



2021

INTEGRATED ANNUAL REPORT



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ABOUT THIS REPORT

Minergy Limited's 2021 Integrated Annual Report aims to provide a balanced, transparent, understandable and complete view of our business by reporting on the financial performance and non-financial aspects of the Group.


References to "Minergy" or "the Company" in this report are to Minergy Limited. References to "the Group" in this report are to Minergy and its subsidiaries Minergy Coal Pty Limited and Min Sales Pty Limited."

The 2021 Integrated Annual Report (referred to herein as the "report", "IAR", or Integrated Annual Report) covers a review of the Group as it pertains to the Masama Coal Mine and the status of saleable coal production, future developments, the management of risk, stakeholders and the way in which Minergy interacts with them, an extract from the Competent Persons Report ("CPR"), aspects pertaining to environment, social and governance ("ESG"), as well as the market into which Minergy's products are sold. It contains the consolidated annual financial statements of Minergy for the financial year ending 30 June 2021 and the notice of Annual General Meeting ("AGM").



This report further indicates, via this icon, where additional information is available on the Company's website.

THE REPORT IS GUIDED BY:

- ▶ The King Code of Governance Principles for South Africa ("King IV™")
 the King IV™ application summary is contained on the Company's website: www.minergycoal.com
- ▶ The Botswana Companies Act, CAP 42:01, as amended ("the Companies Act")
- ▶ The Equity Listing Rules of the Botswana Stock Exchange ("BSE")
- ▶ Where applicable, the CPR, which reports the Group's Resources and Reserves, and which was independently prepared in accordance with The South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves 2016 Edition ("SAMREC CODE")
- ▶ The annual financial statements are prepared and presented in accordance with International Financial Reporting Standards ("IFRS") and in accordance with the laws of Botswana.

BOARD RESPONSIBILITY STATEMENT

Minergy's board of directors ("the Board") confirms its responsibility for the integrity of the report, the content of which has been collectively assessed by the Directors, who believe that all material issues have been addressed. The annual financial statements have been audited by the independent external auditor, Grant Thornton Botswana, in accordance with the Companies Act, as indicated in their report, but no other information contained in the IAR has been independently assured apart from an extract from the CPR. The audited full year consolidated financial statements were prepared by the Acting Chief Financial Officer, Julius Ayo (Bachelor of Accounting ("BACC") and Association of Certified Chartered Accountants ("ACCA")), under the supervision of the Chief Executive Officer ("CEO"), Morné du Plessis CA(SA).

BOARD APPROVAL

The Board acknowledges responsibility for ensuring the integrity of this Integrated Annual Report. Following collective assessment, the Audit and Risk Committee, responsible for oversight of the IAR, recommended approval of the report by the Board.

In the Board's opinion, the Integrated Annual Report provides a fair and balanced representation of the integrated performance of the Company and addresses all material issues and presents the performance of Minergy fairly. The Board accordingly approved the IAR on 20 October 2021.

Mokwena Morulane
Independent Non-executive Chairman

Leutlwtse Tumelo
Non-executive Director

Cross Kgosiidiile
Non-executive Director

Morné du Plessis
Chief Executive Officer

Claude de Bruin
Non-executive Director

Leonard Makwinja
Non-executive Director



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ABOUT MINERGY

Minergy is the holding company of the Minergy Group and the development and operation 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 Masama 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.

 Additional information is available on the Company's website.

HIGHLIGHTS OF THE YEAR

 **NAMEPLATE**
CAPACITY IMMINENT

 **STABILISING**
PRODUCTION
ENVIRONMENT

 **RECOVERING**
COAL MARKET

 **COVID-19**
LINGERING EFFECTS

 **DELAYED**
FUNDING
CONSEQUENCES

OPERATIONAL

Mining and plant throughput **volumes increased** with **50% and 37%** respectively

Coal sales increased by **110% to 416 185 tonnes**

Additional off-take **agreement concluded**

Commissioning of **CHPP** rigid screening

Dewatering circuit section and filter press of **CHPP** commissioned with a resultant **saving of 60% of water** previously used per tonne of coal

FINANCIAL

Revenue increased by **138% to P193 million** (2020: P81 million)

Operating loss for the year **improves to P86 million** (2020: loss P100 million)

Net cash used in operating activities **improves to P37 million** (2020: P105 million used in operating activities)

Debt funding amounting to **P125 million secured**

HEALTH AND SAFETY

More than 1 000 days since mine inception with **zero injuries**

Mine recorded 60 positive COVID-19 cases with **no loss of life**

COVID-19 plan in place which has allowed for effective management

No reportable accidents, injuries or fatalities

SOCIAL

95% of workforce is Batswana

Corporate social responsibility remains core to Minergy for communities in and around the mining area

MILESTONES AND SUCCESSES

2017

- ▶ Completed exploration drilling
- ▶ Submitted Environmental Impact Assessment ("EIA")

Listed on main board of the Botswana Stock Exchange ("BSE")

2018

- ▶ EIA approved
- ▶ Mining licence awarded
- ▶ Commenced mine development

Additional equity raised

2019

- ▶ Mine development completed
- ▶ Commissioned stage 1 of the Coal Handling and Processing Plant ("CHPP")
- ▶ First coal sales
- ▶ Ramped-up operations
- ▶ First tranche of debt raised

3 year off-take agreement secured

2020

- ▶ Second and third tranche of debt raised
- ▶ Ramp-up operations halted by COVID-19
- ▶ Rail siding completed
- ▶ Commissioned CHPP rigid screening section

Exported first coal via rail to cement producer in South Africa

2021

- ▶ Commissioned CHPP Dewatering System ("DWS") and filter press
- ▶ Ramp-up operations close to nameplate capacity
- ▶ Additional off-take agreement concluded

Coal market recovery

UNDERSTANDING THE ROLE OF COAL

COAL IS AND WILL REMAIN AN ESSENTIAL AND CRITICAL COMPONENT TO ECONOMIC DEVELOPMENT.

"The world still needs coal – not only is coal the affordable choice for energy in many markets, but it remains the only viable choice for critical industries. Coal is critical to our world, through its use in providing much-needed affordable electricity and also in building our societies through its use in steel and cement. 37% of the world's electricity and over 70% of the world's steel is produced using coal."

World Coal Association ("WCA")

Coals remains the world's largest single source of electricity, with the WCA estimating that by 2040 coal will still account for 22% of the world's electricity generation.

In the developing world, which Africa is a part of, coal remains the principal input for affordable electricity generation. Yet, as reported by Engineering News in an article published on 27 July 2021, "24 of Africa's 54 countries have electricity access rates of below 50%" meaning that 600 million of Africa's people lack access to electricity". Countless studies prove that access to affordable electricity directly supports a better quality of life and promotes economic development and prosperity, because education, health and productivity are improved.

In 2010, the World Economic Forum defined energy poverty as "the lack of access to sustainable modern energy services and products." According to Rose M. Mutiso, Research Director at the Energy for Growth Hub, "Energy poverty, or the lack of access to electricity and other basic energy services, affects nearly two-thirds of Sub-Saharan Africa. As the region's population continues to increase, so will the need to build a new energy system to grow with it."

In Minergy's opinion, coal will remain an essential component for years to come, not only for base load electricity generation, but more importantly, for the prosperity that this base load power creates. In developing nations, notwithstanding the desire to switch to greener options, it is in no way affordable. We believe that the solution lies in a responsible and just energy transition that takes technology into account and which supports clean coal and a structured move towards a balance between renewable energy and the cheaper coal alternatives.

WHY BOTSWANA CAN PARTICIPATE IN THE REGIONAL SUPPLY OF COAL

>200bn

TONNES OF ESTIMATED COAL RESERVES

High quality

AND HIGHLY ECONOMICAL RESERVES

LOW ASH/SULPHUR

(I.E. LOWER STRIP-RATIOS AND LOW CONTAMINANTS)

Provides

DIVERSITY FROM TRADITIONAL INCOME SOURCES

SUCH AS TOURISM AND DIAMONDS

Stable

GEOPOLITICAL ENVIRONMENT AND POLITICAL

SUPPORT FOR COAL INDUSTRY DEVELOPMENT

Coal and renewables are not enemies Coal has and will provide the affordable baseload which enables renewables. Any unjust transition has significant economic implications especially in developing continents such as Asia and Africa.

It has recently emerged that Botswana is planning to develop six new coal mines, importantly with rail links to support the export of coal through South Africa via the Richard's Bay Coal Terminal. The Botswana government is prepared to investment money into these projects alongside investors from China, to provide the impetus the sector needs.

"Make no mistake, we all subscribe to a cleaner world," Lefoko Moagi, Botswana's minerals minister, told a local newspaper last year. "But we believe that we just can't leave an abundance of a God-given resource like that."

Extract from Moneyweb article published on 12 July 2021

"If this energy transition is to take place, especially in southern Africa and everyone gets together, with the right intentions, partnerships can be formed and great things achieved."

Morné du Plessis, Minergy CEO

Minergy is supportive of a just energy transition, but for reasons mentioned earlier in this section, it believes that for the developing southern African region, this is going to take a long time. Furthermore, this transition cannot take place to the detriment of economic development, especially for those who live in energy poverty, because to stimulate economic growth and human prosperity, access to affordable energy is vital.

A just energy transition impacts not just the mining and power generation industry. Peripheral industries such as cement, boiler operations amongst others are also impacted and not considered.

Minergy is committed to adopting the necessary technology and evaluating greening options and supports the deployment of cleaner coal technologies.

We believe that technology is key to cleaner coal to support and meet environmental goals, but that coal will continue to be a critical component to economic development for the foreseeable future, particularly in Africa.

MINERGY BUSINESS MODEL AND SALES STRATEGY

OUR CORE PURPOSE

To extract coal from the vast Resource demarcated in and around the Masama Coal Mine whilst ensuring profitability, diversifying foreign income and royalty streams for Botswana, creating employment, transferring skills and doing this in an ethical and responsible manner.

WHAT SETS US APART

Masama's high quality and consistent supply to customers in the regional industrial coal market, with resources available to become involved in the power generation and seaborne export markets should the opportunity arise. We offer superior qualities such as low ash and sulphur.



WHAT WE DO

SALE OF COAL TO THE INDUSTRIAL MARKET

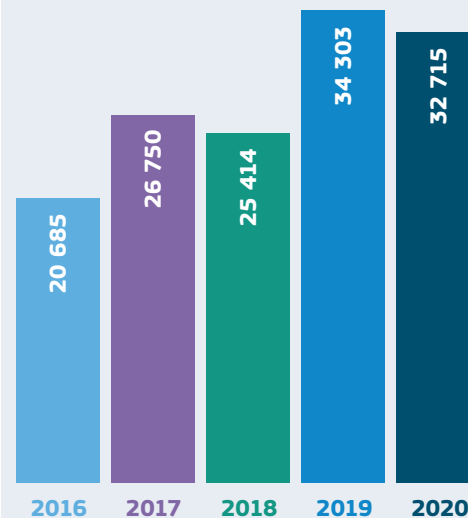
Minergy's coal marketing effort concentrates on targeting industrial customers with specific coal needs. Typical demand for the correct size, quality and a consistent supply remains high.

Minergy's target market is depicted in the presented graphs indicating that in South Africa the industrial market, according to the SA Coal Report 2020, comprises 33MT and this industrial component is broken down into domestic traders,

industrial, steelworks, chemical, cement, brick and other — which is the Minergy target market. The size of this market remains 18% of the total domestic coal demand for industrial, synthetic fuel and power generation.

Minergy's focus is ensuring that industrial customers across southern Africa receive this steady volume and high quality of coal.

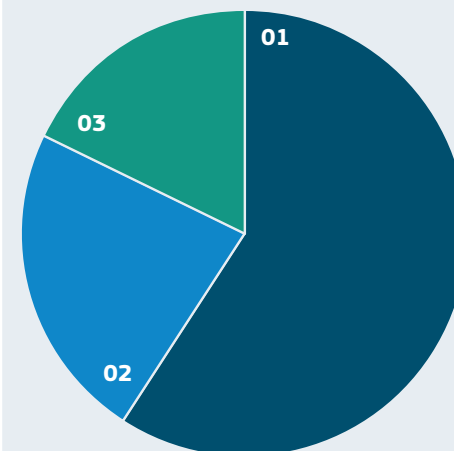
ANNUAL INDUSTRIAL DEMAND (MT)



Graph excludes power generation and synthetic fuels

Source: Department of Mineral Resources/South African Coal Report

SOUTH AFRICAN DOMESTIC DEMAND 2020 (185MT)



01 **Power generation** 110 (59%)
 02 **Synthetic fuel** 42 (23%)
 03 **Industrial** 33 (18%)

THE MINERGY PRODUCT MIX IS MADE UP OF:

DUFF

0 X 10MM

The smaller fraction product or "duff" is targeted for sale on longer-term contracts. Minergy concluded an off-take agreement with a South African cement producer over three years from September 2019. An additional off-take agreement is in place for a 12-month period with another South African cement supplier.

Cement and lime producers, brick makers.

PEAS

10 X 30MM

Typically sold on short-term contracts on a spot basis.

Boiler fuelled manufacturing such as breweries, canners, hospitals.

NUTS

30 X 50MM

Typically sold on short-term contracts on a spot basis.

Specialised heating, manufacturing.

(See report from the acting CFO on page 18 for a breakdown of the product mix)

MINERGY BUSINESS MODEL AND SALES STRATEGY CONTINUED

WHAT THE FUTURE HOLDS

POWER GENERATION MARKET

According to The Integrated Resource Plan (2019), by 2030, almost 60% of electricity in South Africa will still be generated from coal.

This will have reduced from the current level of 77%. Given that no new power stations are being built and that South Africa continues to face a very real coal-cliff, Minergy remains poised and capable of supplying coal to the southern African power generation market.

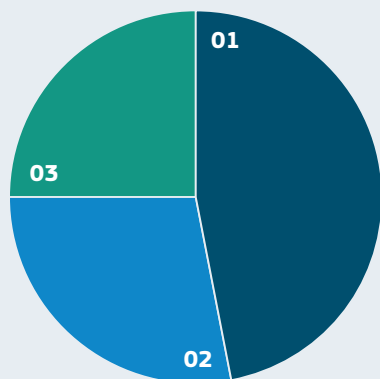
Minergy is the only Botswana coal mine to tender and be shortlisted for supply to the Tutuka Power Station in South Africa (100 million tonnes of coal/20-year tender).

Minergy is also assessing its participation in the request by the Government of Botswana to provide a 300MW power station for which the company has been shortlisted.

EXPORT OF COAL

Once the Mmamabula-Lephalale export line to South Africa has been built, which will take roughly 550km out of the logistics loop, Minergy will be very well placed to rail coal to export markets, benefiting from this significant distance advantage.

VALUE ADDED 2021 (PULA)



01 Employee costs	9 227 195 (47%)
02 Taxation	5 494 816 (28%)
03 Royalties	5 036 324 (25%)



MINE ATTRIBUTES, LOCATION, AND INFRASTRUCTURE

The Masama Coal Mine has **exceptional coal quality**, accessible through a low stripping ratio.

REGIONAL LOCATIONAL ADVANTAGE

The Resource is near to existing rail, road and water infrastructure, and has significant distance advantages over some existing coal suppliers to regional markets, being 200 kilometers (“km”) closer to the South African cement market, and similarly 192 km closer to the main lime producing market in South Africa.

This is hugely advantageous as transportation costs of landed coal are substantially less.

ATTRIBUTES

390m

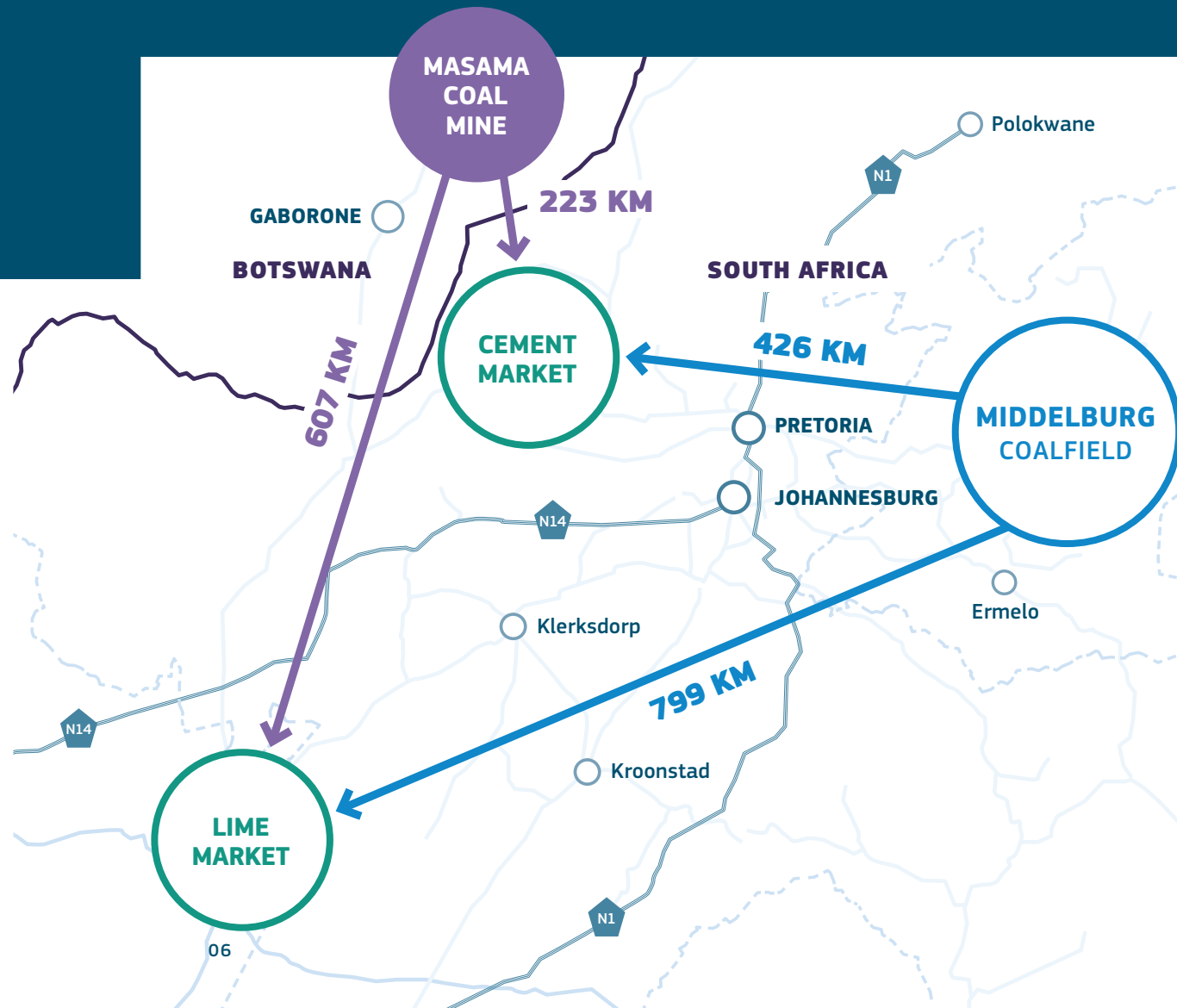
TONNE COAL RESOURCE

80m

TONNE OPEN CASTABLE

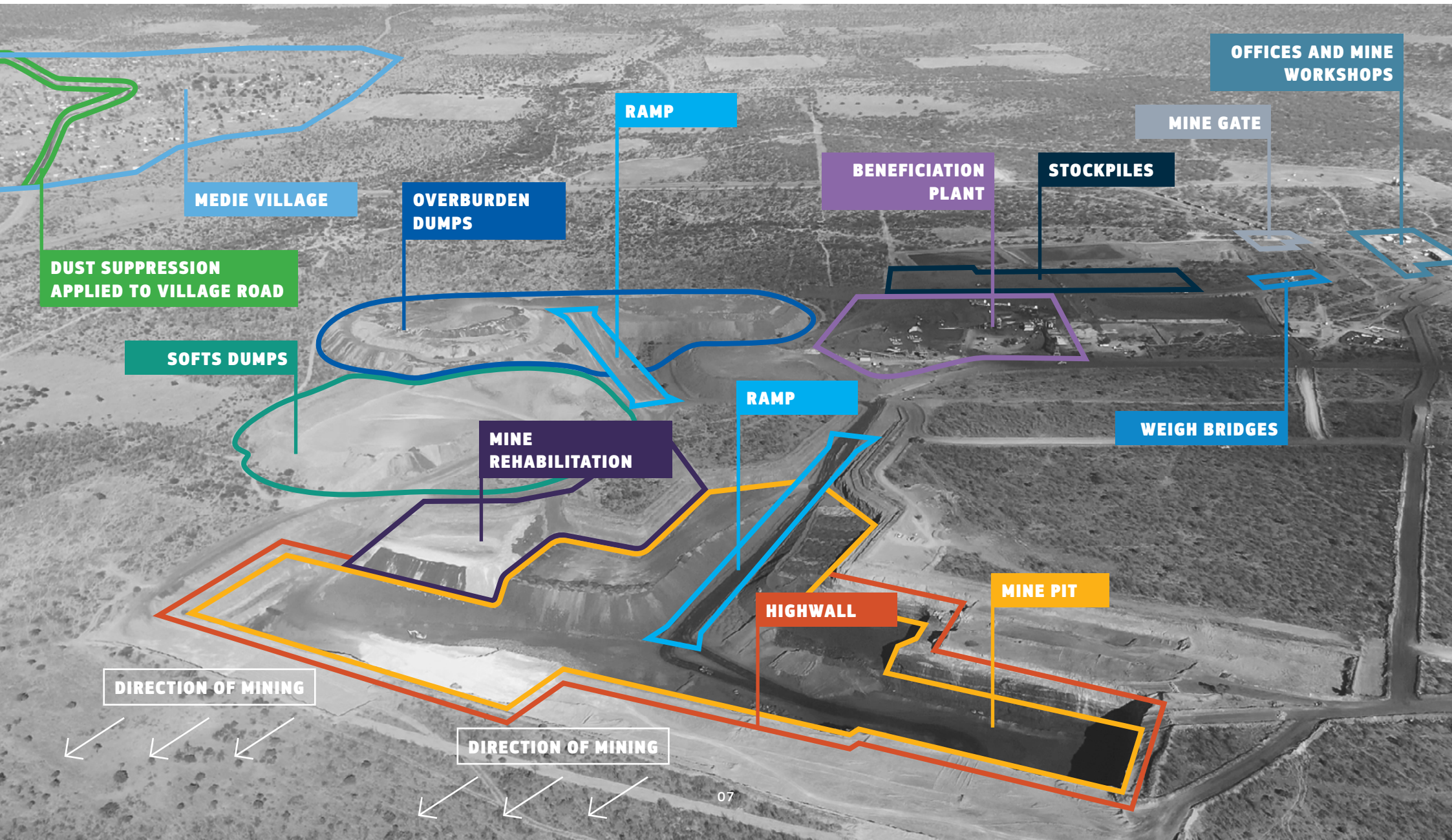
22

YEARS LIFE OF MINE (“LoM”)



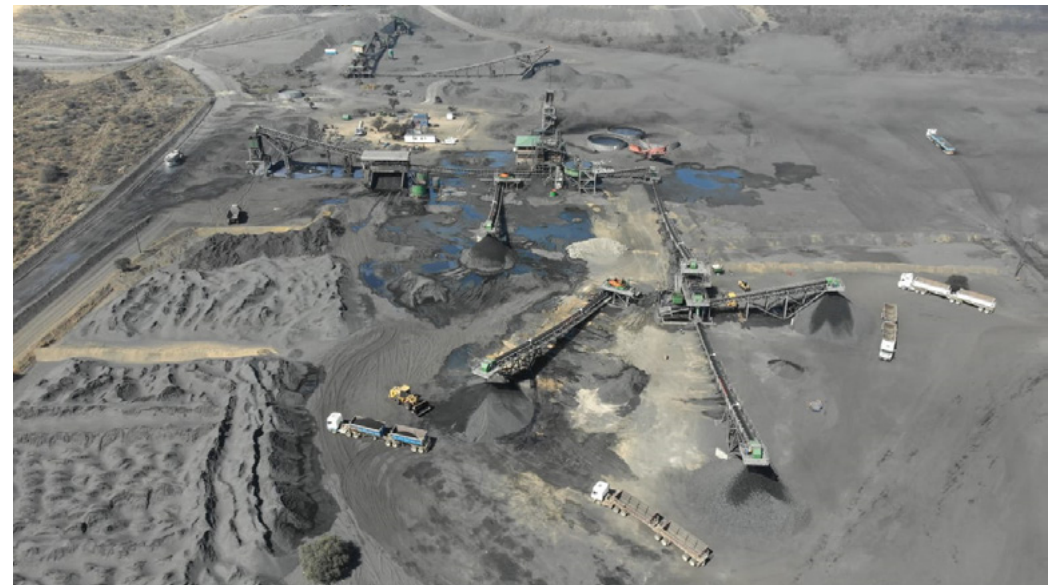
MINE ATTRIBUTES, LOCATION AND INFRASTRUCTURE CONTINUED

INFRASTRUCTURE



MINE ATTRIBUTES, LOCATION AND INFRASTRUCTURE CONTINUED

ACTIVITY AT THE MASAMA COAL MINE



STATUS OF THE COAL HANDLING AND PROCESSING PLANT (“CHPP”)

During the first half of the financial year, the rigid crushing section (Stage 2 of the CHPP) at the Masama Coal Mine was commissioned and completed. Minergy was able to terminate the use of the mobile crusher and produce a more consistent product flow and a better particle size distribution.

