-executive Chairman)
Leutlwetse Tumelo
(Non-executive Director)
André Bojé
(Non-executive Director, Strategic Consultant)
Claude de Bruin
(Non-executive Director)
Cross Kgosiidile
(Non-executive Director)
Morné du Plessis
(Chief Executive Officer)
Jean-Pierre van Staden
(Chief Financial Officer)

Company Secretary

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