The construction and commissioning of a dewatering circuit and filter press (Stage 3) was successfully implemented during the latter part of the financial year with a significant water saving compared to previous use, in fact better than the industry norm.

The rigid screening and stock handling section (Stage 4 of the CHPP) was commissioned post the financial year end in August 2021 after an initial delay caused by a structural steel shortages experienced in southern Africa.

For all these respective stages Build, Own, Operate and Transfer (“BOOT”) funding is in place.

STAGE 01

- DMS module with mobile crusher and screen
- Commissioned Aug 2019



STAGE 02

- Rigid crusher section
- Commissioned early Dec 2020
- Significant efficiencies
 - » Improved particle sizing
 - » Elimination of double handling
 - » Consistent feed and increased output
 - » Water saving
 - » Reliability of equipment
 - » Cost savings



STAGE 03

- Water management infrastructure including filter press and dewatering circuit
- Commissioned mid-Feb 2020
- Benefits
 - » Minimum recovery >35%
 - » Recover >35% of water
 - » Recovery of fines
 - » Efficient water usage













STAGE 04







- Rigid screening and stock handling
- Commissioned in Aug 2021
- Benefits
 - » Consistent output
 - » Cost savings — no double handling
 - » Reliability of equipment






MANAGEMENT OF RISK

	IDENTIFIED RISK	MITIGATIONS	TYPE OF RISK	FOCUS FOR 2022
1.	Insufficient capital and related funding to complete final development and ensure operational performance at nameplate capacity	<ul style="list-style-type: none"> ▶ Additional debt funding of P125 million raised to substantially move the mine into nameplate capacity ▶ Debt successfully restructured to maximise cash flow utilisation in operations ▶ Shareholders approved placing of new ordinary shares for cash to selected and qualifying investors to raise equity funding up to a maximum of P125 million ▶ Pursuing listing on London Stock Exchange ("LSE") Standard Segment of the LSE's Main Market 	 Strategic  Compliance  Operational  Financial	<ul style="list-style-type: none"> ▶ Place maximum of new ordinary Shares for cash to Selected and Qualifying Institutional Investors as approved ▶ Executing the business plan supporting the Debt restructuring ▶ Continue pursuing LSE listing, or listing on another international stock exchange, subject to affordability and investor appetite
2.	COVID-19 impact on operations and logistics and delayed roll-out of in country vaccination programme	<ul style="list-style-type: none"> ▶ Strict protocol adherence against COVID-19 Plan ▶ Encourage and facilitate staff vaccination 	 Operational  Financial	<ul style="list-style-type: none"> ▶ Ongoing management ▶ Advocating vaccination of mining sector in Botswana through official channels
3.	Impact of health, safety and environmental challenges on the sustainability of the business model, specifically <ul style="list-style-type: none"> ▶ Water availability ▶ Dust suppression 	<ul style="list-style-type: none"> ▶ Approved EIA in place ▶ No Lost Time Injuries recorded during reporting period (> 1,000 days) since mine development started in September 2018 emanating from enforced safety plans ▶ Water sourcing and management programmes in place <ul style="list-style-type: none"> » Dewatering Screen and Filter Press successfully commissioned contributing to > 40% water recovery » Rainwater catchment provisions ▶ Increase in dust and traffic control measures such as: <ul style="list-style-type: none"> » dust suppression spray applied in sensitive areas twice daily » allocation of water for dust suppression » traffic management and calming mechanisms 	 Compliance  Operational	<ul style="list-style-type: none"> ▶ Additional water borehole drilling, electrification and connectivity of water infrastructure planned as part of Capex plan ▶ Continued dust control ▶ Continuous communication with communities ▶ Diverting roads around sensitive community areas ▶ Investigating mechanisms to decrease carbon footprint such as solar on mine etc. ▶ Investigating bagging and containerisation of coal
4.	Reliability of Plant Infrastructure and efficiency <ul style="list-style-type: none"> ▶ Completion of Rigid Plant Product Screening and Handling Section (Stage 4) 	<ul style="list-style-type: none"> ▶ August 2021 completion (delayed by southern African structural steel shortage) ▶ Mobile screen acts as backup in future and allow flexibility 	 Operational  Financial	<ul style="list-style-type: none"> ▶ Planned maintenance programmes in place

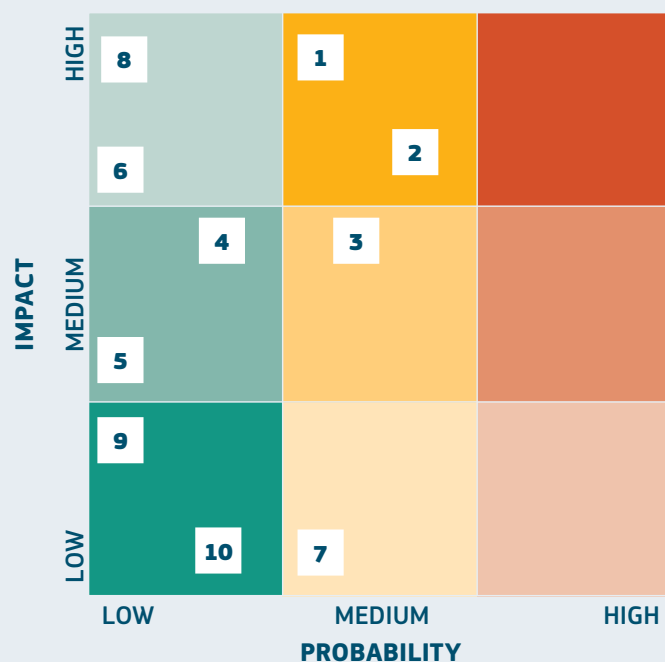
MANAGEMENT OF RISK CONTINUED

	IDENTIFIED RISK	MITIGATIONS	TYPE OF RISK	FOCUS FOR 2022
5.	Macro-economic factors impacting the execution of the business plan	<ul style="list-style-type: none"> ▶ The demand for coal remains high, especially from developing continents such as Africa and Asia which is supported by the latest commodity boom including coal. <ul style="list-style-type: none"> » There remains a shortage of supply into the targeted regional domestic market with no greenfield coal developments to fill the gap. ▶ The Group's products are diversified to supply a local/regional, power generation and export product ▶ Proximity to regional market allows logistical competitive advantage. ▶ Two significant off-take agreements formalised 	 Strategic  Financial	<ul style="list-style-type: none"> ▶ Secure anchor off-takes for larger fraction product ▶ Complete Eskom tender review process ▶ Support a just energy transition to alleviate energy poverty ▶ Botswana power station options under assessment
6.	Inadequate operational and capital cost control	<ul style="list-style-type: none"> ▶ Detailed budgeting process approved by the Board and Lenders ▶ Delegation of Authority Framework governs approval for all major and capital expenditures. ▶ Reporting of expenditure against budget on regular basis and reporting to the Board and Lenders ▶ Significant cost savings achieved during FY21 ▶ Savings in materials handling costs achieved with commissioned beneficiation plant 	 Operational  Financial	<ul style="list-style-type: none"> ▶ Continuous operational and cost management review
7.	Lack of in-country logistics and infrastructure	<ul style="list-style-type: none"> ▶ Support received from local rail agency for building siding and promotion of rail transport which resulted in coal evacuated successfully into South Africa by rail 	 Strategic	<ul style="list-style-type: none"> ▶ Increase rail component of cross border coal evacuations in conjunction with local and South African rail agencies by increase competitiveness of rates vs road
8.	Not delivering on strategic growth objectives	<ul style="list-style-type: none"> ▶ Sold ~615 000 tonnes within 22 months from mine commissioning. (Doubled volume from FY21) ▶ Short listed by South African Eskom to supply coal into power station ▶ Government support for mine confirmed with additional debt funding and debt restructuring 	 Strategic	<ul style="list-style-type: none"> ▶ Focus on achieving nameplate capacity volumes and stabilise operations from ramp-up to steady state conditions ▶ Complete internal feasibility work for E-Seam as well as doubling of capacity phase

MANAGEMENT OF RISK CONTINUED

	IDENTIFIED RISK	MITIGATIONS	TYPE OF RISK	FOCUS FOR 2022
9.	Lack of sustained resources and quality of product	<ul style="list-style-type: none"> ▶ The CPR confirms 390MT of coal, which represents 100 years LOM. ▶ Qualities confirmed by off-takes concluded and repeat spot purchases ▶ Minimal quality issues ▶ Onsite laboratory commissioned ▶ Mined volumes show greater recovery than geological model ▶ Prospecting licence covers additional 243km² area 	 Operational  Financial	<ul style="list-style-type: none"> ▶ Continuous monitoring of coal qualities and optimise beneficiation setup ▶ Additional geological drilling to support feasibility of doubling capacity
10.	Exchange rate and credit risks	<ul style="list-style-type: none"> ▶ Currency risk is limited to the South African Rand which has strengthened and stabilised ▶ Strict credit vetting procedures in place including cash upfront transactions where relevant 	 Financial	<ul style="list-style-type: none"> ▶ Review hedging policy and instruments continuously

RISK MATRIX: RISK IMPACTS VS PROBABILITY



02 LEADERSHIP FEEDBACK

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CHAIRMAN'S REPORT



The health and safety of all our employees remains paramount and all operations at the mine continue to be undertaken within strict health and safety protocols.

The Masama Coal Mine is close to nameplate capacity, with strong support for the price and product mix that the mine is able to deliver.

Mokwena Morulane
Independent Non-executive Chairman

CHAIRMAN'S REPORT CONTINUED

It is with great pleasure that I once again present this report to Minergy's shareholders and stakeholders. Whilst the COVID-19 pandemic continues to plague countries and economies across the world, with a devastating impact on people, including the loss of lives, we are extremely thankful that Minergy has experienced no loss of life to date and that the impact on operations continues to be limited.

A COVID-19 action plan remains in place to ensure the ongoing safety of all involved. Minergy is optimistic that vaccines will stem the rampant spread of the virus in Botswana, and we are encouraged by the possibility of vaccinations taking place at the mine, as initiated through the Ministry of Health and Wellness.

The health and safety of all our employees remains paramount and all operations at the mine continue to be undertaken within strict health and safety protocols, including all the protocols for sanitisation with regard to COVID-19. From a people perspective, I am also delighted to report that the Company continues to have an outstanding safety record, with zero injuries on the mine and more than 1 000 days without lost time due to injury.

In terms of Minergy itself, this has been a better year than 2020, specifically with a stronger performance in the last quarter of the financial year. We have survived COVID-19 as well as extraordinary weather conditions such as extraordinarily high rainfall in Botswana from tropical storm Eloise, resulting in interrupted operations from pit flooding, impassable roads, and other related operational challenges. Fortunately, this has been followed by a stable production environment and a strongly recovered market.

Of note is that the Masama Coal Mine is close to nameplate capacity, with strong support received in terms of both the combination of price and product mix that the mine is able to deliver to the market. The stated objective for the 2022 financial year is to achieve full nameplate capacity during this calendar year by completing final ramp-up of operations. This will enable the Company to generate sufficient cash flow to stabilise the business and break even or better.

In addition to establishing and helping support the nascent coal industry in Botswana, Minergy remains committed to supporting the Government of Botswana through job creation, skills development and training. At year end 95% of the 353 people in our team were citizens of Botswana.

CHANGES TO THE BOARD

The Board underwent a number of changes during the year under review as communicated to the market when these occurred.

The resignation of Chief Financial Officer ("CFO") Jean-Pierre van Staden, in January 2021, led to the appointment of Julius Ayo as Acting CFO in his place on 6 May 2021.

André Bojé, the inaugural Chief Executive Officer ("CEO") of Minergy when it listed on the Main Board of the Botswana Stock Exchange ("BSE") in 2017, resigned from the Board on 31 May 2021 as a non-executive director and strategic consultant.

Leonard Makwinja was appointed on 1 June 2021 as a non-executive director, and we look forward to his input stemming from his significant international mining experience, as well as in-depth engineering, logistics and leadership experience.

Changes to the Audit and Risk Committee ("ARCO") include Cross Kgosiile taking over as Chairman of the committee. He is a qualified accountant, with a Master's Degree in Business Administration and a Bachelor of Commerce (Accounting) from the University of Botswana, with substantial experience as a company executive and non-executive board member.

In line with best practice corporate governance, following Mr. Kgosiile's appointment as ARCO Chairman, I have stepped down as the Chairman of ARCO but remain a member of the committee. Leutlwetse Tumelo remains a committee Member, while Claude de Bruin steps down as a committee Member.

COMMUNITY SUPPORT AND INVOLVEMENT

Minergy takes community relations seriously and the success of the mine has been supported by the goodwill received from communities, government, and regional governing structures. There are many good stories of entrepreneurship, support for the local school and growth in the nearby village and surrounding areas. The Company recognises Minergy's responsibility to mine and operate responsibly and will continue to do so together, and with stakeholder support to the benefit of the community.

APPRECIATION

In closing, I would like to thank Minergy's employees, the executive management team and my fellow board members for their efforts, support and hard work during the year. None of the successes to date would have been achieved without you.

To our funders, our customers and our contractors, thank you for your continuing support and commitment to ensuring the Company has again met significant milestones this year.

We remain thankful to our shareholders and funders for the ongoing support and faith they have in Minergy.

With the developments this year, there is no doubt that Minergy has ensured the sustainability of the Masama Coal Mine and has helped to further entrench the coal industry in support of the Botswana economy.



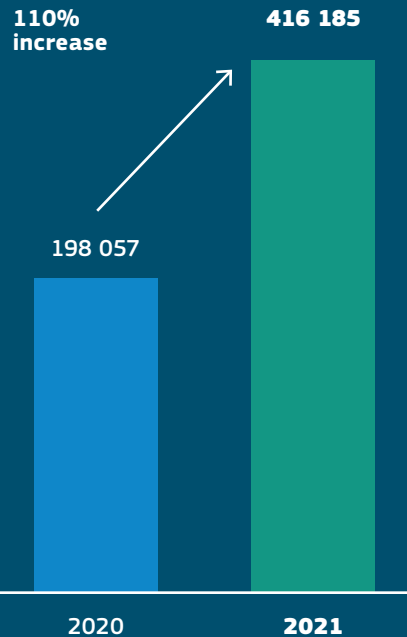
Mokwena Morulane

Independent Non-executive Chairman

20 October 2021

CHIEF EXECUTIVE OFFICER'S REPORT

COAL SOLD (TONNES)



Minergy achieved record production and sales during the year, despite operational constraints due to COVID-19 effects on logistics, and the manning of shifts, excessive rain and the consequences of delays in concluding funding.

Morné du Plessis
Chief Executive Officer



CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

I am pleased to report to shareholders and stakeholders on the operational results for the year ended 30 June 2021. Minergy has made great strides towards nameplate capacity despite trying conditions and we expect to reach consistent steady state levels of production in the 2022 financial year.

The COVID-19 pandemic continues to disrupt border crossings and manning full production shifts but thankfully, despite recording a total of 60 cases during the financial year, no fatalities were recorded, with all those infected making a recovery. Minergy continues to be diligent, vigilant, and dedicated to the health and safety of all our employees.

The main features of the year are summarised by quarter in the box to the right and the important areas elaborated on in the commentary that follows.

The year was marked by delays in concluding critical funding. Minergy remains grateful to the Government of Botswana for its continued support in the form of debt funding. As a reminder to readers the table below contains the steps in the application of funds raised, all in support of sustainability, skills development and the establishment of a vibrant coal industry in Botswana.

FUNDING STRATEGIES

OBJECTIVES

PRIMARY

Funds raised, irrespective of source, will be used to stabilise the business to nameplate production including required capex and working capital

SECONDARY

Reducing excessive gearing position on balance sheet by limiting equity conversions and maximising shareholder ownership

TERTIARY

Funding to double CHPP capacity (Stage 2)

FEATURES OF THE 2021 OPERATING ENVIRONMENT

- Q1** ▶ Initial recovery of production and processing levels on the back of the reopening of economies post initial COVID-19 lockdowns
- Q2** ▶ Successful completion of the rail siding, allowing for the export of coal via rail and commissioning of Stage 2 of the CHPP
 - ▶ Delays experienced in concluding funding and further COVID-19 implications on cross border logistics, reducing the production and sale of product
- Q3** ▶ Most of this quarter was heavily impacted by extraordinarily high rainfall experienced in Botswana exacerbated by tropical storm Eloise moving through the region
 - ▶ Continued recovery of international seaborne thermal coal prices
- Q4** ▶ A stable production environment yielded increased production volumes, moving toward nameplate capacity as well as increase in sales in a bullish market

MINING AND PLANT PERFORMANCE

Mining performance was initially impacted by the delayed conclusion of funding and as a consequence, the contractor had to manage arrears as the finalisation of funding took longer than expected, culminating in reducing mining teams to coal extraction only sacrificing pre-stripping. Once funding was secured, and accelerated operations commenced, the mine was subjected to excessive flooding in and around mining operations. To exacerbate matters COVID-19 sterilised one full shift reducing operations to 50% capacity in February 2021.

Despite the above, overburden moved during the reporting period increased by 86% to 2.6 million m³ and extracted coal

increased by 50% to 665 964 tonnes. Coal mined in June 2021 exceeded 100 000 tonnes.

The CHPP was starved of coal due to the issues noted above. Despite this, overall plant throughput performance was 37% higher than 2020 at 674 712 tonnes. Consistent output was supported by the Stage 2 rigid screening section and a record output of >84 000 tonnes was achieved in March 2021.

SALES PERFORMANCE

For the financial year Minergy sold 416 185 tonnes of coal (2020: 198 057 tonnes), a 110% increase compared to the previous year supported by increased sales in Botswana and internationally in South Africa and Namibia. Sales for June 2021 exceeded 56 000 tonnes, a record since inception. The breakdown of the sales mix is elaborated on in the Acting CFO report on page 19, suffice to say that we are pleased with the volume, price and mix achieved particularly in the latter quarter the financial year. This again confirms that customers are satisfied with quality and performance of the coal which set us in good stead to capitalise on in the coming year.

A summary on the progress on conclusion of off-take agreements is provided below:

OFF-TAKE AGREEMENTS IN PLACE	DETAILS
OFF-TAKE 1	<ul style="list-style-type: none"> ▶ Three-year period (commenced September 2019) ▶ Supplying coal to the cement industry in South Africa
OFF-TAKE 2	<ul style="list-style-type: none"> ▶ 12-month period ▶ Commenced February 2021 ▶ Supplying coal to the cement industry in South Africa

Additional off-take agreements are currently being negotiated, including for the larger fraction products (see product descriptions in the Minergy business model and sales strategy section on page 04.

CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

Minergy has benefited from the price momentum of a burgeoning commodity market, including South African export coal which has seen the highest export coal pricing in a decade.

In addition, average pricing has increased from a stronger South African Rand which resulted in higher Pula recovered prices at the mine in the last six-month period and a better product mix featuring larger fraction products.

FINANCIAL PERFORMANCE

A comprehensive report is provided by the Acting CFO which contains additional details.

Despite many positive achievements, Minergy reported a loss for the year ended 30 June 2021. Operations continued below breakeven levels on the journey towards nameplate capacity, resulting in further operating losses being incurred. Operating losses have declined year-on-year bolstered by a more stable production environment during the latter part of the financial year including increased sales volumes. A recovery in the coal price as well as a good product mix into the industrial client base, assisted in lifting margins in the latter half of the financial year. Details to these dynamics are contained in the Acting CFO report on pages 18 to 21.

STATUS OF THE PLANT

A comprehensive overview and update on the status of the plant is contained on page 09. Critical to the future efficiency of the Masama Coal Mine is the implementation of Stage 4 of the CHPP (Rigid Screening and Stock Handling section). It is envisaged that this will be completed by the first quarter of the new financial year.

FUNDING

Minergy is pleased to announce that additional convertible debt funding was secured from the MDCB amounting to P125 million. The final tranche was received post the financial year-end. This final and critical debt funding will allow the business to reach nameplate capacity into the new financial year.

In conjunction with the major funders, Minergy has also successfully restructured its debt to support a stabilised mining operation. Details are provided in the annual financial statements.

Minergy continues to assess strategic investment partners to fund growth opportunities and to ensure operational sustainability of the Masama Coal Mine. The capital raise, as approved by shareholders in February 2021, is gaining momentum with positive developments expected.

FUTURE FOCUS AND OUTLOOK

Completion of Stage 4 of the CHPP (Rigid Screening and Stock Handling section) remains a key optimisation step. The completion was unfortunately delayed due to a Southern African wide shortage of structural steel.

Minergy expects the momentum in international coal pricing for southern Africa coal to continue. Higher coal prices have resulted in coal being withdrawn from the industrial market and redirected to the international markets. The regional market is currently under supplied which supports pricing and new customer opportunities.

The objective for the 2022 financial year is to achieve nameplate capacity by completing final ramp-up of operations and maintain steady state volumes. This will enable the Company to generate sufficient cash flow to stabilise the business at break-even or better. The bullish coal market will provide support.

COVID-19 will be closely managed, and we trust that vaccination programmes will achieve herd immunity in Botswana during the next 12-months.

The booming commodity markets have allowed Minergy to reconsider a listing in London, with evaluations currently taking place to understand the best way to achieve this.

The Eskom due diligence process is gaining momentum and Minergy is hopeful of receiving feedback during the current calendar year.

We are excited about being shortlisted to participate in a 300MW power station for Botswana as mentioned earlier in this report.

APPRECIATION AND THANKS

I am humbled by and blessed with the team that I work together with at Minergy. This extends across the Board of Directors, the executive management, our employees, as well as our committed contractors and customers. The dedication, guidance and perseverance shown by all, through what can only be described as a challenging year, is appreciated, and does not go unnoticed.

I want to thank André Bojé for his support and mentorship during this difficult year and want to extend my gratitude for his significant contribution in making the Minergy dream a reality for all of us. We wish him the very best for his retirement.

My sincere gratitude is extended to our funders, shareholders, and equity partners, who share a deep understanding and attentiveness towards Minergy. Your support and commitment of our Company continues to ensure that Botswana has a vibrant coal sector supported by training and skills development of local people.

I wish to acknowledge that none of this would be possible without the grace and love of Father God, to whom we remain grateful and trust in.



Morné du Plessis
Chief Executive Officer

20 October 2021

ACTING CHIEF FINANCIAL OFFICER'S REPORT

OVERALL FINANCIAL PERFORMANCE

I am pleased to report to shareholders and stakeholders on the financial performance of Minergy, in my capacity as the Acting Chief Financial Officer. As an overview, for the 2021 financial year, the Group achieved revenue of P193 million (2020: P81 million), costs of sales of P256 million (2020: P150 million), operating costs of P23 million (2020: P31 million), resulting in an operating loss of P86 million (2020: P100 million). Finance costs of P51 million (2020: P17 million) were incurred bringing the net loss before taxation to P136 million (2020: P117 million).

To unpack the results, the financial performance can be divided into two distinct periods with very different operating environments, namely:

- ▶ the first eight -month period (July 2020 – February 2021), which was negatively impacted by delayed funding and excessive rains; and
- ▶ the last four -month period (March 2021 – June 2021), which was a more stable production environment edging toward nameplate capacity.

The table below (P million) illustrates the impact of these circumstances on the numbers:

PERIOD	JUL 20 TO FEB 21		MAR 21 TO JUN 21		TOTAL
REVENUE	97	50%	97	50%	193
Cost of sales	150	59%	106	41%	256
GROSS LOSS	(54)	86%	(9)	14%	(63)
Operating expenses	16	68%	7	32%	23
OPERATING LOSS	(69)	81%	(16)	19%	(86)
Finance costs	28	55%	23	45%	51
NET LOSS	(97)	71%	(39)	29%	(136)

The adverse conditions in the first eight-month period contributed to 86% of the total gross loss of P63 million. The stable four-month period alone contributed to P97 million (50%) of total sales value, which helped decrease monthly gross losses.



Julius Ayo
Acting Chief Financial Officer

ACTING CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

SALES PERFORMANCE

SALES VOLUME

Total sales volume for the financial year increased by 110%. The financial year ended on a high, with record sales of 56 095 tonnes achieved in June 2021. Duff sales into the cement industry in South Africa remains the dominant product. Minergy continued to market the Peas product, which has experienced increased demand. The growth was stimulated by a successful trial with a South African steel producer in the last quarter of the financial year. On the back of this success, a possible off-take agreement is being considered, which will further boost sales volumes.

SALES PRICE

The majority of coal sales are in Rands and the improvement of the Rand against the Pula from a low of 1.45 at the beginning of the year to 1.31 at the end of June 2021, helped the average price per tonne. In addition, the increase in the higher priced Peas product sales also contributed to better overall pricing being received.

On a comparative basis, average pricing is 6.5% higher than the 2020 financial year.

COST OF SALES

As would be expected, at 57% mining costs make up the bulk of the cost of sales. Production in the last four-month period showed significant improvement at additional cost. It is worth noting that transport is recovered in and reflected in sales.

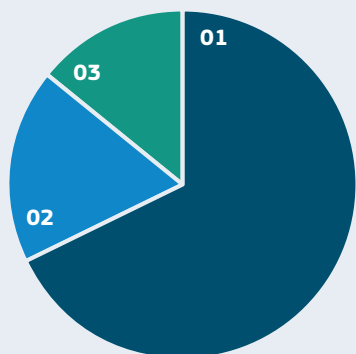
OPERATING EXPENSES

Overall operating expenditure was well managed. Significant reductions from the prior year included the following:

- Salary cuts were taken by management;
- Reductions in management and consulting fees were negotiated and implemented;
- Listing costs were incurred in the prior year but not in the current year; and
- Mine development costs, such as road development and electrification, were expensed in the prior year but not in the current year.

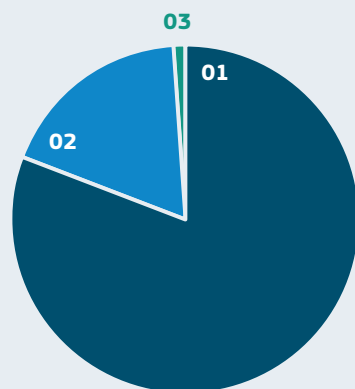
PRODUCT MIX

PRODUCT SPLIT (%)



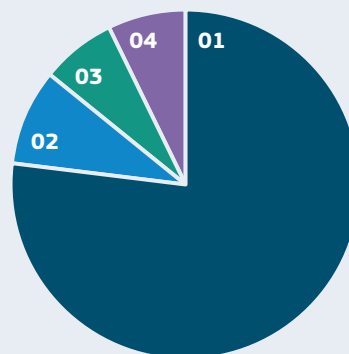
01 Duff	68
02 Peas	18
03 Mixed nuts	14

GEOGRAPHIC (%)



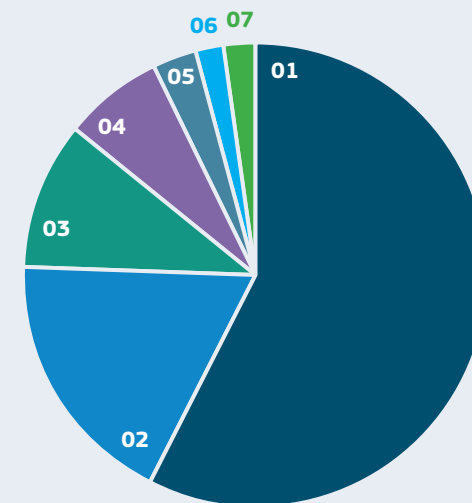
01 South Africa	81
02 Namibia	18
03 Botswana	1

ECONOMIC SEGMENTS (%)



01 Cement	77
02 Steel	9
03 Power generation	7
04 Traders/industry	7

COST OF SALES (%)



01 Mining costs	57	05 Depreciation	3
02 Beneficiation costs	18	06 Stock movement	2
03 Transport	10	07 Royalties	2
04 Overheads	7		

ACTING CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

FINANCE COSTS

Finance costs of P51 million were incurred during the financial year compared to P17 million in the prior year. The increase resulted from the following events:

- Capitalisation of borrowing costs ceased at the end of December 2020 where the previous financial year carried a full 12-month capitalisation;
- Funding from the 2020 financial year now carries the full finance cost whilst the prior year only covered a pro rata portion;
- From December 2020 finance costs increased by an additional P63 million funding received;
- As from April 2021 finance costs were incurred on the Build, Own, Operate, Transfer ("BOOT") plant facility typical to an instalment sale agreement; and
- From April 2021 finance costs also increased with the revision of a funders interest rate, emanating from the debt restructuring agreement.

INVESTMENT IN PROPERTY PLANT AND EQUIPMENT

Increased investment in Property Plant and Equipment was mainly attributed to additions to the Washing Plant, as financed through the BOOT capital agreement with Johdee Mineral Processing (Pty) Ltd. With the commissioning of the front-end crushing section, the dewatering circuit and filter press, as well as the work in progress on the back-end screening section, the Plant's overall value increased by P26 million.

Other large investments included the mine development asset (P8 million towards plant civil works, power reticulation and water reticulation), provision for rehabilitation asset (P9 million non-cash increase in the provision after reassessment), ongoing development (P9 million towards access points and ramps in the mine), plant and machinery (P3 million towards a mobile screen) and motor vehicles (P1 million).

	Pm
OPENING BALANCE	341
Washing plant	26
Mine infrastructure	11
Provision for rehabilitation asset	9
Ongoing development	9
Plant and machinery	3
Motor vehicles	1
Other	1
Depreciation	(10)
CLOSING BALANCE	391

DEBTORS

Debtor and credit risk management remains a high priority and continue to run at 30 days with no credit losses recorded to date. With the forward-looking requirement to recognise expected credit losses as well as the inherent impact of COVID 19, the IFRS 9 assessment necessitated an increase in the provision for bad debts by P1 million. This is a non-cashflow item. This is purely an accounting entry to adhere to IFRS 9.

BORROWINGS

Borrowing activities during the year included the following:

- As previously reported, additional convertible debt funding was secured through the MDCB amounting to P125 million, 50% of which was drawn in December 2020 and the rest post year-end;
- The BOOT capital contract with Johdee Mineral Processing for the plant; and
- A P3 million finance lease for a mobile screen was signed in February 2021.

PROVISION FOR REHABILITATION

As part of the year end processes, the cost of rehabilitation was reassessed and revised from P70 million at the end of last financial year, to P82 million in the current financial year. As part of the financial year-end, the cost of rehabilitation was reassessed and revised from P70 million at the end of last financial year, to P82 million in the current financial year. Ongoing rehabilitation continues.

GOING CONCERN

In-light of the progress made towards nameplate capacity at the year-end, and the preceding outlook, the directors are confident that the Group will be successful in achieving its goals and will have sufficient funds to meet its obligations. The assumptions pertaining to the going concern can be found in section 11 of the Directors Report on page 55 of this Integrated Annual Report.

ACTING CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

OUTLOOK

The Group's objective for the 2022 financial year is to achieve nameplate capacity by the first quarter of the 2022 financial year through the final ramp-up of its operations.

To support its efforts, the Group has already achieved the following in the new financial year:

- i) The remaining 50% balance of the P125 million additional convertible debt funding was received from MDCB after the financial year-end.
- ii) The back-end screening section of the Plant was completed in August 2021. This component will now bring efficiency to the screening processes, reduce material handling costs and improve stock management.
- iii) A further off-take agreement has been signed in Q1 with an operator in the Namibian cement industry. This will bolster sales volumes further.
- iv) A debt restructuring agreement was signed with the main lenders and creditor in July 2021, which in summary achieved the following:
 - ▶ Capitalised the interest payments for a minimum of 12-months, supporting cash flows;
 - ▶ Reduced mining rates on a deferral basis, which again has a positive impact on cash flow;
 - ▶ Cost saving initiatives;
 - ▶ Structures a portion of short-term trade payables into longer term secured debt facilities; and
 - ▶ Secured longer term funding for development of important logistics infrastructure.

The Company is seeking a secondary listing on an international exchange which will bring additional cash into the business. In addition, the Company is pursuing the placing of shares as approved by shareholders on 18 February 2021. The outlook remains positive for Minergy to successfully reach and maintain nameplate capacity. The short-term objective is for operations to become self-funding on an operating income basis.



Julius Ayo
Acting Chief Financial Officer
20 October 2021



03 RESOURCE INFORMATION

Mining licence 22
Coal Resource and reserves 22

MINING LICENCE

Minergy operates the Masama Coal Mine in accordance with a Mining Licence granted by the Ministry of Mineral Resources, Green Technology and Energy Security in August 2018.



MINING LICENCE

NO.
2018/9L



PERIOD

25
YEARS



Mining conducted within the Mining Licence area and in accordance with the approved mining programme



COMPETENT PERSONS REPORT ("CPR") 2019*

The full CPR as well as Coal Resource estimates are contained on the Company's website: www.minergycoal.com

COAL RESOURCE

Both the Coal Resource and Coal Reserve estimate have an effective date of 31 October 2019 and were conducted in accordance with the South African Code for Reporting of Mineral Resources and Mineral Reserves (SAMREC 2016) and take cognisance of the requirements of SANS10320:2004.



For further details on the Coal Resource and Coal Reserve estimate please refer to the full Competent Persons Report 2019 on the Company's website www.minergycoal.com.

An update to the Competent Persons Report is in progress and will be available on the Company's website once complete.

COAL RESOURCE

A total Coal Resource of 390MT has been estimated for the E, A and A Upper Coal Seams at Masama. A total of 86MT opencastable and 304MT underground Mineable Tonnes in Situ Coal Resource is reported, inclusive of the Coal Reserves.

The Coal Resource has been depleted by 1 136 839 tonnes of coal mined from start of mining until 30 June 2021.

The Coal Resources were estimated and signed off by Competent Person, Ms Karin van Deventer in accordance with the SAMREC (2016) Code. Ms Van Deventer is a qualified geologist, a Fellow of the GSSA, a member of the Fossil Fuel Foundation ("FFF") and is registered with the South African Council for Natural Scientific Professionals as a Professional Natural Scientist (Reg. No.400705/15). Her highest qualification is a M.Sc. Geochemistry degree from the University of Stellenbosch. Ms van Deventer has over 23 years' experience in exploration, geology, mining and the estimation of Mineral Resources, specifically coal. Ms Van Deventer is currently a Director of Sugar Bush Consultancy (Pty) Limited (Sugar Bush) located at 76 Eeufees Street, Clubville, Middelburg, 1050, South Africa.

COAL RESOURCE CONTINUED

TABLE 1: MASAMA COAL RESOURCE ESTIMATE AS AT 31 OCTOBER 2019

Raw coal qualities on an air dried basis												
Mining method	Resource classification	Seam	Geo-loss (%)	Mineable tonnes in situ (tonnes)	Seam thickness (m)	Raw RD (g/cm³)	Raw CV (MJ/kg)	Raw ash (%)	Raw inherent moisture (%)	Raw volatile content (%)	Raw fixed carbon (%)	Raw total sulphur (%)
OC	Measured	A	5	13 121 309	4.80	1.51	22.5	19.1	5.73	25.5	49.7	2.10
	Indicated	A	8	49 814 962	5.02	1.57	22.3	19.6	5.69	25.1	49.6	1.75
	Indicated	E	8	19 327 250	1.55	1.55	21.6	24.3	4.83	25.9	45.0	2.26
	Inferred	AU	20	3 420 903	1.27	1.66	18.0	33.2	4.70	22.1	40.0	1.53
Opencastable Resource				85 684 424								
UG	Indicated	A	8	3 562 785	5.03	1.66	20.9	23.0	5.68	23.8	47.5	1.46
	Inferred	A	20	206 375 994	4.68	1.55	22.9	19.3	4.71	25.5	50.4	1.90
	Inferred	E	20	94 208 868	1.71	1.52	22.0	23.2	5.20	25.9	45.7	1.91
Underground Mineable Resource				304 147 647								
Total Coal Resource				389 832 071								
Product coal quality and theoretical yields												
Mining method	Resource classification	Seam	Geo-loss (%)	Mineable tonnes in situ (tonnes)	Product float RD (g/cm³)	Product CV (MJ/kg)	Product ash (%)	Product inherent moisture (%)	Product volatile content (%)	Product fixed carbon (%)	Product sulphur (%)	Product yield (%)
OC	Measured	A	5	13 121 309	1.53	26.2	9.6	6.54	26.9	57.0	0.39	63.0
	Indicated	A	8	49 814 962	1.59	25.4	11.1	6.47	26.3	56.1	0.33	67.0
	Indicated	E	8	19 327 250	1.71	26.2	11.3	5.58	30.7	53.2	0.55	77.7
	Inferred	AU	20	3 420 903	1.72	21.0	24.4	5.44	24.6	45.6	1.00	66.0
UG	Indicated	A	8	3 562 785	1.66	25.1	12.7	6.11	26.1	55.0	0.39	77.6
	Inferred	A	20	206 375 994	1.61	26.0	11.1	5.31	26.5	57.0	0.36	69.7
	Inferred	E	20	94 208 868	1.71	26.2	11.9	4.71	30.4	52.9	0.84	73.8

For notes and details of cut-offs applied see full CPR on www.minergycoal.com.

COAL RESERVES

A ROM Coal Reserve of 74MT (as received basis) and Saleable Coal Reserve of 44MT (air dried basis) have been estimated at Masama and are only for the opencast mine.

The Coal Reserves are based upon the geological model prepared by Ms. Karin van Deventer, Director of Sugar Bush Consulting, the information was originally sourced from the Minex model, and the Life of Mine planning done by Mr. Dan Ferreira of Dan Ferreira Technical Services cc.

A Life of Mine plan has been developed by Minergy Coal and modifying factors have been considered and applied to the Coal Resource for conversion to the Coal Reserve.

The modifying factors include consideration of the mining, processing, metallurgical, infrastructure, economic, marketing, legal, environment, social and government factors in order to derive a Coal Reserve which is demonstrated to be economically extractable in present day conditions. The modifying factors were determined during early mining and processing start up and were applied throughout the Reserve.

The ROM Coal Reserve has been depleted by 1 126 202 tonnes of coal treated from start up until 30 June 2021.

The Saleable Coal Reserve has been depleted by 615 962 tonnes of coal sold from start up until 30 June 2021.

The Coal Reserves were estimated and signed off by Pivot's Competent Person, Mr JJ Bornman, Pivot's Director Mining and Valuations, in accordance with the SAMREC (2016) Code. Mr Bornman is a qualified Mining Engineer, a Fellow of the Southern African Institute of Mining and Metallurgy ("SAIMM") (Registration no.700627) and registered with the Engineering Council of South Africa ("ECSA") as a Professional Engineer (Reg. No. 20090201). Mr Bornman's qualifications include a B. Eng. (Mining) and an MBA degree. He has 36 years' experience in mining, feasibility studies, mine valuation, risk assessment and the estimation of Mineral Reserves, including coal. Mr Bornman has co-authored over 50 feasibility studies, CPRs, Technical Reviews, Technical Due Diligence Reports and Mine Valuation Reports for both local and international companies and stock exchanges. Mr Bornman has the necessary experience in the nature and style of mineralisation to qualify as a CP as defined in terms of the SAMREC Code (2016 Edition). Mr Bornman is currently the Director Mining and Valuation for Pivot Mining Consultants (Pty) Limited located at Lower Ground Floor, Island House, Constantia Office Park, Cnr. 14th Avenue and Hendrik Potgieter Road, Weltevreden Park, Johannesburg, 1709, South Africa.



04 APPROACH TO ENVIRONMENT, SOCIAL AND GOVERNANCE ("ESG") TO SUPPORT SUSTAINABILITY

Carbon emissions	25
Environment	26
Social	28
Corporate social investments and community support	32
Social and ethics committee report	33
Stakeholder engagement	34
Board of directors	38
Corporate governance report	40
Remuneration and nomination committee report	45
Audit and risk committee report	49

CARBON EMISSIONS

As a coal mining company, Minergy is extremely aware of issues pertaining to carbon emissions. Minergy fully supports the global just transition to clean energy, as well as clean and green-burning fuels in the long term – this is a responsible and sustainable position for the world to hold.

Minergy also recognises that a mix of energy sources is required for security of cost-effective energy supply and grid stability. The optimal mix of energy for each country is different and depends on what energy resources the country is blessed with and can afford.

As a newly established junior miner, Minergy views being able to extract part of the massive high-quality coal resources in Botswana as a privilege, thereby helping to ensure that the country is able to diversify its revenue stream away from its current high dependence on diamonds and tourism, the latter being severely impacted by the COVID-19 pandemic.

Minergy is also proud to provide employment for local people, and so contribute to much-needed skills development and skills transfer within Botswana.

In the Masama Project EIA, anticipated Greenhouse Gas ("GHG") emissions were analysed using the Greenhouse Gas Protocol. The GHG Protocol ('Protocol') is a widely used methodology, suitable for mining companies. The Protocol defines emissions as either 'direct' or 'indirect', where direct emissions are from sources that are owned or controlled by the Group. The assessments of estimated GHG emissions were done in line with Scope 1 (Direct), Scope 2 (Indirect – purchased electricity) and Scope 3 (Indirect – other sites not controlled by the company but as consequence of the company's activities).

Given that Minergy has this baseline study in place and that it has only recently begun mining close to Phase 1 nameplate capacity, it will, going forward, monitor and report on GHG emissions in an endeavour to support its corporate responsibility and to align with Botswana's intention to achieve an overall emissions reduction of 15% by 2030, taking 2010 as the base year with the estimated emission of 8 307 Gg of CO₂ equivalent (Botswana Government, 2015 and Minergy EIA 2017).

COMPARISON WITH NATIONAL EMISSIONS IN BOTSWANA

Based on the Masama Project EIA estimates, and once in full production, the anticipated direct emissions, as a percentage of Botswana's total and energy sector emissions and based on emissions of 2010, would be approximately 0.43% of the annual national emissions. In addition, emissions from Masama have already been significantly mitigated by connecting to BPC power grid vs running generators on site. The project's direct emissions are therefore unlikely to have a significant impact on Botswana's emission reduction targets.

PROACTIVE INITIATIVES BEING IMPLEMENTED BY MINERGY INCLUDE:

- Energy saving devices such as soft starts have been installed on major motors on the mine.
- Fuel caps are applied to all mobile mining equipment and are monitored. Fuel caps ensure reduced or consistent consumption/use of fuel. This reduces harmful emissions into the atmosphere. Mobile mining equipment is also regularly serviced to reduce these emissions into the atmosphere.
- Investigating the installation and use of solar power at the Masama Coal Mine, with Botswana being a country blessed with abundant solar irradiation.
- The establishment of a nursery to propagate indigenous plants and trees, and place these in rehabilitated mining areas and around the mine area, as well in the nearby villages, for greening purposes (ensuring that no additional water is used, other than for establishing the plants initially). The planting of trees is one-way Minergy will offset the emissions caused by biomass reduction (bush clearing) required for mining.
- The dewatering circuit and filter press have been integrated into the plant's process, saving up to 60% of the mine's previous water consumption for washing coal. This is one example of environmental responsibility, given that Botswana is a water-scarce country, and a cost saving investment. Before the installation of the dewatering circuit and filter press the plant was using about 250ℓ of water to wash a ton of coal; now, we're seeing numbers around 100ℓ/t. That's a significant drop in water usage and well below industry norm.

ENVIRONMENT

The Safety, Health and Environment (“SHE”) policy addresses Environmental Management and Waste Management, and Hydrocarbons Management procedures are in place, as are various Standard Operating Procedures (“SOPs”) and Customer Orientated Processes (“COPs”) that address environmental conservation.

The Masama Coal Mine has an Environmental Management Plan (“EMP”) authorised by the Department of Environmental Affairs (“DEA”). The EMP dictates how various forms of flora and fauna will be protected during the construction, operation and decommissioning of the mine. All activities at the mine are guided by the EMP for environmental protection.



During the year under review additional procedures were developed and are in place for Used Oil Management, Radiation Protection, Disposal of Fluorescent Tubes and Treatment of Hydrocarbon contaminated soils. Minergy is pleased to report that in the year under review there were no major environmental incidents to report.

REHABILITATION

A continuous open cast rehabilitation programme at Masama uses waste from mining to rehabilitate the areas that have been mined out. The method used involves the roll over and rehabilitation of the back areas as they are mined. As mentioned, a nursery will be established at the mine, to provide trees for the rehabilitation process and environmental greening.

ACTIVITIES AND PROGRESS

Minergy is a responsible corporate citizen and will adhere to all compliance principles and guidelines according to the approved EIA. As such, Minergy has studies and guidelines in place as set out in the adjacent table:

	2021 ACTIONS	2020 ACTIONS
 NOISE POLLUTION	Monitoring is continuous and all blasting activities demonstrated compliance to the limits.	Given the increase in mining activity and required blasting, monitoring done on all blasting activities has demonstrated adherence to compliance limits.
 DUST AIR QUALITY	<p>Dust suppression activities have increased from the prior year.</p> <p>The installation of the dust suppression system at the plant is now complete and in working order.</p> <p>Chemical dust suppression on roads in sensitive areas such as in-village transit routes are undertaken in the morning and the afternoon to ensure dust does not impact villages and farmers.</p> <p>Speedhumps have been installed to slow down traffic, with additional speedhumps being considered to further reduce dust.</p>	Air quality monitoring is done on a monthly basis, mainly focuses on fall out dust. Due to a shortage of water, dust suppression was not carried out at the desired levels, resulting in above normal dust fall out. To correct this, Minergy drilled a borehole specifically for dust suppression and dust suppression has commenced at the village of Medie.
 SURFACE WATER AND GROUNDWATER MONITORING	<p>Underground water quality monitoring is undertaken on a monthly basis. According to the monitoring results, it can be concluded that currently the mine is not negatively impacting the groundwater quality.</p> <p>The pH of all the boreholes was within the recommended range of 5.5 – 9.5. Year to date 773mm of rainfall was recorded at the mine.</p>	Water samples were collected from the identified boreholes for analysis to determine if the mine activities had any impacts on the water quality. The water samples were analysed against the BOS 32:2015 Standard which is the Botswana Drinking Water Standard. The ions analysed were all within the limits when compared with the baseline therefore no contamination was recorded.
 WASTE MANAGEMENT	<p>The quantity of domestic waste removed from the mine for the year is approximately 24 000kg of waste. About 9 000ℓ of used oil was collected and correctly disposed of for the year. Records of all domestic waste disposed are kept on site together with used oil disposal certificates.</p> <p>Effluent from the Sewage Treatment Facility is pumped back to the process plant for reuse.</p>	The waste management procedure has been implemented. A waste collection contractor is on site to collect and dispose all waste generated. All domestic waste generated from site is sent to the local landfill and records of such are kept at site. All sewage is treated at the Sewage Treatment Facility and sludge accumulated is collected and disposed of at the Gaborone Water Works.



	2021 ACTIONS	2020 ACTIONS
 HEALTH AND SAFETY	<p>The Health and Safety programme has been implemented and has continued to yield positive results in safety performance.</p> <p>As a result, the Lost Injury Frequency rate has remained at zero (0) through the reporting period with more than 1 000 days in operations without a Lost Time Injury.</p>	<p>The Health and Safety programme has been implemented and has yielded positive results in safety performance.</p>
 TRAFFIC MANAGEMENT	<p>The traffic management plan continues to guide Minergy's approach to traffic management.</p> <p>Minergy appointed point men provide incoming drivers with guidelines on travel in and out of the mine and through and between villages.</p> <p>During the year speed humps were installed in and around the villages of Medie and Lentsweletau.</p>	<p>A traffic management plan for the mine has been developed and implemented. Road signs have been erected in the village and Minergy has employed traffic controllers to direct traffic and prevent high speed which results in high volumes of dust.</p>
 ARCHAEOLOGY	<p>New vegetation clearing and excavations sites are monitored by an archaeologist. There was no exposure of archaeological artefacts or burial sites within the project area.</p>	<p>All new excavations are monitored by an archaeologist and any archaeological findings are reported to the Department of Museums, Monuments and Art Gallery. From construction to date, no archaeological findings of value were recovered from site.</p>
 BIODIVERSITY STUDIES	<p>Biodiversity monitoring is an ongoing process. There was no vegetation clearance in undesignated areas. Vegetation clearance is restricted to designated mine activities. All species identified in the EMP have been protected as required.</p>	<p>The EMP requires Biodiversity to be monitored during construction and operation of the mine. All species identified in the EMP have been protected as required.</p>
 SOILS BASELINE STUDY	<p>A top soil stripping procedure is implemented, whereby top soil is stockpiled during excavations, to be used for rehabilitation.</p>	<p>A top soil stripping procedure has been developed and implemented to protect top soil from all excavation works. The procedure details the process of recovering all top soils from areas targeted for dumping of mine waste and storage of such top soils for use in rehabilitation of various areas.</p>

SOCIAL

Within the realm of “social”, Minergy cares deeply for its employees as well as the communities in and around the mining area.

EMPLOYEES

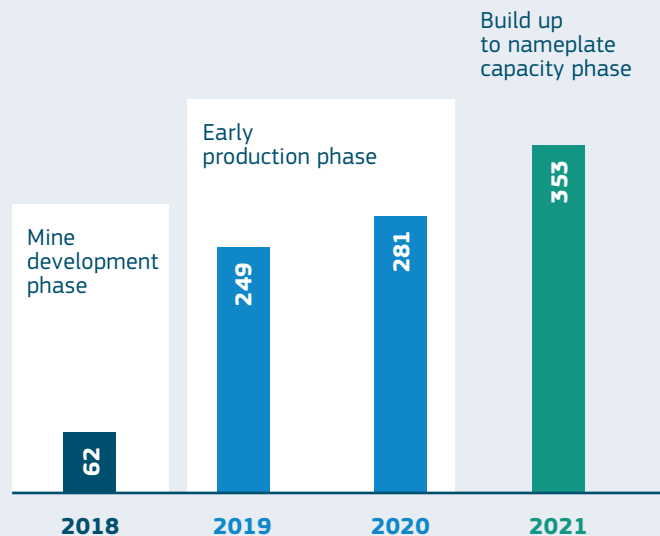
Our philosophy is to employ Botswana residents as far as this is possible. If skills are not available locally, then resources will be sought from outside of the country. Employees include direct Minergy staff as well as indirectly appointed compliments of contractors.

95% (2020: 95%) of employees are local citizens and approximately one-third of the current workforce is from the local Kweneng district. Minergy has a strong drive to transfer skills so that trained skills remain in Botswana. This will also apply to the contractors that Minergy appoints.

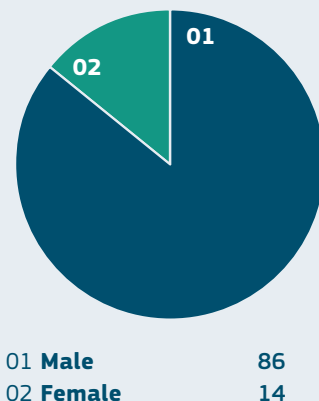
The increase in staff from 2019 onwards was necessary as the early production phase was entered but has now transitioned closer to nameplate capacity performance and its associated increased activities. Staff turnover has remained at less than 1% (2019: <1%).



TOTAL EMPLOYEES (%)



MALE AND FEMALE COMPOSITION (%)



BATSWANA STAFF ELEMENT (%)



TOTAL

95%

LABOUR RELATIONS

Minergy strives for continuous engagement with employees at various levels to ensure harmonious relations and good employee morale. Visible Felt Leadership (“VFL”) sessions are conducted on a monthly basis to allow individual employees to engage with management on various work-related issues. There is currently no union representation on the mine, albeit that this will not be the case for the 2022 financial year. Relations are managed through employee representatives, line and senior management.

During the year under review there was no labour or strike action.

Mining at Minergy is undertaken by a contractor which is also responsible for contract employees. Some of these employees have joined a labour union and Minergy is pleased to report that the relationship between the mining contractor and the union are sound.

Minergy engages with employees on a regular basis and updates are provided on the performance as well as challenges at the mine. In addition to this, monthly Toolbox Talks are regularly undertaken as well as inspections of working conditions. To ensure that all standards are met an internal review process has also been established.

TRAINING AND SKILLS TRANSFER

An integrated Human Resources Development Programme (“HRD”) is in place, which seeks to maximise the productive potential of people involved with the Masama Coal Mine operation, through:

- ▶ formulating and implementing a skills development plan;
- ▶ developing and implementing a career progression plan;
- ▶ formulating and implementing a mentorship plan; and
- ▶ developing and implementing internship and bursary plans.

CITIZEN ECONOMIC EMPOWERMENT (“CEE”)

The operating subsidiary Minergy Coal (Pty) Ltd Board adopted a Local Citizen Economic Empowerment Policy, whereby to date Minergy Coal has endeavoured to support local businesses and employ local citizens. This was achieved on a voluntary basis as there is no prescribed charter or legislative prescription.

Minergy Coal is required, in terms of funding provided by Minerals Development Company of Botswana (“MDCB”) and in the spirit of, and compliance with, the provisions of Section 12 of Mines Act, to develop and introduce a CEE programme. The objective of CEE is to facilitate meaningful participation by citizens of Botswana in the project supply chain.

According to Appendix 1 REPUBLIC OF BOTSWANA — GOVERNMENT PAPER NO. 1 OF 2012 THE CITIZEN ECONOMIC EMPOWERMENT POLICY the rationale for a policy on CEE is to:

- ▶ Promote effective participation of Batswana in the economic growth and development of the country and in the benefits of such growth and development;
- ▶ Promote social cohesion and harmony;
- ▶ Promote nationhood and pride;
- ▶ Maximise potential human capital residing in Botswana; and
- ▶ Address both absolute and relative poverty.

The main objectives of this CEE Plan with reference to Section 12 of the Mines and Minerals Act are set out below:

Minergy has adopted a balanced approach in selecting suitable suppliers. This approach does not only focus on Botswana citizen ownership but will also consider the supplier’s commitment to local procurement, management positions held by citizens, skills development, enterprise development and socio-economic development. The broader impact on the Botswana economy is more important than only focussing on singular qualifying criteria.

	Procurement	Employment	Skills development
Minergy’s achievements	<ul style="list-style-type: none"> ▶ 99% of all procurement is done through Botswana registered companies (irrespective of CEE shareholding) ▶ A database was compiled to gather information of all qualifying local citizen empowered business through an expression of interest <ul style="list-style-type: none"> » A newspaper advert was published on 13 November 2020 as an expression of interest for an invitation to register on Minergy Coal’s supplier database for the 23 services that will receive preferential procurement subject to the maximum extent possible consistent with safety, efficiency and economics ▶ Generally, Minergy sells coal at mine gate implying that transport costs and arrangements are the responsibility of the customer <ul style="list-style-type: none"> » However, where Minergy is requested by a customer to provide the transport, such transport will be done by contractors with sufficient Local Citizen Empowerment status. » Contractors have been identified through a tender process and as at the financial year end, 11 transporters were contracted 	<ul style="list-style-type: none"> ▶ 95% of employment is held by local Botswana 	<ul style="list-style-type: none"> ▶ Various skills transfer programmes are in place and actively executed upon (see page 30 below for details on Training and Skills Transfer)
Minergy supports Government’s initiative in terms of local citizen empowerment. This is however undertaken within the confines of economics, availability of specialised parts and skills, health and safety and not to the detriment to continuation of operations. Minergy reports progress to the MDCB on a quarterly basis.			

SOCIAL CONTINUED

TRAINING AND SKILLS TRANSFER REMAIN ON-GOING AND INCLUDED THE FOLLOWING:

- ▶ Minergy has instituted part time employment and the employment of relief staff to some citizens in instances when the employee is unable to work for a certain period of time (as an example when on maternity leave). The relief workers get the necessary training, and this supports skills development
- ▶ Three weighbridge operators were trained consisting of one male and two females
- ▶ In addition, one female cleaner was upskilled and promoted to a weighbridge operator
- ▶ 16 unskilled youths (4 female and 12 male) were employed and trained as laboratory operators and analysts. These are employees who do not have any previous skills in laboratory operations
- ▶ Minergy provided job shadowing, practical experience, and industrial training for 11 students from the Botswana College of Engineering Technology for a period of six weeks
- ▶ Minergy has also allowed researchers from University of Botswana to undertake research on the impact of coal mining on the environment as part of their practical requirements; and
- ▶ A PhD student did research on the relationship between different mining houses.

SAFETY

Minergy has a Safety, Health, Environment and Quality ("SHEQ") Management System in place, which details our management policies, processes and procedures.

Several health and safety briefings and training sessions have been undertaken. Minergy also reaches out to the people in the villages of Lentsweletau and Medie to ensure that they are aware of safety issues and that Minergy cares for the health of the people, as well as the animals in and around the village areas.

Minergy is proud to report that there has been no reportable accidents, injuries or fatalities resulting from activities during and post the financial year.

In addition, a SHE policy, Legal Compliance, Incident/Accident Investigation, Support Orientated Processes ("SOPs") and Customer Orientated Processes ("COPs") are in place across the mine, as are the Waste Management and Management of Persons Under the Influence of Alcohol and Drugs procedures, and detailed procedures in respect of hydrocarbon spillages.

SAFETY BRIEFINGS ARE PART OF THE MINERGY DNA

OUR GOAL REGARDING SAFETY:



TO BE A LEADER IN WORKPLACE SAFETY BY CREATING A SAFE WORKING ENVIRONMENT FOR OUR EMPLOYEES WHICH WILL RESULT IN ELIMINATING INJURIES AND FATALITIES.

TO THIS END, MINERGY HAS >1 000 DAYS WITH NO LOST TIME DUE TO INJURY.



SOCIAL CONTINUED

HEALTH AND COVID-19

Minergy strives to become a leader in the protection of our employees' health and the community's well-being. Minergy has implemented a COVID-19 Action Plan, which can be found on the Company's website. In the year under review, Minergy continued to deal proactively with the pandemic to ensure the safety and health of all employees, ensuring employees have the necessary information, protective gear and that they operated in an environment that was safe and consistently sanitised.

All employees and visitors undergo temperature screening at the mine gate, wash or sanitise their hands and maintain social distancing. Educational materials are circulated at the mine to educate employees on COVID-19 prevention measures and to keep awareness of the virus at all times. Minergy has also ensured that it is able to isolate certain sections, shifts or groupings at the mine, should a COVID-19 infection be detected. This has ensured that the mine does not come to a complete shutdown, but that only the affected area is closed off and appropriately sanitised as well as employees in that area going through all the necessary medical checks and protocols.

During the 2021 financial year Minergy recorded 60 cases of COVID-19 and all have since recovered. Given the strategic importance of the mining sector in Botswana, the Ministry of Health and Wellness is in discussions with mine operators whereby vaccinations will be provided to employees at mine sites. Minergy has embraced this initiative from Government and is liaising with the Ministry in order to provide the necessary information required and ensure staff are vaccinated for the safety of individuals, Botswana and the mining sector.

Training sessions continue to be conducted by the District Health Management Team ("DHMT") to sensitise employees on COVID 19. This training takes place at the mine and is attended by all employees of the mine.

All employees who join the mine undergo medical screening to determine their level of fitness to do the work that they have been employed to do. Subsequent to this there is a man-job analysis to determine if the employee's level of fitness and other underlying health factors are considered when employing them. All employees at the mine are required to use appropriate Personal Protective Equipment ("PPE") to protect them from exposure to any health stressors such as dust or gases. Furthermore, health stressors such as dust, noise and vibrations are monitored to ensure these are within the occupational exposure limits. Consultations with the District Multi Sectoral Health Team are ongoing to facilitate training on various health exposures, accessibility to available government programmes, and how Minergy can facilitate access to such programmes.

All new employees are taken through SHE Induction prior to the commencement of work. The induction programme entails training of occupational health exposures, communicable and non-communicable diseases as well as prevention or protection thereof. Induction also covers HIV/AIDS, tuberculosis ("TB") as well as the prevention of same.

The local health facilities provide HIV/AIDS testing and counselling services. Statistics are reported to the DHMT on a monthly basis. Employees who wish to access the HIV/AIDS testing and counselling service use the local clinic in Medie for such services. The same applies to employees who require access to services and testing for high blood pressure, cholesterol and diabetes.

PROCUREMENT

Minergy will give preference to the maximum extent possible and consistent with safety, efficiency, service or product quality and price in line with the CEE Plan, to procure products and materials made in Botswana. Records of such will be kept and a monthly procurement report will be submitted to the Managing Director. 99% of procurement is done through Botswana registered companies.

ETHICS

Minergy is committed to high standards of honesty, integrity, behaviour and ethics in dealing with all stakeholders. The Social and Ethics Committee has overall responsibility for monitoring the application of best practice with regards to the Company's commitment to, governance of, and reporting on sustainable development performance.

MEASURING SAFETY AND HEALTH PERFORMANCE

WORK-RELATED INJURIES		
2021 TARGET	2021 ACHIEVEMENT	2020 ACHIEVEMENT
Zero harm	Achieved	Achieved

NEW CASES OF OCCUPATIONAL DISEASES		
2021 TARGET	2021 ACHIEVEMENT	2020 ACHIEVEMENT
Year-on-year reduction	Zero harm	Zero harm

FATALITIES		
2021 TARGET	2021 ACHIEVEMENT	2020 ACHIEVEMENT
Zero harm	Achieved	Achieved

LOST TIME INJURY RATE ("LTIR")		
2021 TARGET	2021 ACHIEVEMENT	2020 ACHIEVEMENT
Year-on-year reduction	Zero harm	Zero harm

Four minor first aid cases were recorded for the year (2020: 3).

CORPORATE SOCIAL INVESTMENT AND COMMUNITY SUPPORT

Minergy is a corporate who cares and spends a great deal of time and allocates resources towards ensuring that the community in the Medie village and the surrounds are supported and can thrive.

Minergy has a Corporate Social Investment ("CSI") plan in place and each year enhancements are made under the guidance of the Social and Ethics Committee. Together with the community a committee has been established, of which Minergy is a part, to highlight community needs and to determine where support can be provided.

THE WAY FORWARD

Minergy is passionate about participation in the local community. Considering this, a strategic plan has been drafted including a number of suggested projects and had been put forward to the Social and Ethics Committee for review. These include possible rehabilitation of the Medie Village dam as well as the installation of Wi-Fi for the Medie Primary School, clinic and Kgotla. Minergy's involvement in these CSI projects is subject to approval from the Board and dependent on cash flow.

During the financial year Minergy was involved in:

MINERGY INVOLVEMENT

MEDIE PRIMARY SCHOOL

- ▶ Printing of exam papers
- ▶ Contributed P5 000 towards the annual prize giving day
- ▶ COVID-19 rest room established
- ▶ Together with Jarcon, school uniforms and shoes were distributed to the children of the school

MEDIE KGOTLA

- ▶ Provision and installation of computers

MEDIE VILLAGE

- ▶ Provision and distribution of food hampers

MEDIE KGOTLA AND COMMUNITY CENTRE

- ▶ COVID-19 sanitisation and fumigation undertaken

VILLAGES OF MEDIE AND LENTSWELETAU

- ▶ Continuous road rehabilitation and dust suppression undertaken



SOCIAL AND ETHICS COMMITTEE REPORT

The Social and Ethics Committee was established by the Board of Directors to support the Board with oversight of and report organisational ethics, responsible corporate citizenship, sustainable development and management of stakeholder relationships.

The role of the committee is to ensure that the growth of the Company takes on board the interest of its stakeholders and that the Company is seen as a responsible corporate citizen.

The Committee derives its mandate and powers from its charter. Although the Committee is accountable to the Board of Directors, it has an independent role in its oversight duties and does not assume the functions of management. A key focus of the Committee is to ensure ethical behaviour as mandated by the Board and executive management adheres to codes of best practice to create an ethical organisation culture.

The Committee comprised a majority of independent directors throughout the period as per the recommendations of King IV™ to ensure that independent judgement is brought to bear. The current members of the Committee are:

MEMBERS OF THE COMMITTEE

One meeting was held during the financial year

Leutlwetse Tumelo (Chairman) 1	Mokwena Morulane (Member) 1	John Astrup (Member) 1
27 OCTOBER 2020		

PROJECTS AND OVERSIGHT FOR THE YEAR

Minergy remains committed to operating with social awareness and care for the communities in and around the area in which coal mining takes place. In addition to employing a significant amount of local people, Minergy remains involved in sustainable skills development, transfer and the support of educational development. In the Social section of this annual report (pages 28 to 32) details are provided on laboratory operators, analysts and weighbridge operators trained.

In addition, Minergy embarked on the use of relief staff, upskilling of youth and job shadowing, practical experience and industrial training for 11 students from the Botswana College of Engineering Technology. Minergy also provided access to researchers. This underpins Minergy's commitment to ensuring a vibrant coal sector in Botswana and in support of skills that remain in-country and that can be passed on.

Community relations continues to be a focus for Minergy and supported through a CSI Plan, Minergy is part of a community committee as well as offering support and assistance to the villages of Media and Lentsweletau, the Medie Primary School, Kgotla and clinic. Details of the projects and support Minergy has embarked on are included on page 32 in the Corporate Social Investment and Community Support section.

Pages 34 to 37 of this Integrated Annual Report contains a detailed Stakeholder Engagement report which details Minergy's engagement with stakeholders.

KEY INDICATORS MONITORED BY THE COMMITTEE INCLUDE:

Indicator	Outcome across the year
Labour relations	► No labour actions or strikes
Health and safety	► Zero fatalities ► Zero injuries on the mine and more than 1 000 days without lost time due to injury
Reports of unethical behaviour	► Zero reports of unethical behaviour



Leutlwetse Tumelo
Chairman of the Social and Ethics Committee

20 October 2021

STAKEHOLDER ENGAGEMENT

As promoted by King IV™, inclusive stakeholder engagement is encouraged, whereby the Board considers the legitimate interests and expectations of stakeholders on a basis that is in the best interests of the Company, and not only as an instrument to serve the interests of the shareholders.

Minergy has a Social and Ethics Committee that monitors and assists with stakeholder engagement. We believe that open and transparent communication with stakeholders is important and use many avenues to facilitate the engagement with our stakeholders in a regular and constructive manner. Given the COVID-19 pandemic and the often-accompanying lockdown levels, meetings are generally held on a virtual platform and should face-to-face meetings be held, these are only allowed and undertaken under the strictest of protocols.



STAKEHOLDER	WHAT MATTERS?	ENGAGEMENT DETAILS	RESPONSIBILITY	EXPECTATION OF MINERGY
CUSTOMERS	<ul style="list-style-type: none"> ▶ Quality ▶ Service ▶ Mutual understanding and respect 	<ul style="list-style-type: none"> ▶ Virtual Meetings and calls ▶ Face-to-face engagements (COVID-19 dependent) ▶ Telephonic conversations ▶ Emails ▶ Industry conferences ▶ Other coal project developers 	CEO and Sales and Marketing Manager	<ul style="list-style-type: none"> ▶ Clear understanding of Company strategies and priorities ▶ On-time payment ▶ Growth opportunities ▶ Development of a coal mining sector in Botswana
GOVERNMENT MINISTRIES AND DEPARTMENTS	<ul style="list-style-type: none"> ▶ Regulatory compliance ▶ Compliance with mining licence requirements ▶ Partnering for training and skills development ▶ Partnering to address specific issues ▶ Environmental compliance ▶ Citizen Economic Empowerment 	<ul style="list-style-type: none"> ▶ Discussions and meetings regularly take place with various Government Ministries and Departments in Botswana including with: Department of Mines; Ministry of Mineral Resources, Green Technology and Energy Security, Ministry of Transport and Communications, Kwaneng and Kgatleng District Councils and Local Land Boards ▶ Participation in ad hoc discussions ▶ Written communication ▶ Site visits 	CEO, senior management and Board	<ul style="list-style-type: none"> ▶ Statutory and legal compliance ▶ Local economic development ▶ Ease of conducting business

STAKEHOLDER ENGAGEMENT CONTINUED

STAKEHOLDER	WHAT MATTERS?	ENGAGEMENT DETAILS	RESPONSIBILITY	EXPECTATION OF MINERGY
LOCAL COMMUNITIES	<ul style="list-style-type: none"> ▶ Sustainable skills development ▶ Job creation ▶ Entrepreneurial opportunities in the Medie village and surrounding areas 	<ul style="list-style-type: none"> ▶ Minergy is engaged with local communities around the mining areas ▶ Chiefs (Kgosi) and local representatives are regularly engaged with at the Kgotla (community council or traditional law court of a Botswana village) <p>Minergy's corporate social responsibility has exceptional sustainable impacts in the community:</p> <ul style="list-style-type: none"> ▶ Establishment of Minergy Coal Community Support Fund to aid the Medie village given the outbreak of COVID-19 ▶ Contributing to the school's prize giving events, both in Medie and Lentsweletau ▶ Electrification of the village, school, clinic and kgotla ▶ Contributing to anti-corruption initiatives by the Land Boards ▶ Supporting local entrepreneurs and encouraging community to form businesses ▶ Funding the COVID-19 clean-up campaigns 	Managing Director, Senior management and Community Liaisons	<ul style="list-style-type: none"> ▶ Employment and economic development ▶ Cultural heritage sites, protecting biospheres and endangered species ▶ Socio-economic and related issues
LENDERS AND PROVIDERS OF CAPITAL	<ul style="list-style-type: none"> ▶ Capital management ▶ Cash generation ▶ Profitability ▶ Growth prospects ▶ Reputational issues ▶ Compliance with covenants 	<ul style="list-style-type: none"> ▶ Regular meetings, site visits, presentations, updates and consultation with funders ▶ Contractual obligations ▶ Supply of interim and final results announcements ▶ Technical and Commercial Committee meets monthly which includes representatives of Minergy and its lenders 	CEO, CFO	<ul style="list-style-type: none"> ▶ Robust capital allocation ▶ Cashflow monitoring and prudent management ▶ Sourcing of ongoing supply contracts

STAKEHOLDER ENGAGEMENT CONTINUED

STAKEHOLDER	WHAT MATTERS?	ENGAGEMENT DETAILS	RESPONSIBILITY	EXPECTATION OF MINERGY
SHAREHOLDERS, POTENTIAL INVESTORS AND MEDIA	<ul style="list-style-type: none"> ▶ Profitability ▶ Growth prospects ▶ Cash generation ▶ Adherence to all ESG requirements ▶ Regulatory compliance ▶ Open to engagement ▶ To improve liquidity in share trading 	<ul style="list-style-type: none"> ▶ Regular results and business update presentations ▶ 1:1 meetings ▶ Project updates ▶ Site visits ▶ Outsourced Investor Relations function in place ▶ Regular press releases ▶ Annual General Meeting ▶ Annual Integrated Report and published results ▶ Feedback emails ▶ Ad hoc telephonic dialogues ▶ Company website ▶ Roadshows 	CEO, assisted by CFO	<ul style="list-style-type: none"> ▶ Prudent capital allocation and utilisation of cash and working capital ▶ Growth and sustained returns on investment ▶ Regular communication ▶ Second listing on international stock exchange
STAFF	<p>The majority of staff at the mine are employed by the mining contractors. However, Minergy still retains responsibility to ensure employee contracts, health, safety and basic conditions of employment are within the legal and best practise framework and that all labour relations comply to the highest standards. At the year-end Minergy employed 353 employees.</p>			
	<ul style="list-style-type: none"> ▶ Safe and healthy work environment ▶ Opportunities to grow, develop and learn ▶ Fair and ethical workplace ▶ Job security and satisfaction ▶ Skills development ▶ Fair and equitable remuneration and incentivisation 	<ul style="list-style-type: none"> ▶ Regular staff communications ▶ Briefings, meetings and presentations ▶ HR policy and procedure, including staff induction, health and safety and mine procedures ▶ Regular training for staff (internal and external) ▶ Management maintains an “open-door” policy where ad hoc discussions are taken up and issues resolved accordingly 	Managing Director, General Manager, supported by Mine and Safety and Health Managers	<ul style="list-style-type: none"> ▶ Fair work practice through open communication and fair management practices ▶ Hands-on senior management involvement to address and resolve labour issues ▶ Health and safety programme and briefings in place ▶ Investment in training and skills development ▶ Offer skills development opportunities (internal and external providers) to staff and sub-contractors alike ▶ Employer of choice

STAKEHOLDER ENGAGEMENT CONTINUED

STAKEHOLDER

SUPPLIERS OF PRODUCTS AND SERVICES

WHAT MATTERS?

- ▶ Product availability
- ▶ Quality
- ▶ Service

ENGAGEMENT DETAILS

- ▶ Meetings
- ▶ Progress reports
- ▶ Updates
- ▶ Business partner and industry forums
- ▶ Co-facilitation sessions
- ▶ Emails
- ▶ Telephone calls

RESPONSIBILITY

Managing Director
and Senior Management

EXPECTATION OF MINER

- ▶ Long-term value maximisation where skills and knowledge are shared and transferred
- ▶ Joint growth and development opportunities where any potential risk is co-managed using defined processes
- ▶ Long-term financial sustainability and security, ensuring that appropriate reporting and financial strategies are in place
- ▶ Open and clear communication
- ▶ Clear lines of accountability and ownership
- ▶ Corporate cultural integration and alignment
- ▶ Clear understanding of Company strategies and priorities

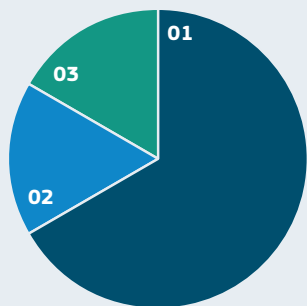


BOARD OF DIRECTORS

Both the Board and the executive management team have significant mine development and operating experience and a wide range of coal expertise underpinned by strategic and practical knowledge of coal and energy markets.

Established corporate structures with a functioning Board including local representation, executive management and an effective corporate governance and ethics structure are in place.

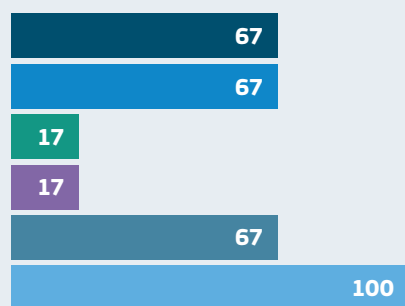
NATIONALITY (%)



KEY

01 Batswana	66
02 South African	17
03 New Zealander	17

EXPERIENCE (%)



KEY

Mining	Management and leadership
Financial	Regulatory compliance
Legal	
Engineering	



MORNÉ DU PLESSIS (52)
Chief Executive Officer
CA – South Africa, MBA

Morné is a South African citizen but is resident in Botswana and is a chartered accountant with an MBA from Heriot Watt University Edinburgh, Scotland. He has extensive experience in the mining industry including having been CFO of several mining groups, such as domestic coal trader MacPhail, contract mining and beneficiation service provider Genet SA, junior coal miner Umcebo Mining Group, and JSE-listed junior coal miner Wescoal Holdings Limited. He was appointed to the Board of Directors of Minergy in January 2017 as its CFO in February 2017. On 1 August 2019 he took over the reins as Chief Executive Officer ("CEO") of the Group.



JULIUS AYO (40)*
Acting Chief Financial Officer
Association of Certified Chartered Accountants ("ACCA") of Botswana; Bachelor of Accounting (BACC) from the University of Botswana

Julius has been employed as Minergy's Financial Manager for the last two years and has a good understanding of the Group, having compiled its financial results under the guidance of the previous CFO. On 6 May 2021, Minergy announced that Julius will assume the role of active CFO for a period of six months, which may be extended for a further six months, under the mentorship of Morné du Plessis, the CEO. Julius is a member of Minergy's Executive Committee team with over 16 years of experience, including six years in the mining sector, specifically at Gem Diamonds.

** Not immediately appointed as an Executive Director on the Board of the Company.*



MOKWENA MORULANE (50)
Independent Non-executive Chairman
BA Accounting (Hons)

Mokwena is a Motswana, who holds a BA Accounting Honours degree from the University of Bedfordshire, England and who articulated with Deloitte & Touche in Gaborone. He is a fellow member of the Association of Chartered Certified Accountants ("ACCA"), a member of Botswana Institute of Chartered Accountants ("BICA") and of the Chartered Secretaries of Southern Africa ("CIS"). Mokwena has extensive experience in the resources sector. He was Country Manager for Discovery Metals Ltd. ("DML"). Prior to joining DML he was Financial Manager of Gem Diamonds Botswana, a junior diamond mining company. He started his career at BCL Ltd., a base metals company where he rose through the ranks to Group Financial Accountant. He also worked for the Botswana International Financial Services Centre ("IFSC") as Corporate Affairs Executive. Mokwena was appointed as the Independent Non-executive Chairman of Minergy in January 2017 and is currently CEO of Cresta Hotels.

KEY TO MEMBERSHIP OF BOARD COMMITTEES

- Audit and Risk Committee
- Remuneration and Nomination Committee
- Social and Ethics Committee

▲▲▲
Committee Chairman
is indicated by a triangle

BOARD OF DIRECTORS CONTINUED



Additional information on operational management can be found on the Minergy website under the 'Leadership' tab.



LEUTLWETSE TUMELE (42)
Non-executive Director
B.Acc

Leutlwetse is the Executive Director of Afinitas Limited a pan African investment holding company. Afinitas is focused on developing a portfolio of world class Africa focused companies. As the Executive Director, Leutlwetse has overall responsibility for monitoring regulatory compliance of all the investee companies in the jurisdictions that they operate as well as ongoing compliance with the BSE Equity Listings Requirements. He is also responsible for providing support to the Board of Directors to effectively discharge its duties. Leutlwetse is a Non-executive Director of Minergy Limited and its subsidiary, Minergy Coal. He is also the chairman of the Social and Ethics Committee in Minergy Limited.



CROSS KGOSIDIILE (52)
Non-executive Director
MBA, BCom (Accounting)

Cross joined the board, as a Non-Executive Director, effective 29 July 2020. He is an experienced company executive and board member, with more than two decades of experience across a range of sectors. Presently he is the Managing Director of the Botswana Development Corporation. He has held senior positions and been CEO of a range of well-known organisations in Botswana including Air Botswana, Botswana Motor Vehicle Accident Fund (CEO), and Botswana Power Corporation (CEO). His board and committee experience also spans well known Botswana companies and organisations including the Botswana Motor Vehicle Accident Fund, Botswana Building Society, Botswana Railways, KYS Investments, BSE listed Prime Time Property Holdings, JTTM Property Holdings, and Stanbic Bank Botswana.



CLAUDE DE BRUIN (44)
Non-executive Director
LLB, BMS. (Fin)

Claude is a New Zealand citizen, who is a lawyer and entrepreneur with more than two decades and a half of experience in the international mining industry, including Africa. He is a Barrister of the High Court of New Zealand, a Solicitor of the Supreme Court of Queensland, and member of the Auckland District Law Society, New Zealand Law Society, and the Queensland Law Society. He has held senior management positions with several private and public companies including Platmin (now Sedibelo Platinum – previously listed on the TSX and the AIM Market of the London Stock Exchange), with leading roles in significant equity raisings through private and public placements and stock exchange listings in several jurisdictions. Claude is a co-founding member of the Minergy Group of companies, and was appointed to the Board of Minergy in September 2016.



LEONARD MAKWINJA (63)
Non-executive Director,
MSc Industrial and Administration
Sciences (MBA), BSc Mining Engineering
(Honours), Mining Diploma.

Leonard was appointed as an Independent Non-executive Director, effective 1 June 2021. He is a qualified Mining Engineer, holding a B.Sc in Mineral Exploitation (Honours) degree from the University of Wales, and Master of Science in Industrial and Administration Sciences from City University of London. He has significant international mining experience gained over a career spanning four decades, and was previously the Chairman of the board of Morupule Colliery in Botswana, before becoming the Chief Executive Officer of Botswana Railways ("BotRail"). He was also a mine and technical services manager, and was Deputy Managing Director of Debswana Diamond Company. As CEO of BotRail, he was ultimately responsible for its efficient running and reporting to the board and the Permanent Secretary in the Ministry of Transport and Communications.



ANDRÉ BOJÉ (65)
Non-executive Director,
Strategic Consultant.
CTA

André has more than two decades of experience in the South African coal industry and founded focused coal trading company Chandler Coal (Pty) Ltd in 1997 following a successful executive management career in various industries. In 2005, the company was listed on the Johannesburg Stock Exchange ("JSE") as Wescoal Holdings Limited, enabling a transition from purely coal trading activities to a fully-fledged coal miner and trader. André was appointed to Minergy in 2016 and led the Group as the CEO until July 2019. He remained on the Board as a Non-executive Director and Strategic Advisor and was involved with Minergy to assist with the proposed listing on a second international exchange and with marketing and sales of coal until his retirement effective 31 May 2021.

CORPORATE GOVERNANCE REPORT

MINERGY BOARD OF DIRECTORS INDEPENDENT NON-EXECUTIVE CHAIRMAN – MOKWENA MORULANE

Audit and Risk Committee

CHAIRMAN
Cross Kgosiidiile

MEMBERS
Mokwena Morulane
Leutlwetse Tumelo

Social and Ethics Committee

CHAIRMAN
Leutlwetse Tumelo

MEMBERS
Mokwena Morulane
John Astrup

Remuneration and Nomination Committee

CHAIRMAN
Claude de Bruin

MEMBERS
Mokwena Morulane
Leutlwetse Tumelo

Board of Directors

NON-EXECUTIVE DIRECTORS
Mokwena Morulane
Leutlwetse Tumelo
Claude de Bruin
Cross Kgosiidiile
Leonard Makwinja
(appointed 1 June 2021)

EXECUTIVE DIRECTORS
Morné du Plessis (CEO)

ACTING CFO
(currently not an executive board position)
Julius Ayo
(appointed 6 May 2021)

NUMBER OF MEETINGS HELD DURING THE FINANCIAL YEAR

3

22 September 2020
8 March 2021
24 June 2021

1

27 October 2020

3

22 September 2020
8 March 2021
24 June 2021

3

22 September 2020
8 March 2021
24 June 2021

ATTENDANCE RECORD



See record and note in the Audit and Risk Committee Report on pages 49 to 50



See record and note in the Social and Ethics Committee Report on page 33



See record and note in the Remuneration and Nomination Committee Report on page 45 to 48

CORPORATE GOVERNANCE REPORT CONTINUED

BOARD MEETING ATTENDANCE RECORD

	22 Sep 2020	8 Mar 2021	24 Jun 2021
Non-executive directors			
Mokwena Morulane (Chairman)	✓	✓	✗
Leutlwetse Tumelo	✓	✓	✓
Claude de Bruin	✓	✓	✓
Cross Kgosiidiile ⁶	✓	✓	✓
Leonard Makwinja ³	—	—	✓
André Bojé ²	✓	✓	—
Executive directors			
Morné du Plessis	✓	✓	✓
Jean-Pierre van Staden ⁴	—	—	—

Notes:

1. In terms of funding arrangements Robson Mugomba from the Minerals Development Company Botswana holds the right to attend Board meetings as an observer
2. André Bojé resigned as a non-executive director and strategic consultant effective 31 May 2021
3. Leonard Makwinja was appointed to the Board as a non-executive director on 1 June 2021
4. Jean-Pierre van Staden resigned as a director on 14 April 2021
5. Julius Ayo was appointed as Acting CFO from 6 May 2021 but has not been appointed as a director of the Board
6. Cross Kgosiidiile was appointed to the Board effective 29 July 2020

The Board meets during the year to ensure Minergy complies with all relevant laws, regulations, codes of good business practice and to review strategy, planning and financial performance, health and safety and environmental management.

Through delegation to the CEO, Minergy communicates with its shareholders and relevant internal and external stakeholders openly and promptly. Internal governance structures and roles are regularly reviewed and improved at Board and management levels. Minergy accepts its position as a responsible corporate citizen and will, wherever possible, contribute towards enhancing its role as such (additional information is available in the Social and Corporate Social Investments and Community Support reports on pages 28 to 32 of this Integrated Annual Report).

Minergy endeavours to incorporate into its actions the best possible mutual interests of all stakeholders, including shareholders, local communities, lenders and providers of capital, the media, employees, suppliers and customers.

ASSURANCE

The Board has reviewed the information contained in the Integrated Annual Report and believes it would not be cost-effective to have independent assurance of the information contained therein apart from the annual financial statements and Resource information.

COMMITMENT AND APPROACH TO CORPORATE GOVERNANCE

The Board provides oversight of the Company's corporate governance management system and remains ultimately responsible for its implementation and performance. In discharging this responsibility, the Board is guided by its Charter and policies to ensure that effective corporate governance is practised consistently throughout Minergy.

ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP

The Company adheres to the shared values of integrity, honesty and transparency. A set of formalised values has been developed. Minergy's corporate governance structures and policies are evaluated on an ongoing basis and are amended, as appropriate. The Social and Ethics Committee, plays an integral part in this process.

COMPLIANCE WITH KING IV™

A gap analysis was conducted and measurement against the principles of King IV™ is undertaken at least annually to assess Minergy's application of the recommended principles. The Board is satisfied that the Company complies with the majority of the principles of the King IV™ Code, where applicable to its current status.



A summary of the application of the King IV™ principles and explanations can be found on the Company's website: www.minergycoal.com

BOARD OF DIRECTORS

At the date of the report the Board consisted of one Executive Director and five Non-executive Directors (three of whom are independent).

During the financial period the position of CFO changed resulting in an internal promotion of the Financial Manager, Julius Ayo to acting CFO for a period of six months. Further details pertaining to the process are included in the Remuneration and Nomination Committee Report on page 45 of this Integrated Annual Report.

CORPORATE GOVERNANCE REPORT CONTINUED

The roles of the Chairman and the CEO are separate. The Chairman is an Independent Non-executive Director. The Non-executive Directors are not directly involved in the day-to-day management of the Company's activities and are not full-time employees. The Non-executive Directors are individuals of high calibre and credibility and have the necessary skills and experience to bring judgement to bear, independently of management, on issues of strategy formulation, performance management, resources planning and allocation, transformation and employment equity, standards of conduct, and other important decisions.

Executive management is the responsibility of the CEO and any other Executive Director. The Executive Directors are involved in the day-to-day management and operation of Minergy's activities and are full-time employees. The Board endeavours to meet at least quarterly, with additional meetings convened if necessary. The Board is responsible for ensuring that there is effective management and control of the Company and sets the strategic direction and policies.

The Board approves all merger acquisitions and disposals, major capital expenditure, has oversight of financial and administrative activities, and other matters that may materially impact the business of Minergy. Directors are entitled to seek independent and professional advice relating to the affairs of the Company. The Board and its committees are supplied with full and timely information which enables them to discharge their responsibilities and they have unrestricted access to all Company information, records, documents and property. Non-executive Directors have access to all employees and may meet separately with the management of operating entities without the attendance of Executive Directors.

INDEPENDENCE OF DIRECTORS

The independence of Directors is overseen annually by the Board, following an analysis of the circumstances of Independent Non-executive Directors. The Board consists of one Executive Director and five Non-executive Directors, of which three are independent. The Remuneration and Nomination Committee and the Audit and Risk Committee consist of three Non-executive Directors, two of whom are independent. Although King IV™ recommends that all members of committees of the Board should be independent, the Board is of the view that the composition of the committees is practical and appropriate at this time, considering the size of the Board and the Company and its near-term growth path.

Mr Tumelo is an independent Non-executive Director of the Board, and a member of the Audit and Risk Committee, the Remuneration and Nomination Committee, and is Chairman of the Social and Ethics Committee. He brings valuable expertise, experience and skills to the Company. His shareholding in Minergy of less than half a percent is not considered sufficient to exercise undue influence on the affairs of the Company, and he does not provide any consulting services to Minergy.

Mr de Bruin presently serves as a Non-executive Director of the Board and is Chairman of the Remuneration and Nomination Committee. The Board believes that Mr de Bruin brings valuable legal and corporate expertise, experience and skills to the Company. Although his beneficial shareholding of less than 10% is not sufficient to exercise undue influence on the Company and represents one of many investments in his portfolio, he is not considered to be independent. Historically Mr de Bruin provided various corporate, administrative and strategic services but all services were terminated on 31 May 2021 and he does not provide any further consulting services to Minergy.

Mr Morulane serves as independent Non-executive Chairman of the Board, member of the Audit and Risk Committee, and of the Remuneration and Nomination Committee as well as the Social and Ethics Committee. The Board believes that Mr Morulane brings valuable accounting and financial expertise, experience and skills to the Company. He does not provide any consulting services to Minergy, and does not hold any shares in the Company. He is therefore considered to be independent as he is not in a position to exercise undue influence on the affairs of the Company.

Mr Kgosiile, appointed on 29 July 2020, has experience in finance and is a representative of the Botswana Development Corporation, a funder of Minergy.

Mr Makinjwa, holds no shares in Minergy and is an independent director, appointed on 1 June 2021. His in-depth mining, engineering, logistics and leadership experience will provide significant value to Minergy.

BOARD RESPONSIBILITY, ACCOUNTABILITY AND CONTROL

The Board retains full and effective control over Minergy and monitors the executive management and decisions in the subsidiary companies. The Board assumes overall responsibility for the Company and its activities, including risk management and governance. The Board is also responsible for setting the direction of the Company through the establishment of strategic objectives and key policies.

The Board is responsible for the proper management and ultimate control of Minergy. The Board is further responsible for setting the strategic objectives, determining investment and performance criteria, and taking responsibility for the proper management and ethical behaviour of the business. There is a clear division of responsibility at Board level that ensures a balance of power and authority.

CORPORATE GOVERNANCE REPORT CONTINUED

The Board has appointed three permanent committees to assist in fulfilling its governance role: The Audit and Risk Committee, the Remuneration and Nomination Committee, and the Social and Ethics Committee. A more detailed report from each of these committees is set out later in this section (on pages 30 to 47).

Practically, a decision was taken to assign the nomination responsibilities to the Remuneration Committee and have a single Remuneration and Nomination Committee. Similarly, risk responsibilities have been assigned to a combined Audit and Risk Committee. The Board retains ultimate responsibility for the activities of these committees and approves major recommendations and decisions.

The Board is satisfied that the Chairman of the Audit and Risk Committee, as an independent Non-executive Director and qualified chartered accountant, has the appropriate qualifications and skills to fulfil this role, and that the members of the committee collectively have the required knowledge and experience.

The Board is further satisfied that the Chairman of the Remuneration and Nomination Committee, being a Non-executive Director of the Board and a qualified lawyer (NZ), is appropriate and has the required qualifications and skills to fulfil this role, and that the members of the committee collectively have the required knowledge and experience.

The Board is also satisfied that the Chairman of the Social and Ethics committee is a non-executive director and suitably qualified and experienced to execute on the mandate of the committee and that the committee takes seriously the importance of social investment as well as the monitoring and implementation thereof.

The Board has ultimate responsibility for the internal financial controls and operating systems of the Group and for monitoring their effectiveness. These systems are designed to provide reasonable assurance against material misstatement and loss. Various policies and procedures exist to address conflicts of interest. These cover areas such as full disclosure of all the interests of Directors of the Company and strict approval requirements for the trading of Minergy shares.

The Directors are of the opinion that the internal accounting controls are adequate, so that the financial records may be relied on for preparing the financial statements and maintaining accountability for assets and liabilities. This opinion is based on the information and explanations given by management, and on comments by the auditors and the results of their audit.

DIRECTORS' ATTENDANCE AT BOARD MEETINGS

Board appointed members attended the three board meetings held across the year. The attendance record can be found on page 38 at the start of this Corporate Governance Report.

EVALUATION OF THE BOARD

An evaluation of the Board, its committees and the individual members is scheduled annually, and self-evaluation is conducted through questionnaires based on a digital platform. This most recent Board self-evaluation process was undertaken during August 2021 and it was concluded that the Board is generally satisfied with its performance and effectiveness as well as the support received from its various committees.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Appointments of Non-executive Directors are made by the Board as a whole, taking into consideration transparent and formal recommendations from the Remuneration and Nomination Committee in accordance with the principles set out in the Company's Succession and Nomination Policy. At every AGM, at least one-third of the Non-executive Directors retire from office by rotation. The Non-executive Directors required to retire in each year are those who have been longest in office after their last election, and any Non-executive Director who had held office for a period of three years since his last election or appointment, is also required to retire.

All Non-executive Directors are subject to election by shareholders at the first opportunity after their initial appointment by the Board. New appointments and rotations are ratified by shareholders annually at the AGM. There is no set retirement age for Executive and Non-executive Directors.

SHARE TRADING

A formal Share Trading Policy, approved by the Board, has been implemented, which prohibits Directors, officers and other selected employees dealing in the Company's shares from the end of each reporting period to the date of announcement of the financial results or in any other period when Directors and senior management could be in possession of price sensitive information.

The policy includes various provisions that regulate the share dealings of Directors and ensures disclosures are made as required by the BSE Equity Listings Requirements. No trading by Directors is authorised without prior clearance being received from the CEO. Should the CEO wish to trade in his shares, clearance must be obtained from the Board prior to any dealing. This policy is reviewed and updated from time to time to ensure that it is compliant with any changes in applicable rules, legislation, and related regulations.

SHAREHOLDER COMMUNICATION

All communication with investors and shareholders is conducted in accordance with applicable securities regulations and the BSE Equity Listing Requirements via the BSE's X-News service, including announcements relating to the dissemination of integrated annual reports, interim and final results, the AGM, and all other regulatory and other relevant information.

Minergy has a comprehensive website which is regularly updated and accessed by interested parties, including existing and potential shareholders, analysts, researchers, customers and suppliers.

CORPORATE GOVERNANCE REPORT CONTINUED

The Company regularly holds meetings with analysts, institutional and other significant shareholders, following key announcements, and announcements of the full year and interim results. Shareholder communication is driven by the office of the CEO in conjunction with an appointed external Investor Relations consultancy.

DIRECTORS' RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

The Directors accept ultimate responsibility for the preparation of the financial statements and related financial information that fairly represents the state of affairs and the results of the Company.

The annual financial statements as set out in this report have been prepared in conformity with IFRS and are based on appropriate accounting policies which have been consistently applied, unless where specifically stated otherwise and are supported by reasonable and prudent judgements and estimates.

RISK MANAGEMENT

The Audit and Risk Committee has established a framework to review all strategic risks impacting the Company. The major risks facing Minergy have been identified and, where feasible, mitigating strategies are implemented. The Risk Matrix can be found on page 12 of this Integrated Annual Report.

COMPANY SECRETARY

The Company has appointed Desert Secretarial Services (Pty) Ltd as statutory company secretary with its main function being the maintenance of statutory records in accordance with legal and regulatory requirements.

After an internal review the Board has satisfied itself that Desert Secretarial Services is competent, qualified and experienced.

The Board further confirms that the Company Secretary maintains an arms-length relationship with the Board of Directors and that the Company Secretary does not have any members represented on the Minergy Board.



REMUNERATION AND NOMINATION COMMITTEE REPORT

OVERVIEW

The Remuneration and Nomination Committee (“REMCO” or the “committee”) is pleased to present its report for the financial year ended 30 June 2021.

The committee has adopted formal terms of reference in the form of a charter (“Charter”), which has been approved by the Board. The Charter sets out the committee’s duties and responsibilities as delegated to it by the Board, in order for the Board to fulfil certain of its duties in terms of the Companies Act and other applicable legislative and stock exchange requirements, and incorporates additional duties delegated to it by the Board that the Board considers enhances its performance.

An annual review of the committee’s Charter relative to the requirements of King IV™ and the corporate governance guidelines in the BSE Rules (further described below) was completed by the committee during the financial year. After a comprehensive update during the prior financial year, no further changes resulted from this year’s annual review.

Management continued its proactive drive to reduce overheads during the reporting period, whilst at the same time continuing to comply with Government’s COVID-19 guidelines in terms of which the Group maintained its workforce, with no employees laid off or retrenched during the period. As reported in the 2020 IAR, a review of the Company’s remuneration structures to take into account its transitioning into production, resulted in various salary adjustments to meet market rates. However, as the impacts of the COVID-19 pandemic continued during the current reporting period, various cost saving measures were kept in place, including temporary salary reductions or deferrals of between 10% and 25% for most employees (including top management), 50% reduction in Board fees for Directors, and significant cuts to consultant fees of 40% to 70%. These cost saving measures are expected to remain in place in the short term until the Group is stabilised after it reaches nameplate production capacity.

REMUNERATION PHILOSOPHY

The Company’s remuneration philosophy, approved by the Board, applies to all operations and is reflected in the Company’s Remuneration Policy, which was previously adopted by the Board.

It is Minergy’s philosophy to:

- ▶ appropriately compensate management and employees for the services they provide to the Company;
- ▶ attract and retain management and employees with skills required to effectively manage the operations and grow the business; and
- ▶ motivate management and employees to perform in the best interests of the Company and its stakeholders.

PURPOSE OF THE COMMITTEE AS SET OUT IN ITS CHARTER

The committee’s role is to assist the Board to achieve its objective of ensuring that:

1. Minergy’s remuneration policies, practices and procedures:
 - ▶ are aligned with the Company’s business strategy, overall objectives and market practice;
 - ▶ motivate executives to pursue the Company’s medium-to long-term growth;
 - ▶ demonstrate a clear relationship between the Company’s performance and performance of executives;
 - ▶ align the interests of executives with the creation of value for shareholders; and
2. the Company has a Board of an effective composition, skills matrix, diversity, size and commitment to adequately discharge its responsibilities and duties.

Due to the current size of the Board and the Company, matters relating to both remuneration and nominations are dealt with by a single combined Remuneration and Nomination Committee.

REVIEW OF REMCO CHARTER AGAINST KING IV™

The Company embraces the best corporate governance practices set out in King IV™ and continuously aspires to improve its existing practices by reviewing these against King IV™. Accordingly, reviews of the committee’s Charter compared to guidance in the King IV™ Code of Corporate Governance and guidelines in the BSE Rules were undertaken. After several amendments to the Charter during the prior financial year, no further amendments were made to the Charter during the current financial year.

MEMBERS OF THE COMMITTEE AND MEETING ATTENDANCE

Three meetings were held during the financial year

** The graphic only records formally held meetings. Numerous telephonic calls and teleconferences were held during the year which are not included above.*

Claude de Bruin (Chairman)	Mokwena Morulane (Member)	Leutiwetse Tumelo (Member)
1	1	1
1	1	1
1	1	1
22 SEP 20*	8 MAR 21*	24 JUN 21*

REMUNERATION AND NOMINATION COMMITTEE REPORT CONTINUED

REMUNERATION, INCENTIVES, AND RETENTION

OVERVIEW

During the prior reporting period, the Company successfully transitioned from development into production, with remuneration comprising fixed remuneration, and only part of a 13th cheque, reflecting a conservative approach taken by the Company considering its financial position at the time. During the current financial year remuneration comprised fixed remuneration only, and at a reduced or deferred level, reflecting a continuation of this conservative approach, as the Group focuses on stabilising its business by reaching nameplate production capacity. The committee's approach is described in more detail below.

The following represents the key components of the Company's approach to remuneration and incentivisation of staff, as set out in its Remuneration Policy:

- Fixed remuneration and related benefits (salary, housing and superannuation contributions)
- Short-term incentives — constituting cash incentives for reaching certain pre-set objectives
- Long-term retention — primarily share options with service duration as the vesting criteria.

FIXED REMUNERATION

Given the continuing impacts of the COVID-19 pandemic on the Group, the proactive drive to reduce overheads continued during the reporting period. Various cost saving measures were kept in place, as referred to earlier. These cost saving measures are expected to remain in place in the short term until the Group is stabilised after it reaches nameplate production capacity.

EMPLOYEE BENEFITS AND RETIREMENT FUND

Management is in the process of investigating various employee benefits and retirement fund options for approval by REMCO and the Board, which are scheduled to be implemented as the Group reaches name plate production capacity.

13th CHEQUE AND BONUSES

As indicated in the table below, no bonuses and no 13th cheques were paid out during 2021 financial year.

REWARD	2021 (Pula)	2020 (Pula)
13th cheque	—	440 458
Bonus	—	—

SHORT-TERM INCENTIVE PLAN ("STIP")

No cash incentives were paid out during the financial year.

A Short-Term Incentive Plan is scheduled to be implemented during the coming financial year as the Group pushes to achieve nameplate production capacity. The STIP is similar in designed and structure to typical short term incentive plans in the market, and in general terms, sets out rules for awards thereunder, and the available pool of funds based on making or exceeding budget, that could be used to incentivise participants in the STIP. Awards qualified for under the Plan are cash payments based on Key Performance Indicators. The CEO administers the STIP with respect to all participants except the CEO. REMCO approval and in some cases Board approval is required for all awards to the CEO.

MANAGEMENT RETENTION PLAN

The 2017 Share Option Plan was approved and adopted by shareholders at the AGM held on 7 December 2017.

Amendments to the Plan were approved by shareholders at the 2020 AGM so that it can be utilised to retain top Executive and Management of the Group by bringing it into line with typical retention plans in the market. Amendments included amongst other changes, bringing the exercise price of Options granted under the Plan closer to the price of the Company's shares around the time of granting of Options to Participants and setting vesting criteria that rewards long term service to the Group, in particular by setting vesting criteria for Options to be at completion of not less than three continuous years of service to the Group (from the

date upon which an Option is granted to a Participant pursuant to the amended Plan). The exercise price of Options under the Plan is accordingly BWP0.83 per Ordinary Share purchased in the Company.

SHARE TRADING POLICY

As previously reported, a formal Share Trading Policy is in place. Refer to page 43 for the details.

SUCCESSION AND NOMINATION

SUCCESSION AND NOMINATION POLICY

A formal Succession and Nomination Policy (the "Policy") was recommended by the committee and adopted by the Board during the previous reporting period. The Policy embraces the principles contained in King IV™, and so long as the Company is listed on the BSE, the Equity Listing Rules of the BSE. The Policy is reviewed annually, however, no changes were made to the Policy during the 2021 financial year.

CHANGES TO THE BOARD OF DIRECTORS

As previously announced the Group secured debt funding during the reporting period pursuant to which nominee directors for the funding parties were to be appointed to Boards within the Group. The appointment of Mr. Cross Kgosiile as the Botswana Development Corporation Limited's Nominee Director to the Board of the Company was accordingly announced on 6 August 2020. Mr. Kgosiile is a qualified accountant and an overview of his experience is also set out on page 39 of this Integrated Annual Report.

On 1 June 2021 the Company announced that Mr. André Bojé, would retire his non-executive director position on the Board as of 31 May 2021. André was the inaugural Chief Executive Officer ("CEO") of Minergy when it listed on the Main Board of the Botswana Stock Exchange in 2017, bringing with him a unique understanding of the potential that the Masama Coal Project presented.

REMUNERATION AND NOMINATION COMMITTEE REPORT CONTINUED

I take the opportunity to thank André for his immeasurable contribution to the Company. Without his leadership, knowledge of the southern African coal market, and dedication to his team during a critical phase of the Group's development, Masama would not be a mine today.

In the same announcement the Company also announced the appointment of Mr. Leonard Makwinja as an Independent Non-executive Director, effective 1 June 2021. He is a qualified Mining Engineer with a significant international mining experience gained over a career spanning four decades. An overview of his experience is also set out on page 39 of this IAR.

All appointees to the Board, were independently screened and vetted, with all reference checks, qualifications confirmations, credit checks, and police clearances received by the Remuneration and Nomination Committee and confirmed by the Board. These processes were guided by the Company's Succession and Nomination Policy.

CHANGES TO COMMITTEES OF THE BOARD

Changes to the Audit and Risk Committee ("ARCO") during the reporting period includes Mr. Cross Kgosiile taking over as Chairman of ARCO. In line with best practice corporate governance, with Mr. Cross Kgosiile's appointment as ARCO Chairman, Mr. Mokwena Morulane, the Chairman of the Board, steps down as Chairman of ARCO but remains a committee Member. Mr. Leutlwetse Tumelo remains a committee Member, and Mr. Claude de Bruin steps down as a committee Member.

CHANGES TO MANAGEMENT

As announced on 22 January 2021, the then Chief Financial Officer of the Company, Mr. Jean Pierre van Staden, tendered his resignation during January 2021, having accepted an employment offer from an international mining company operating in Africa. Mr. van Staden worked for the three-month contractual notice period and made himself available to Minergy to ensure a smooth transition for the position. We thank Mr. van Staden for his contribution to Minergy during his tenure.

As announced on 6 May 2021 the Company appointed Mr. Julius Ayo as acting Chief Financial Officer for a period of up to six-months. His credentials are listed on page 38.

PERFORMANCE APPRAISALS

The performance of the board and its committees is vital to the success of an organisation. The committee and the Board recognise that applicable good corporate governance best practice set out in King IV™ can benefit the Company by enhancing the performance and effectiveness of the Board and its committees. The Company accordingly subscribes to performance appraisals of its leaders and managers, the purpose of which is to assess the effectiveness and performance of the Board and committees of the Company, and to identify areas of potential improvement.

The committee oversaw the annual performance appraisals of the Company's Board, certain of its committees, and its CEO, which were undertaken utilising the online platform provided by governance and software firm The Global Platform for Intellectual Property Pty Limited.

The performance appraisals confirmed that overall, the Board and its committees were performing effectively, and the process proved a valuable tool to guide the Board and its committees' pursuit of continuous improvement in its functioning and performance.

NON-EXECUTIVE DIRECTORS' REMUNERATION

Remuneration for Non-executive Directors for the year ended 30 June 2021, was as set out below:

NAME	2021 (Pula)	2020 (Pula)
Mokwena Morulane	250 000	360 600
Leutlwetse Tumelo	170 000	241 000
Claude de Bruin	170 000*	251 500*
André Bojé	178 500*	Nil*
Cross Kgosiile	8 500	N/A
Leonard Makwinja (appointed 1 June 2021)	8 500	N/A

* In addition to the above fees, Mr. de Bruin was also paid P716 250 (2020: P1 480 000) during the current reporting period with respect to corporate and administrative services provided to the Company, and Mr. Bojé was also paid P832 000 (2020: P1 960 000).

Services provided to the Company by both Mr. Bojé and Mr. de Bruin were reduced by 40% and ~65% respectively from April 2020, which is reflected in the lower year on year fees, and as of the end of May 2021 both Mr. Bojé and Mr. de Bruin are no longer providing services to the Company.

The committee, and the Board, have recommended that at this stage there be no increase in fees paid to Non-executive Directors. Accordingly, it is recommended that retainer fees (paid monthly) for the 2021 financial year remain at the same level for the time being as approved at the 2020 AGM, to be presented at the 2021 AGM as follows:

► Chairman of the Board	P25 000
► Non-executive Directors	P17 000

It is expected that a review of the level of retainer fees will be required at an appropriate time in the near future, once the Group reaches nameplate capacity, to bring the level of fees up to what is paid to directors of mining companies that have successfully transitioned into production.

REMUNERATION AND NOMINATION COMMITTEE REPORT CONTINUED

Notwithstanding the above proposed fees, Directors have agreed to reduced fees, as a temporary measure until operations move into nameplate production capacity and receives additional equity funding:

EXECUTIVE DIRECTORS' REMUNERATION

The remuneration for Executive Directors (inclusive of mandatory provisioning for severance benefits and fringe benefits) for the year ended 30 June 2021, was as set out below:

NAME	2021 (Pula)	2020 (Pula)
Morné du Plessis (CEO)	3 061 860	3 439 123
Jean-Pierre van Staden (CFO) (resigned 22 January 2021, 2021 remuneration covers the 9 months from July 2020 to March 2021)	1 881 000	1 288 579

No benefits other than statutory benefits were accrued during the financial year and the salaries represent a cash-based salary.

Statutory severance benefits have been calculated and provided for, but not paid.

THANK YOU

I take the opportunity to thank the Management team, my fellow committee Members, and the Board, for their resilience, insights and unquestionable commitment, in particular in overcoming the challenges presented by the onset, and persistence of the COVID-19 pandemic throughout the reporting period.



Claude de Bruin

Chairman of the Remuneration and Nomination Committee

20 October 2021



AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee is pleased to present its report for the financial year-ended 30 June 2021.

The Committee has adopted formal terms of reference in the form of a charter, approved by the Board, setting out its duties and responsibilities as prescribed in the Companies Act and other applicable legislative and stock exchange requirements, and incorporating additional duties delegated to it by the Board. The Committee has, in addition, approved a workplan encapsulating various tasks and functions for the ensuing financial year. The Committee is in the process of reviewing the terms of reference with respect to the requirements of King IV™.

RESPONSIBILITIES

In summary, the Audit and Risk Committee assists the Board in its responsibilities to cover the following:

- ▶ external audit processes for the Company taking into account any significant risks;
- ▶ adequacy and functioning of the Company's internal controls;
- ▶ integrity of the financial reporting; and
- ▶ risk management and information technology.

The Audit and Risk Committee attends to both audit and risk responsibilities as one combined Committee. Minergy has transitioned into production and the Committee is confident that it is able to properly address all matters relating to the audit and risk processes.

MEMBERS OF THE COMMITTEE AND MEETING ATTENDANCE

With the advent of COVID-19 and in line with Company safety protocols, meetings were held via electronic means such as Microsoft Teams. For certain members, who are not resident in Botswana and in order to save costs, other meetings were also held on this basis to ensure adherence to corporate governance duties and to support cost saving measures.

The CEO and the CFO have a standing invitation to attend all the Committee meetings. The external independent auditors have unrestricted access to the Committee members.

During the year, Mokwena Morulane handed over Chairmanship of the committee to Cross Kgosiidiile.

Three meetings were held during the financial year

Cross Kgosiidiile (Chairman) ¹	Leutlwetse Tumelo (Member)	Mokwena Morulane (Chairman/Member) ¹	Claude de Bruin (Member) ²
—	—	1	1
1	1	1	1
1	1	1	1
1	1	—	—
22 SEP 20	8 MAR 21	24 JUN 21	

Notes:

1. Best governance practices required the chairman of the Board and the chairman of ARCO to be different. In order to comply, Cross Kgosiidiile replaced Mokwena Morulane as chairman of ARCO effective 1 June 2021.
2. Claude de Bruin resigned as member of ARCO effective 1 June 2021.

ROLE OF THE AUDIT AND RISK COMMITTEE

The Committee:

- ▶ fulfils the duties that are delegated to it by the Board, in order for the Company and the Board to fulfil its duties in terms of the Companies Act and other applicable legislative requirements;
- ▶ assists the Board in overseeing the quality and integrity of the Company's integrated reporting process, including the financial statements and sustainability reporting, and announcements in respect of the financial results;
- ▶ ensures that an effective control environment in the Company is maintained;
- ▶ provides the CFO and external auditors with unrestricted access to the Committee and its Chairman as is required in relation to any matter falling within the ambit of the Committee;
- ▶ meets with the external auditors, senior managers and Executive Directors as the Committee may elect;
- ▶ meets confidentially with the external auditors without other executive Board members and the Company's CFO being present;
- ▶ reviews and recommends to the Board the interim financial results and annual financial statements;
- ▶ conducts annual reviews of the Audit and Risk Committee's work plan and terms of reference; and
- ▶ assesses the performance and effectiveness of the Audit and Risk Committee and its members on a regular basis.

EXECUTION OF FUNCTIONS

The Committee is satisfied that, for the 2021 financial year, it has performed all the functions required to be performed by an Audit and Risk Committee as set out in the Companies Act and the Committee's terms of reference as follows.

AUDIT AND RISK COMMITTEE REPORT CONTINUED

EXTERNAL AUDIT

The Committee among other matters:

- ▶ managed the appointment of Grant Thornton Botswana ("GT") as the external and designated auditor and ensured that the appointment complied with all applicable legal and regulatory requirements for the appointment of an auditor;
- ▶ nominated the external auditor for each material subsidiary company for appointment;
- ▶ reviewed the audit effectiveness and evaluated the external auditor's internal quality control procedures;
- ▶ obtained an annual confirmation from the auditor that their independence was not impaired
- ▶ pre-approved permissible non-audit services performed by the external auditors including taxation services;
- ▶ approved non-audit services with the external auditors in accordance with its policy;
- ▶ approved the external audit engagement letter, the plan and the budgeted audit fees payable to the external auditor;
- ▶ obtained assurances from the external auditor that adequate accounting records were being maintained by the Company and its subsidiaries;
- ▶ considered whether any reportable irregularities were identified and reported by the external auditor to management; and
- ▶ considered any reported control weaknesses, management's response for their improvement and assessed their impact on the general control environment.

The Committee is satisfied that GT is independent of the Company after taking the following factors into account:

- ▶ representations made by GT to the Committee;
- ▶ the auditor does not, except as external auditor or in rendering permitted non-audit services, receive any remuneration or other benefit from the Company;
- ▶ the auditors' independence was not impaired by any consultancy, advisory or other work undertaken by the auditor;
- ▶ the auditors' independence was not prejudiced as a result of any previous appointment as auditor; and
- ▶ meets the criteria specified for independence by the Botswana Accountancy Oversight Authority ("BAOA").

INTERNAL AUDIT

Minergy has not appointed an internal audit function at this early stage of the Company's development.

INTERNAL CONTROLS

The Committee reviewed the plans and work outputs of the external auditors and concluded that these were adequate to address all significant financial risks the business may face. As noted above, it also reviewed the reporting around the adequacy of the internal controls and based on this concluded that there had been no material breakdowns in internal control, including financial controls, business risk management and the maintenance of effective material control systems.

SIGNIFICANT AREAS OF JUDGEMENT

In arriving at the figures disclosed in the financial statements there are certain areas where judgement is required. These are outlined in Note 2 to the annual financial statements. The Audit and Risk Committee has assessed the quantum of the assets and liabilities on the statements of financial position and other items that require significant judgement.

RISK MANAGEMENT AND INFORMATION TECHNOLOGY ("IT") GOVERNANCE

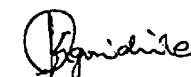
The Committee oversaw the enhancement of various policies pertaining to risk assessment and risk management, including fraud and Information Technology ("IT"). These enhancements will contribute further to a robust governance environment and to an effective regular going concern assessment. Information pertaining to the management of risk can be found in the Management of Risk section on page 10.

INTEGRATED ANNUAL REPORT

Following the review by the Committee of the consolidated annual financial statements of Minergy for the year-ended 30 June 2021, the Committee is of the view that in all material aspects they comply with the relevant provisions of IFRS and fairly present the consolidated and separate financial positions at that date and the results of operations and cash flows for the year then ended. The Committee has also satisfied itself of the integrity of the Integrated Annual Report and the sustainability of information reported therein.

RECOMMENDATION OF THE INTEGRATED ANNUAL REPORT FOR APPROVAL BY THE BOARD

Having achieved its objectives, the Committee has recommended the annual financial statements and the Integrated Annual Report for the year-ended 30 June 2021 for approval to the Board. The Board has subsequently approved the report, which will be open for discussion at the forthcoming AGM.



Cross Kgosiile

Chairman of the Audit and Risk Committee

20 October 2021

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INTERACTION WITH SHAREHOLDERS

Minergy maintains an open investor relations approach and dialogue with key financial audiences including institutional and private shareholders as well as analysts.

An Investor Relations consultancy has been appointed which disseminates information to the market, and shareholders are encouraged to contact Minergy management or the consultancy, Keyter Rech Investor Solutions, directly for additional information.

The Group adopts a proactive and open attitude to the timely dissemination of appropriate information to stakeholders and shareholders alike through print, electronic news releases, the Company's website and the statutory publication of the Group's financial performance through both the BSE and local Botswana newspapers.

Minergy has and will continue to host regular shareholder briefings (in-person meetings are COVID-19 dependent, alternatively virtual platforms will be used), in which the results, developments, strategy, prospects and the operating environment are discussed. Site visits are undertaken. The website provides the latest and historical financial information, as well as information on the management of the Group and the operations. Shareholders are encouraged to attend the AGM, notice of which is contained in this Integrated Annual Report, where shareholders will have the opportunity to put questions to the Board and management.



SHAREHOLDERS' DIARY

AGM	24 November 2021
Interim period-end	31 December
Interim results announcement	March
Year-end	30 June
Final results announcement	September



SHAREHOLDER ANALYSIS

AS AT 30 JUNE 2021

SHAREHOLDER SPREAD

	Number of shareholders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	249	48.16	112 641	0.02
1 001 – 10 000 shares	136	26.31	732 596	0.16
10 001 – 100 000 shares	45	8.70	1 719 662	0.37
100 001 – 1 000 000 shares	32	6.19	12 210 078	2.60
1 000 001 shares and over	55	10.64	455 200 157	96.86
Total	517	100.00	469 975 134	100.00

DISTRIBUTION OF SHAREHOLDERS

	Number of shareholders	% of total shareholders	Number of shares	% of issued capital
Banks/brokers	1	0.19	1 705 217	0.36
Directors and Associates of the Company	5	0.97	99 219 980	21.11
Foreign company	19	3.68	53 195 898	11.33
Other corporations	3	0.58	36 000	0.01
Private companies	1	0.19	38 888 889	8.27
Retail investors	470	90.91	87 171 282	18.55
Retirement funds	14	2.71	171 177 289	36.42
Trusts	4	0.77	18 580 579	3.95
Total	517	100.00	469 975 134	100.00

PUBLIC/NON-PUBLIC SHAREHOLDERS

Shareholder type	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Non-public shareholders	6	1.16	138 108 869	29.39
Directors and Associates of the Company	5	0.97	99 219 980	21.11
Jarcon Opencast Mining (Botswana) (Pty) Ltd	1	0.19	38 888 889	8.27
Public shareholders	511	98.84	331 866 265	70.61
Allan Gray	2	0.39	108 310 890	23.05
Botswana Insurance Fund Management	1	0.19	34 647 870	7.37
Firecrest Trust Corporation	1	0.19	13 503 760	2.87
Kgori Capital	8	1.55	3 862 536	0.82
Morula Capital Partners	2	0.39	22 919 708	4.88
Other Public Shareholders	495	95.74	135 870 050	28.91
Resource Capital Investment	1	0.19	11 315 166	2.41
Vunani Fund Managers	1	0.19	1 436 285	0.31
Total	517	100.00	469 975 134	100.00

BENEFICIAL SHAREHOLDERS HOLDING 3% OR MORE

	Number of shares 2021	% of issued capital	Number of shares 2020	% of issued capital 2020
Allan Gray	108 310 890	23.05	162 878 468	34.66
De Bruin, C	42 634 421	9.07	42 634 421	9.07
Astrup, J	40 279 938	8.57	40 279 938	8.57
Jarcon Opencast Mining (Botswana) (Pty) Ltd	38 888 889	8.57	38 888 889	8.27
Botswana Insurance Fund Management	34 647 870	7.37	—	—
Morula Capital Partners	22 919 708	4.88	—	—
Bojé, AR	15 000 000	3.19	15 000 000	3.19
Total	302 681 716	64.40	299 681 716	63.77

06 GROUP ANNUAL FINANCIAL STATEMENTS

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DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required to maintain adequate accounting records and are responsible for the content and integrity of the consolidated financial statements and related financial information included in this report.

It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Group and the Company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The consolidated and separate financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board of Directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Group's cash flow forecast for the year end 30 June 2022 and, in light of this review the current financial position and assumptions used they are satisfied that the Group has access to adequate resources to continue in operational existence for the foreseeable future. Refer to the directors' report for further detail.

The external auditors are responsible for independently auditing and reporting on the Group's annual financial statements. The annual financial statements have been examined by the Group's external auditors and their report is presented on pages 56 to 57.

The annual financial statements set out on pages 58 to 81, which have been prepared on the going concern basis, were approved by the Board of Directors on 20 October 2021 and were signed on its behalf by:



Mokwena Morulane
Chairman



Morné du Plessis
Chief Executive Officer

DIRECTORS' REPORT

The directors have pleasure in submitting their report on the consolidated annual financial statements for the year ended 30 June 2021

1. NATURE OF BUSINESS

Minergy Limited ("Minergy" or "the Company") is an investment holding company. Its principal subsidiary, Minergy Coal (Pty) Ltd ("Minergy Coal" or "the subsidiary")(together referred to as "the Group") holds Mining Licence 2018/9L (for coal) and is invested in the exploration, development, mining and trading of thermal coal. The Group has significantly completed the development of its only project, the Masama Coal Mine on the southern edge of the Mmamabula Coalfield in Botswana. During the year under review the Group was in the process of ramping up operations whilst progressing final development activities.

2. LISTING

The Company has been listed on the Botswana Stock Exchange (BSE) Main Board since 27 April 2017. The abbreviated name under which the company is listed on the BSE is "Minergy" and the company's Clearing House Code is "MIN".

3. REVIEW OF FINANCIAL RESULTS AND ACTIVITIES

The consolidated and Company annual financial statements have been prepared in accordance with International Financial Reporting Standards. The accounting policies have been applied consistently compared to the prior year, except for the adoption of new standards as disclosed in note 3.

Group attributable loss for the financial year ended 30 June 2021 was P106 903 609 (2020: P91 872 696) representing a loss per share of 22.75 thebe (2020: 20.69 thebe). Headline loss per share was 22.75 thebe (2020: 20.69 thebe).

Full details of the financial position, results of operations and cash flows of the Group and Company are set out in these consolidated annual financial statements.

4. STATED CAPITAL

At 30 June 2021 the number of ordinary shares in issue and the weighted average number of shares was 469 975 134 (2020: 469 975 134) and 469 975 134 (2020: 444 049 208), respectively.

5. SHARE OPTION PLAN

Shareholders approved the initial 2017 Share Option Plan on 7 December 2017 at the Annual General meeting.

The purpose of the initial 2017 Share Option Plan was to provide Minergy Ltd and its Subsidiaries, present and future (collectively "the Company"), with the means to encourage, attract, retain and motivate Service Providers and Insiders specifically in respect of the new Masama Coal Project by granting such Service Providers and Insiders share options to purchase ordinary shares in Minergy's share capital thereby giving them an ongoing proprietary interest in Minergy. Unfortunately, due to factors largely outside of the control of participants in the Plan (including permitting delays during the early stages of the process, and more recently COVID-19), none of the options previously granted under the 2017 Share Option Plan could be exercised.

In order to take into account that the Group's transition into a production environment and to bring the Plan in line with typical staff retention plans, a review of the Company's retention and incentive programs was undertaken. The required amendments to the Share Option Plan were approved at the Annual General Meeting on 11 November 2020.

Salient features of the revised Share Option Plan

- ▶ maximum shares subject to Share Option Plan may not exceed 50 000 000 shares.
- ▶ maximum number of ordinary Shares which may be issued at any time to any one Service Provider or Insider may not exceed 10 000 000 shares.
- ▶ each option granted shall represent the right to purchase one Ordinary Share in the Company.
- ▶ price shall be P0.83 per share.
- ▶ options shall not have a term exceeding ten years after allotment.
- ▶ options granted shall vest upon the completion of not less than three continuous years of service to the Group, which period shall start from the date the Option(s) is granted to a Participant.
- ▶ options granted in terms of the Plan shall expire 24 months after Vesting, after which such Options are no longer exercisable for the purchase of Ordinary Shares.

6. DIRECTORATE

The directors in office at the date of this report are as follows:

DIRECTORS	NATIONALITY	OFFICE	DESIGNATION
Mokwena Morulane	Botswana	Chairman	Independent non-executive
Morné du Plessis	South Africa	Chief Executive Officer	Executive
Leutlwetse Tumelo	Botswana		Non-executive
Claude de Bruin	New Zealand		Non-executive
Cross Kgosiile	Botswana		Independent non-executive
Leonard Makwinja	Botswana		Independent non-executive

7. DIRECTORS' INTEREST IN SHARES

At 30 June 2021, the directors of the company during the year held direct and indirect interests in 53 940 042 (2020: 68 940 042) of the Company's issued ordinary shares. Details of shares held per individual director are listed below:

Shares	Direct beneficial	Indirect beneficial	Direct non-beneficial	Indirect non-beneficial	Total	%
2021						
Executive Directors						
Morné du Plessis	10 000 000	—	—	—	10 000 000	2.13
	10 000 000	—	—	—	10 000 000	2.13
Non-executive Directors						
Claude de Bruin	42 634 421	—	—	—	42 634 421	9.07
Leutlwetse Tumelo	1 305 621	—	—	—	1 305 621	0.28
	43 940 042	—	—	—	43 940 042	9.35
Total Executive and Non-executive Directors' interest	53 940 042	—	—	—	53 940 042	11.48

DIRECTORS' REPORT

CONTINUED

Shares	Direct beneficial	Indirect beneficial	Direct non-beneficial	Indirect non-beneficial	Total	%
2020						
Executive Directors						
Morné du Plessis	10 000 000	—	—	—	10 000 000	2.13
	10 000 000	—	—	—	10 000 000	2.13
Non-executive Directors						
André Bojé	15 000 000	—	—	—	15 000 000	3.19
Claude de Bruin	42 634 421	—	—	—	42 634 421	9.07
Leutlwetse Tumelo	1 305 621	—	—	—	1 305 621	0.28
	58 940 042	—	—	—	58 940 042	12.54
Total Executive and Non-executive Directors' interest	68 940 042	—	—	—	68 940 042	14.67

8. BORROWING POWERS

The directors may raise or borrow for the purposes of the business of the Company and/or its subsidiaries, such sum or sums of money as in aggregate at any time do not exceed half of the fair market value of the assets of the Group, or such higher limit as the shareholders may, by ordinary resolution, in a general meeting determine.

9. SPECIAL RESOLUTIONS

The following special resolutions were passed at the EGM of 18 February 2021:

- that the specific issue of the Placing Shares, being up to 195 312 500 new Ordinary Shares for cash, pursuant to the Placing, and the increase of the Company's stated capital in accordance with the number of Placing Shares issued multiplied by the Placing Price, be approved; and
- that, subject to Resolutions 1 validly passing, the Shareholders waive their pre-emptive rights as set out in clause 5.1 of the Constitution and section 52 of the Companies Act in respect of the issue of the Placing Shares, consisting of 195 312 500 new Ordinary Shares, in respect of the Placing; and
- that, Category 1 Conversions, under the terms of section 6 of the Listing Requirements are approved.

10. EVENTS AFTER THE REPORTING PERIOD

A debt restructuring agreement was signed with BDC, MDCB and Jarcon Opencast Mining Botswana (Debt Funders) on 12 July 2021, which in summary achieves the following:

- ▶ Capitalised the interest payments for the restructuring period
- ▶ Reduced mining rates on a deferral basis;
- ▶ Cost saving initiatives;
- ▶ Converts a portion of short-term trade payables into a longer term secured debt facility up to a maximum of P 30 million; and
- ▶ Secured longer term funding for development of important logistics infrastructure.

The agreement also includes a payment waterfall, which prioritises the order of cash flow utilisation, with Minergy Coal's operating and capital expenditure taking precedence over other financial obligations.

The restructuring period shall run until the earlier of:

- the Debt Funders, reasonably declaring that they are satisfied that the equity raised by the Group is sufficient to allow trade in the normal course into the foreseeable future; and
- the successful completion of the Double-Up Feasibility Study

11. GOING CONCERN

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the realisation of assets and satisfaction of liabilities in the normal course of business. During the current year, the Group has focussed exclusively on the operational ramp-up and continued development of its principal project in Botswana (The Masama Coal Mine).

By 30 June 2021, the Company had not achieved commercial steady-state levels of production as the operational ramp-up phase was delayed by the impact of COVID-19, delayed funding and heavier than normal rains. The Group consequently incurred a net loss during the year ended 30 June 2021 of P106 903 609 (2020: P91 872 696). As at 30 June 2021 the Group had accumulated losses of P245 269 838 (2020: P139 695 949) and its net liabilities exceeded its net assets by P56 030 697 (2020: net assets exceeded its net liabilities by P43 125 319). It is expected that further losses and cash outflows will be incurred until the Group reaches steady-state levels of production.

The directors have prepared cash flow forecasts indicating that the Company will have sufficient cash resources to fund its operations for at least the 12 month period from the date of signing this report. These cash flow forecasts include the assumption that Stage 4 of the CHPP will be completed which will ensure continuous production, increased water recovery and cost effectiveness and that operations will subsequently ramp up to achieve steady state production volumes in a stable market. It excludes the potential of additional equity funding which can be obtained during the 2022 financial year. The Company's ability to continue as a going concern is therefore dependent on achieving the aforementioned objectives and assumptions. In combination, these events and conditions give rise to a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern, and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

These annual financial statements do not give effect to adjustments that would be necessary to the carrying value and classification of assets and liabilities should the group be unable to continue as a going concern. Such adjustments could be material.

The Group achieved a number of important milestones during the year under review, including doubling the sales volumes for the 2021 financial year; signing a further 12-month off-take agreement, supplementing the existing three-year off-take agreement in place; maintained its market share with positive feedback from customers; P125 million with additional convertible debt funding that was secured through the Minerals Development Company Botswana (Proprietary) Limited; with a debt restructuring agreement signed with its main lenders just after year end, to stabilise cashflows.

The Group has a history of successful debt and capital raisings to meet its funding requirements. The Group is seeking a secondary listing on an international exchange which will bring additional cash into the business and stabilise the business to nameplate production, including required capex and working capital. The directors believe that at the date of signing the financial statements there are reasonable grounds to believe that they will be successful in achieving the matters set out above and that the use of the going concern basis remains appropriate.

12. AUDITORS

Grant Thornton Botswana has been appointed as auditors of the Company and its subsidiaries for 2021 financial year.

13. COMPANY SECRETARY

The Company secretary is Desert Secretarial Services (Pty) Ltd

Postal address
P O Box 211008
Bontleng, Gaborone
Botswana

Business address
Deloitte House, Plot 64518
Fairgrounds Office Park
Gaborone
Botswana

14. DETAILS OF SUBSIDIARIES

Details of the Group's interests in its subsidiaries are set out in note 5 of the consolidated annual financial statements.

INDEPENDENT AUDITOR'S REPORT



Chartered Accountants

Grant Thornton
Acumen Park, Plot 50370
Fairgrounds, Gaborone
P O Box 1157
Gaborone, Botswana

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linked to company Grant Thornton Botswana
with new Grant Thornton BVI

Independent Auditor's Report

To the shareholders of Minergy Limited

Opinion

We have audited the consolidated and separate annual financial statements of Minergy Limited (the "company") and its subsidiaries (together the "Group") set out on pages 13 to 59, which comprise the consolidated and separate statement of financial position as at 30 June 2021, and the consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements give a true and fair view of, the consolidated and separate financial position of Minergy Limited as at 30 June 2021, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the consolidated and separate annual financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of annual financial statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Botswana. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going concern

We draw attention to accounting policy 1(d) in the annual financial statements, which indicates that the group incurred a total comprehensive loss during the year ended 30 June 2021 of P106 903 609 (2020: P 91 872 696) and, as of that date, the group had accumulated losses of P 245 269 838 (2020: 139 695 949) and its current liabilities exceeded its current assets by P 67 092 643 (2020: P 14 464 228). As stated in accounting policy 1(d), these events or conditions, along with other matters as set forth in accounting policy 1(d), indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements of the current period. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, and we do not provide separate opinion on these audit matters.



Independent Auditor's Report

Key audit matter	How the matter was addressed in our audit
Going concern The Group incurred a net loss of P106 903 609 during the year ended 30 June 2021 and, as of that date, the group has accumulated losses of P 245 269 838 and current liabilities exceeded its current assets by P 67 092 643. As stated in accounting policy 1(d), these events or conditions, along with other matters as set forth in accounting policy 1(d), indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern	-We obtained management's assessment of the Group's ability to continue as a going concern and evaluated their going concern assessment. -We evaluated management's plans for future actions in relation to the going concern assessment, including whether the outcomes of the plans are to improve the situations. -We evaluated and documented the entity's cash flow forecast by checking the reliability of the underlying data used to prepare the forecast, and that there is adequate support for the underlying assumptions. -We have assessed the disclosures made by the Group in relation to this matter.
Revenue Recognition Due to the significance of the total revenue and the fact that revenue recognition criteria carry an inherent risk of being prone to manipulation thus it has been considered key to the audit.	-Our audit procedures included the testing of the appropriateness of the application of the revenue recognition criteria. We selected a random sample of transactions to verify that the revenue recognition criteria are being properly applied. There were no exceptions noted. -For completeness of revenue, we obtained an understanding of controls surrounding recording of revenue from the sub systems into the general ledger. Further, we obtained a listing of revenue from the sub system and compared to the revenue recorded in the GL for each revenue stream.
Inventory Inventory consist of work in progress, which relates to cost incurred for extraction of coal in the process of being exposed within the pit. Due to the nature of the inventory, existence, and valuation of the same has been considered as a significant matter.	-Obtained a reconciliation for the account balance, class of transaction or disclosure. -Documented and evaluated the entity's accounting policies for appropriateness and consistency. -Attended the entity's inventory count as at 30 June 2021 and evaluated management's instructions and procedures for recording and controlling the results of the physical inventory count, observed the performance of management's count procedures. -We identified the management expert used in the inventory existence and valuation. We assessed the competence and capabilities of the valuers by verifying the qualifications and experience. - We held discussions with these experts to gather an understanding of the various inputs, assumptions, estimates, and process used in arriving at the values relating to the existence of work in progress recorded in inventory. - Evaluated and documented that the significant assumptions used by expert are reasonable considering the measurement objectives of the financial reporting framework. - Evaluated the management inputs in the standard cost of extracting inventory and validated the same with supporting information. - Determined whether the inventory valuation method is appropriate and consistently applied. Verified the standard selling price of coal against the carrying value of cost of inventory and validated that the carrying value of inventory is done at the lower of cost or net realizable value. Our audit procedures have resulted in appropriate audit evidence with regards to the valuation of Inventory.



INDEPENDENT AUDITOR'S REPORT

CONTINUED



Independent Auditor's Report

Other information

The directors are responsible for the other information. The other information comprises the Detailed Income Statement and the Statement of Directors' Responsibility and Approval, which we obtained prior to the date of this report, and the other parts of the Minergy Integrated Annual Report, which is expected to be made available to us after that date. Other information does not include the annual financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate annual financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Consolidated and Separate Annual Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate annual financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the Consolidated and Separate Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or company to cease to continue as a going concern.



Independent Auditor's Report

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the consolidated and separate annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the subsidiaries or business activities within the group to express an opinion on the consolidated and separate annual financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

GRANT THORNTON

Chartered Accountants
Certified Auditor: Mr. Aswin Vaidyanathan: 19980110
Certified Auditor of Public Interest Entity
Certificate Number: CAP 0016 2021

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STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2021

Figures in Pula	Notes	GROUP		COMPANY	
		2021	2020	2021	2020
ASSETS					
Non-current assets					
Property, plant and equipment	4	390 835 008	340 602 189	374 919	659 320
Investment in subsidiaries	5	—	—	153 708 565	145 888 664
Deferred tax asset	6	68 103 074	39 095 799	701 143	3 010 140
		458 938 082	379 697 988	154 784 627	149 558 124
Current assets					
Inventories	7	42 632 873	48 355 150	—	—
Trade and other receivables	8	40 941 636	13 960 609	17 345 657	14 249 983
Cash and cash equivalents	9	911 485	1 712 055	59 686	78 053
		84 485 994	64 027 814	17 405 343	14 328 036
Total assets		543 424 076	443 725 802	172 189 970	163 886 160
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	10	165 563 026	165 563 026	165 563 026	165 563 026
Accumulated loss		(245 269 838)	(139 695 949)	3 040 145	(6 334 170)
Other reserves	11	23 676 115	17 258 242	141 852	1 329 720
Equity attributable to owners of the parent		(56 030 697)	43 125 319	168 745 023	160 558 576
Total equity		(56 030 697)	43 125 319	168 745 023	160 558 576
Non-current liabilities					
Borrowings	13	365 377 304	252 348 149	181 332	438 822
Rehabilitation provision	12	82 498 832	69 760 293	—	—
		447 876 136	322 108 442	181 332	438 822
Current liabilities					
Borrowings	13	17 967 584	7 913 719	257 490	271 928
Trade and other payables	14	133 611 053	70 578 322	3 006 125	2 616 834
		151 578 637	78 492 041	3 263 615	2 888 762
Total liabilities		599 454 773	400 600 483	3 444 947	3 327 584
Total equity and liabilities		543 424 076	443 725 802	172 189 970	163 886 160

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

Figures in Pula	Notes	GROUP		COMPANY	
		2021	2020	2021	2020
Revenue	17	192 948 727	80 650 039	—	—
Cost of sales	18	(255 579 306)	(149 918 714)	—	—
Gross loss		(62 630 579)	(69 268 675)	—	—
Other income	19	254 091	97 614	12 930 000	15 855 603
Operating expenses		(23 107 529)	(31 093 212)	(9 700 577)	(13 635 934)
Operating (loss)/profit	20	(85 484 017)	(100 264 273)	3 229 423	2 219 669
Finance income	21	93 612	101 097	7 178 801	5 811 266
Finance costs	22	(50 520 479)	(17 458 743)	(54 632)	(49 182)
(Loss)/profit before income tax		(135 910 884)	(117 621 919)	10 353 592	7 981 753
Income tax	23	29 007 275	25 749 223	(2 308 998)	(1 674 506)
(Loss)/profit for the year		(106 903 609)	(91 872 696)	8 044 594	6 307 247
Other comprehensive income for the year		—	—	—	—
Total comprehensive (loss)/profit for the year		(106 903 609)	(91 872 696)	8 044 594	6 307 247
Total comprehensive loss attributable to:					
Owners of the parent		(106 903 609)	(91 872 696)		
Non-controlling interest		—	—		
		(106 903 609)	(91 872 696)		
Loss per share (thebe)	24	(22.75)	(20.69)		
Diluted loss per share (thebe)	24	(22.75)	(20.69)		

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

Figures in Pula	Stated capital	Accumulated loss	Other reserves	Total equity
GROUP				
Balance at 1 July 2019	130 563 026	(48 675 336)	2 063 988	83 951 678
Total comprehensive loss	—	(91 872 696)	—	(91 872 696)
Transactions — owners in their capacity as owners of equity				
Subscription for shares	38 500 000	—	—	38 500 000
Share issuance costs on subscription	(3 500 000)	—	—	(3 500 000)
Borrowings — conversion option reserve	—	852 083	15 928 522	16 780 605
Share-based payment expense	—	—	(734 268)	(734 268)
Balance at 1 July 2020	165 563 026	(139 695 949)	17 258 242	43 125 319
Total comprehensive loss	—	(106 903 609)	—	(106 903 609)
Transactions — owners in their capacity as owners of equity				
Subscription for shares	—	—	—	—
Share issuance costs on subscription	—	—	—	—
Borrowings — conversion option reserve	—	—	7 381 764	7 381 764
Share-based payment expense	—	1 329 720	(963 891)	365 829
Balance at 30 June 2021	165 563 026	(245 269 838)	23 676 115	(56 030 697)
	Note 10		Note 11	
COMPANY				
Balance at 1 July 2019	130 563 026	(12 641 417)	2 063 988	119 985 597
Total comprehensive profit	—	6 307 247	—	6 307 247
Transactions — owners in their capacity as owners of equity				
Subscription for shares	38 500 000	—	—	38 500 000
Share issuance costs on subscription	(3 500 000)	—	—	(3 500 000)
Share-based payment expense	—	—	(734 268)	(734 268)
Balance at 1 July 2020	165 563 026	(6 334 170)	1 329 720	160 558 576
Total comprehensive profit	—	8 044 594	—	8 044 594
Transactions — owners in their capacity as owners of equity				
Subscription for shares	—	—	—	—
Share issuance costs on subscription	—	—	—	—
Share-based payment expense	—	1 329 720	(1 187 868)	141 852
Balance at 30 June 2021	165 563 026	3 040 145	141 852	168 745 023
	Note 10		Note 11	

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

Figures in Pula	Notes	GROUP		COMPANY	
		2021	2020	2021	2020
Cash flows from operating activities					
Cash utilised in operations	25	(35 675 470)	(98 301 534)	949 293	6 976 115
Finance costs paid	22	(796 809)	(6 856 583)	(54 632)	(49 182)
Net cash used in operating activities		(36 472 279)	(105 158 117)	894 661	6 926 933
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(19 357 819)	(39 893 316)	—	—
Decrease/(increase) in investment in subsidiary		—	—	(645 922)	(2 964 349)
Finance income		93 612	101 097	4 822	26 176
Net cash utilised in investing activities		(19 264 207)	(39 792 219)	(641 100)	(2 938 173)
Cash flows from financing activities					
Proceeds from borrowings	13	62 500 000	152 283 310	—	—
Repayment of borrowings		(7 564 084)	(5 915 004)	(271 928)	(4 190 786)
Net cash from financing activities		54 935 916	146 368 306	(271 928)	(4 190 786)
Total cash movement for the period		(800 570)	1 417 970	(18 367)	(202 026)
Cash at the beginning of the period		1 712 055	294 085	78 053	280 079
Total cash at end of the period	9	911 485	1 712 055	59 686	78 053

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2021 CONTINUED

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The principal accounting policies applied in the presentation and in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Statement of compliance

The consolidated and separate financial statements of Minergy Limited as at and for the year ended 30 June 2021 comprise those of the Company and its subsidiaries (together referred to as the Group). These have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis unless otherwise stated. In addition, the financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Functional and presentation currency

Functional and presentation currency items included in the consolidated and separate financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Botswana Pula, which is the Group and Company's functional and presentation currency.

(d) Going concern basis

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the realisation of assets and satisfaction of liabilities in the normal course of business. During the current year, the Group has focussed exclusively on the operational ramp-up and continued development of its principal project in Botswana (The Masama Coal Mine).

By 30 June 2021, the Company had not achieved commercial steady-state levels of production as the operational ramp-up phase was delayed by the impact of COVID-19, delayed funding and heavier than normal rains. The Group consequently incurred a net loss during the year ended 30 June 2021 of P106 903 609 (2020: P91 872 696). As at 30 June 2021 the Group's had accumulated losses of P245 269 838 (2020: P139 695 949) and its net liabilities exceeded its net assets by P56 030 697 (2020: net assets exceeded its net liabilities by P43 125 319). It is expected that further losses and cash outflows will be incurred until the Group reaches steady-state levels of production.

The directors have prepared cash flow forecasts indicating that the Company will have sufficient cash resources to fund its operations for at least the 12 month period from the date of signing this report. These cash flow forecasts include the assumptions that additional equity funding will be obtained during the 2022 financial year, and completion of Stage 4 of the CHPP (product screening and handling section) will complete the plant infrastructure ensure continuous production, increased water recovery and cost effectiveness and that operations will subsequently ramp up to achieve steady state production volumes in a stable market. The Company's ability to continue as a going concern is therefore dependent on achieving the aforementioned objectives and assumptions. In combination, these events and conditions give rise to a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern, and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

These annual financial statements do not give effect to adjustments that would be necessary to the carrying value and classification of assets and liabilities should the group be unable to continue as a going concern. Such adjustments could be material.

The Group has achieved a number of important milestones during the year under review, including doubling the sales volumes for the 2021 financial year from the prior year; a further 12-month off-take agreement, place supplementing the existing three-year off-take agreement in place; maintained its market share continued with positive feedback from customers; P 125 million additional convertible debt funding that was secured through the Minerals Development Company Botswana (Proprietary) Limited; a debt restructuring agreement signed with its main lenders just after year end, to stabilise cashflows.

The Group has a history of successful debt and capital raisings to meet its funding requirements. The Group is seeking a secondary listing on an international exchange which will bring additional cash into the business. The directors believe that at the date of signing the financial statements there are reasonable grounds to believe that they will be successful in achieving the matters set out above and that the use of the going concern basis remains appropriate.

1.1 CONSOLIDATION

The consolidated financial information includes the financial statements of the group and its subsidiaries. All financial results are consolidated with similar items on a line by line basis.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Inter-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries are consistent with the policies adopted by the group.

1.2 INVESTMENT IN SUBSIDIARIES

In the company's separate annual financial statements, investments in subsidiaries are carried at cost less any accumulated impairment.

The cost of an investment in subsidiary is the aggregate of:

- ▶ the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- ▶ any costs directly attributable to the purchase of the subsidiary
- ▶ any funds advanced to or repayments received from the subsidiary on loans granted to the subsidiary as funding for the subsidiary on terms that are not commercial in nature.

1.3 FOREIGN CURRENCY TRANSLATIONS

Items included in the financial statements of each of the Group's entities are measured using the functional currency of the entity.

Transactions in currencies other than the functional currency are initially recorded at the rates of exchange ruling on the dates of the transactions. At each reporting date, foreign currency monetary assets and liabilities are translated to the functional currency at the rates prevailing on the reporting date.

Non-monetary items that are measured at fair value, as determined with reference to a foreign currency, are translated to the functional currency at the rates prevailing at the date of the valuation.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

All exchange gains and losses are presented in the Statement of Comprehensive Income within operating expenses.

1.4 EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

Recognition and measurement

Exploration and Evaluation costs are those costs required to find a mineral property and determine technical feasibility and commercial viability. Exploration and Evaluation costs include costs to establish an initial mineral resource and determine whether inferred mineral resources can be upgraded to measured and indicated mineral resources and whether measured and indicated mineral resources are commercially viable.

Costs incurred before the group has obtained the legal right to explore an area are expensed. Exploration and Evaluation costs relating to the acquisition of, exploration for and development of mineral properties are capitalised and include, but are not restricted to: drilling, trenching, sampling, surveying and gathering exploration data; tunnelling and development, calculation and definition of mineral resource; test work on geology, metallurgy, mining and conducting geological, geophysical, engineering, environmental, marketing and financial studies.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2021 CONTINUED

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS continued

1.4 EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE continued

Administration costs that do not relate directly to specific exploration and evaluation activity for capitalised projects are expensed as incurred.

Impairment

All capitalised Exploration and Evaluation expenditures are monitored for indications of impairment.

Indicators of impairment include, but are not limited to:

- (a) the period for which the right to explore is less than one year;
- (b) further exploration expenditures that are not anticipated;
- (c) a decision to discontinue activities in a specific area; and
- (d) the existence of sufficient data indicating that the carrying amount of an exploration and evaluation asset is unlikely to be recovered from the development or sale of the asset.

Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that Exploration and Evaluation assets are not expected to be recovered, they are charged to the consolidated Statement of Comprehensive Income.

Reclassification to property, plant and equipment

Capitalised Exploration and Evaluation costs for a project are classified as such until the project demonstrates technical feasibility and commercial viability. Upon demonstrating technical feasibility and commercial viability, and subject to an analysis, capitalised exploration costs are transferred to construction in progress/mine development costs within property, plant and equipment.

Demonstration of technical feasibility and commercial viability generally coincide with a board decision and approval to commence development and construction of a mine. This assessment also includes an assessment of initial development funding required as well as the availability of such funds. In addition, the assessment includes the estimation of projected future operating cash flows based on a detailed mine design plan supporting the extraction and production of established proven and probable reserves and an estimate of mineral resources expected to be converted into reserves in the future and includes initial construction and sustaining capital expenditures.

However, this determination may also be impacted by management's assessment of certain modifying factors including legal, environmental, social and governmental factors. All subsequent expenditures on the development, construction, installation or completion of infrastructure facilities are capitalised as part of mine development/construction in progress within property, plant and equipment.

1.5 PROPERTY, PLANT AND EQUIPMENT

An item of plant and equipment is recognised as an asset when:

- ▶ it is probable that the future economic benefits associated with the item will flow to the group; and
- ▶ the cost of the item can be measured reliably.

Mine development assets and capital work in progress includes expenditure that has been incurred through the exploration and development phases, and in addition, further development expenditure that is directly attributable to the construction of a mine and the related infrastructure.

Stripping costs comprise the removal of overburden and other waste products from a mine. Stripping costs incurred in the development of a mine before production commences are capitalised as part of constructing the mine.

Plant and equipment is initially measured at cost.

Costs includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets.

Plant and equipment is subsequently stated at cost less accumulated depreciation and accumulated impairment losses. Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as 'appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance is charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

The depreciation charge for each year is recognised in the Statement of Comprehensive Income unless it is included in the carrying amount of another asset.

Depreciation on mining development assets is charged using the units-of-production method.

Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over the estimated useful lives as follows:

	Average useful life
▶ Plant and machinery	6 to 25 years
▶ Furniture and equipment	6 years
▶ Motor vehicles	4 years
▶ Computer equipment and software	3 years
▶ Leasehold improvements	4 years
▶ Leases	1 to 25 years

The residual value and useful life of each asset category are reviewed, and adjusted if appropriate at the end of each reporting year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other (losses)/ income" in the Statement of Comprehensive Income.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal.

Leased assets/right-of-use assets (and related liabilities)

For any new contracts entered into on or after 1 July 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- ▶ the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- ▶ the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract;
- ▶ the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist. Depreciation on the wash plant is charged using the units-of-production method.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2021 CONTINUED

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS continued

1.5 PROPERTY, PLANT AND EQUIPMENT continued

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the Statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in borrowings.

Accounting policy applicable before 1 July 2019

Finance leases

Management applies judgment in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the Group obtains ownership of the asset at the end of the lease term. The interest element of lease payments is charged to profit or loss, as finance costs over the period of the lease.

Operating leases

All other leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

1.6 FINANCIAL ASSETS

(a) Classification

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- ▶ amortised cost
- ▶ fair value through profit or loss ("FVTPL")
- ▶ fair value through other comprehensive income ("FVOCI")

In the periods presented the Group does not have any financial assets categorised as FVTPL or FVOCI.

The classification is determined by both:

- ▶ the entity's business model for managing the financial asset
- ▶ the contractual cash flow characteristics of the financial asset

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

(b) Recognition and derecognition

Financial assets are recognised when the group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to cash flows from the asset expire or have been transferred and the group has transferred substantially all risks and rewards.

(c) Measurement

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions:

- ▶ they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- ▶ the contractual terms of the financial assets give rise to cash flows that are solely payments to collect principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

(d) Impairment

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses — the 'expected credit loss (ECL) model'. This replaced IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost including trade receivables.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- ▶ financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- ▶ financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').
- ▶ Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The carrying amount of the asset is reduced and the amount of the loss is recognised in the Statement of Comprehensive Income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the Statement of Comprehensive Income.

1.7 FINANCIAL LIABILITIES

(a) Classification

The Group's financial liabilities include borrowings and trade and other payables. These financial liabilities are classified and accounted for at amortised cost.

(b) Recognition and derecognition

Financial liabilities are recognised when the group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are derecognised when these contractual obligations are discharged, cancelled, extinguished or expired.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2021 CONTINUED

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS continued

1.7 FINANCIAL LIABILITIES continued

(c) Measurement

Financial liabilities are stated initially on transaction date at its fair value including transaction costs directly attributable to the transaction.

Financial liabilities are subsequently carried at amortised cost using the effective interest method.

(d) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

1.8 INVENTORIES

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Cost excludes borrowing costs. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

Stripping cost incurred during the production stage of a mine are deferred as part of inventory when all of the following criteria are met: (a) it is probable that future economic benefits will flow to the entity; (b) the entity can identify the components of the ore body to which the access has been improved; and (c) the cost incurred can be measured reliably.

Net realisable value is the estimated selling price in the ordinary course of business less the costs of completion and the estimated costs necessary to make the sale. Write-downs to net realisable value and inventory losses are expensed in the period in which the write-downs or losses occur.

1.9 TRADE RECEIVABLES

Trade receivables are amounts due from customers for inventory sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are measured at amortised cost.

1.10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less.

Cash and cash equivalents are measured at amortised cost.

1.11 STATED CAPITAL AND EQUITY

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

If the group reacquires its own equity instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes) on those instruments are deducted from equity attributable to the group's equity holders until the shares are cancelled or reissued.

Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the group's equity holders.

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown as a deduction, net of tax, from the proceeds.

1.12 SHARE-BASED PAYMENTS

Goods or services received or acquired in a share-based payment transaction are recognised when the goods or as the services are received. A corresponding increase in equity is recognised if the goods or services were received in an equity-settled share-based payment transaction or a liability if the goods or service were acquired in a cash-settled share-based payment transaction.

When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

For equity-settled share-based payment transaction the goods or services received and the corresponding increase in equity are measured, directly, at the fair value of the goods or services received provided that the fair value can be estimated reliably. The value is determined at grant date and not subsequently adjusted.

If the fair value of the goods and services received cannot be estimated reliably, their value and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments granted.

If the share-based payments granted do not vest until the counterparty completes a specified period of service, the group accounts for those services as they are rendered by the counterparty during the vesting period, or on a straight-line basis over the vesting period.

If the identifiable consideration received appears to be less than the fair value of the equity instruments granted, this indicates that unidentifiable goods or services has been (or will be) received. The unidentifiable goods or services received (or to be received) are measured as the difference between the fair value of the shares issued and the fair value of any identifiable goods or services received (or to be received).

1.13 TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are measured at amortised cost.

1.14 TAXES

Income tax

Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the Statement of Financial Position date in the countries where the group and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred tax liabilities are not recognised if they arise from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax determined using tax rates (and laws) that have been enacted or substantially enacted by the Statement of Financial Position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2021 CONTINUED

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS continued

1.14 TAXES continued

Value Added Tax ("VAT")

Where VAT registration is allowed by tax authorities, VAT is not recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables are stated with the amount of VAT excluded.

1.15 EMPLOYEE BENEFITS

Short-term employee benefits

Remuneration of employees is charged to the Statement of Comprehensive Income. Short-term employee benefits are those that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the services have been rendered such as paid vacation leave and sick leave, bonuses and non monetary benefits such as medical aid. These costs are recognised in the period which the service is rendered and are not discounted.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as result of past performance.

Share-based payments

Share-based compensation benefits are provided to group employees and selected service providers via the revised 2017 Share Option Plan. Information relating to this scheme is set out in note 11.

Employee options

The fair value of options granted under the revised 2017 Share Option Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options:

- ▶ including any market performance conditions (e.g. the entity's share price);
- ▶ excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- ▶ including the impact of any non-vesting conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the group transfers the appropriate amount of shares to the employee. The proceeds received net of any directly attributable transaction costs are credited directly to equity.

1.16 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

- ▶ the group has a present obligation as a result of a past event;
- ▶ it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- ▶ a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expected economic benefits to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

The increase in the provision due to the passage of time is recognised as an interest expense.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised.

Restoration, rehabilitation and environmental costs

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbances is proposed relating to the granting of prospecting and/ or mining rights. Such costs arising from prospecting activities and the decommissioning of plant and other site preparation work, discounted to their net present value are provided for and capitalised at the start of each project, as soon as the obligation to incur such costs arises.

These costs are charged against profits over the life of the operation, through the depreciation of the asset and the unwinding of the discount on the provision. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

1.17 REVENUE

Revenue is measured based on the consideration specified in a contract with a customer. The group recognises revenue when it transfers control over a good or service to a customer. Customers obtain control of coal supplied when the goods are delivered to and have been accepted at the specified delivery point, which is usually the mine gate, unless it is agreed that the Group will deliver the coal to the customer, in which case delivery point will be the customer's specified premises.

1.18 COST OF SALES

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Royalty expenses are recognised on an accruals basis in accordance with the substance of the relevant agreements.

1.19 BORROWING COSTS

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

1.20 FINANCE INCOME

Finance income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Finance income on impaired loans is recognised using the original effective interest rate.

1.21 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments has been identified as the chief executive officer. There is only one segment relating to expenditure which is mining.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2021 CONTINUED

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS continued

1.22 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the following:

- ▶ the profit/(loss) attributable to owners of the company, excluding and costs of servicing equity other than ordinary shares
- ▶ by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- ▶ the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- ▶ the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

1.23 COMPARATIVES

Comparative figures are reclassified or restated as necessary to afford a proper and more meaningful comparison of results as set out in the affected notes to the financial statements.

2. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in accordance with IFRS as issued by the International Accounting Standards Board (IASB) and interpretations of IFRIC requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the consolidated and separate financial statements.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

(I) SIGNIFICANT ACCOUNTING JUDGEMENTS

In the process of applying the group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Mineral reserves and resources

The estimation of mineral reserves and resources impacts on the depreciation of property, plant and equipment, the estimation of the recoverable amount of cash generating-units and on the valuation and timing of environmental rehabilitation expenditure.

Factors impacting the determination of proved and probable mineral reserves and resources are:

- ▶ The actual grade of mineral reserves may vary from projections in resource models;
- ▶ Coal prices achieved may vary from price assumptions in resource models;
- ▶ Unforeseen operational issues at mine sites;
- ▶ Changes in capital, operating, mining, processing and reclamation costs, discount rates and foreign exchange rates; and
- ▶ Expectations regarding future profitability would impact the decision to continue mining.

Property, plant and equipment — Depreciation

The depreciable amount of assets are allocated on a systematic basis over their useful lives. In determining the depreciable amount, management makes assumptions in respect to the residual value of assets based on the expected estimated amount that the entity would currently obtain from disposal of the asset, after deducting the estimated cost of disposal. If an asset is expected to be abandoned the residual value is estimated at zero. In determining the useful life of assets, management considers the expected usage of assets, expected physical wear and tear, legal or similar limits of assets such as mineral rights as well as obsolescence.

Property, plant and equipment — Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of the value-in-use calculations and fair value less cost of disposal. These calculations require the use of estimates and assumptions such as the estimation of cash flows and the use of discount rates. The Group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Management assesses possible impairment indicators which include movements in coal prices, exchange rates and the economic environment. In estimating cash flows, the Group bases cash flow projections on reasonable and supportable assumptions that represent the Group's best estimate of the range of economic conditions that will exist over the remaining useful life of the assets.

Refer note 4 for additional information.

Financial assets — impairment testing

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting inputs for the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

Refer note 8 for additional information.

Income taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the group's ability to utilise the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realised. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialisation of mineral reserves. To the extent that management's assessment of the group's ability to utilise future tax deductions changes, the group would be required to recognise more or fewer deferred tax assets, and deferred income tax provisions or recoveries could be affected.

Refer note 6 for additional information.

Environmental rehabilitation

The group's policy with respect to provision for environmental rehabilitation is to record liabilities for statutory, legal, contractual or constructive obligations.

Estimates are made in determining the present liability of environmental rehabilitation provisions consisting of a restoration provision and decommissioning provision. Each of these provisions are based on an estimate of mine closure costs on reporting date, inflation and discount rates relevant to the calculation and the expected date of closure of mining activities in determining the present value of the total environmental rehabilitation liability.

Discounting of the costs relating to mine closure on reporting date is calculated over the expected life of the mine ("LOM"). The LOM is based on remaining reserves at the mine as well as the level of complexity to perform mining activities at these reserves.

Refer note 12 for additional information.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2021 CONTINUED

3. NEW STANDARDS AND INTERPRETATIONS

(A) NEW STANDARDS AND INTERPRETATIONS ADOPTED

The Group has adopted the following IFRS and amendments effective for the first time for its annual reporting period commencing 1 July 2020:

NEW STANDARD/AMENDMENT	KEY REQUIREMENT	EFFECTIVE DATE
Amendments to IFRS 3 — Definition of a business	<p>The amendment:</p> <ul style="list-style-type: none"> ► confirmed that a business must include inputs and process, and clarified that the process must be substantive and that the inputs and process must together significantly contribute to creating outputs. ► narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; ► and added a test that makes it easier to conclude that a Group has acquired a Group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or Group of similar assets. <p>The adoption of this amendment had no impact on the results of the Group.</p>	Annual periods beginning on or after 1 January 2020

(B) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2021 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

NEW STANDARD/AMENDMENT	KEY REQUIREMENT	EFFECTIVE DATE
Amendments to IAS 28 and IFRS 10 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	<p>If a parent loses control of a subsidiary which does not contain a business, as a result of a transaction with an associate or joint venture, then the gain or loss on the loss of control is recognised in the parents' profit or loss only to the extent of the unrelated investors' interest in the associate or joint venture. The remaining gain or loss is eliminated against the carrying amount of the investment in the associate or joint venture.</p> <p>The same treatment is followed for the measurement to fair value of any remaining investment which is itself an associate or joint venture. If the remaining investment is accounted for in terms of IFRS 9, then the measurement to fair value of that interest is recognised in full in the parents' profit or loss.</p> <p>It is unlikely that the amendment will have a material impact on the Group's consolidated financial statements.</p>	The effective date of the amendment is to be determined by the IASB.
Amendments to IAS 37 Onerous contracts — cost of fulfilling a contract	<p>The amendment defined the costs that are included in the cost of fulfilling a contract when determining the amount recognised as an onerous contract. It specifies that the cost of fulfilling a contract comprises the costs that relate directly to the contract. These are both the incremental costs of fulfilling the contract as well as an allocation of other costs that relate directly to fulfilling contracts (for example depreciation allocation).</p> <p>It is unlikely that the amendment will have a material impact on the Group's consolidated financial statements.</p>	1 January 2022
Amendments to IFRS 3 Reference to the Conceptual Framework	<p>The amendment makes reference to the Conceptual Framework for Financial Reporting issued in 2018 rather than to the IASC's Framework for the Preparation and Presentation of Financial Statements. The amendment specifically points to the treatment of liabilities and contingent liabilities acquired as part of a business combination, and which are in the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies. It clarifies that the requirements of IAS 37 or IFRIC 21 should be applied to provisions, contingent liabilities or levies to determine if a present obligation exists at the Acquisition date. The amendment further clarifies that contingent assets of acquirees share not be recognised as part of the business combination.</p> <p>It is unlikely that the amendment will have a material impact on the Group's consolidated financial statements.</p>	Saturday, 1 January 2022
Amendments to IAS 16 Property, plant and equipment proceeds before intended use	<p>The amendment relates to examples of items which are included in the cost of an item of property, plant and equipment. Prior to the amendment, the costs of testing whether the asset is functioning properly were included in the cost of the asset after deducting the net proceeds of selling any items which were produced during the test phase. The amendment now requires that any such proceeds and the cost of those items must be included in profit or loss in accordance with the related standards. Disclosure of such amounts is now specifically required.</p> <p>It is unlikely that the amendment will have a material impact on the Group's consolidated financial statements.</p>	Saturday, 1 January 2022
Improvement IFRS 1 Subsidiary as a first-improvement IFRS 1 Subsidiary as a first-time adopter	<p>A subsidiary that uses the cumulative translation differences exemption, may elect in its financial statements, to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary.</p> <p>It is unlikely that the amendment will have a material impact on the Group's consolidated financial statements.</p>	1 January 2022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2021 CONTINUED

NEW STANDARD/AMENDMENT	KEY REQUIREMENT	EFFECTIVE DATE
Improvement IFRS 9 Fees in the '10 per cent' test for derecognition of financial liabilities	The amendment concerns fees in the '10 per cent' test for derecognition of financial liabilities. Accordingly, in determining the relevant fees, only fees paid or received between the borrower and the lender are to be included. It is unlikely that the amendment will have a material impact on the Group's consolidated financial statements.	1 January 2022
Amendments to IAS 1 Classification of liabilities as current or non-current	The amendment changes the requirements to classify a liability as current or non-current. If an entity has the right at the end of the reporting period, to defer settlement of a liability for at least twelve months after the reporting period, then the liability is classified as noncurrent. If this right is subject to conditions imposed on the entity, then the right only exists, if, at the end of the reporting period, the entity has complied with those conditions. In addition, the classification is not affected by the likelihood that the entity will exercise its right to defer settlement. Therefore, if the right exists, the liability is classified as non-current even if management intends or expects to settle the liability within twelve months of the reporting period. Additional disclosures would be required in such circumstances. It is unlikely that the amendment will have a material impact on the Group's consolidated financial statements.	Sunday, 1 January 2023

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year are not expected to have a material impact on the Group's financial statements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2021 CONTINUED

4. PROPERTY, PLANT AND EQUIPMENT

GROUP	2021			2020		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Figures in Pula						
Computer software	14 617	(14 617)	—	14 617	(14 617)	—
Furniture and equipment	1 100 786	(410 553)	690 233	835 703	(255 083)	580 620
IT equipment	448 555	(288 421)	160 134	301 879	(183 941)	117 938
Leasehold improvements	148 171	(144 266)	3 905	148 171	(112 869)	35 302
Right-of-use assets — washing plant	92 473 761	(2 498 019)	89 975 742	66 266 554	(857 481)	65 409 073
Right-of-use assets — property	4 503 982	(1 352 253)	3 151 729	4 903 534	(1 107 040)	3 796 494
Right-of-use assets — machinery	5 757 460	(2 736 423)	3 021 037	5 655 672	(1 238 628)	4 417 044
Motor vehicles	2 422 147	(1 004 010)	1 418 137	1 116 322	(646 374)	469 948
Plant and machinery	5 030 065	(606 273)	4 423 792	2 228 511	(266 690)	1 961 821
Capital work in progress	—	—	—	1 752 733	—	1 752 733
Mine development asset	293 708 619	(5 718 320)	287 990 299	263 095 565	(1 034 349)	262 061 216
Total	405 608 163	(14 773 155)	390 835 008	346 319 261	(5 717 072)	340 602 189

Reconciliation of property, plant and equipment

Figures in Pula	Opening balance	Additions	Disposals	Reclassified	Depreciation	Total
2021						
Computer software	—	—	—	—	—	—
Furniture and equipment	580 620	265 083	—	—	(155 470)	690 233
IT equipment	117 938	146 676	—	—	(104 480)	160 134
Leasehold improvements	35 302	—	—	—	(31 397)	3 905
Right-of-use assets — washing plant	65 409 073	26 207 207	—	—	(1 640 538)	89 975 742
Right-of-use assets — property	3 796 494	861 079	(293 163)	—	(1 212 681)	3 151 729
Right-of-use assets — machinery	4 417 044	101 788	—	—	(1 497 795)	3 021 037
Motor vehicles	469 948	1 305 825	—	—	(357 636)	1 418 137
Plant and machinery	1 961 821	2 801 554	—	—	(339 583)	4 423 792
Capital work in progress	1 752 733	—	—	(1 752 733)	—	—
Mine development asset	262 061 216	28 860 321	—	1 752 733	(4 683 971)	287 990 299
Total	340 602 189	60 549 533	(293 163)	—	(10 023 551)	390 835 008

See note (i)

Figures in Pula	Opening balance	Transition to IFRS 16	Additions	Reclassified	Depreciation	Total
2020						
Computer software	3 361	—	—	—	(3 361)	—
Furniture and equipment	396 337	—	310 101	—	(125 818)	580 620
IT equipment	159 170	—	51 430	—	(92 662)	117 938
Leasehold improvements	72 345	—	—	—	(37 043)	35 302
Right-of-use assets — washing plant	—	—	66 266 554	—	(857 481)	65 409 073
Right-of-use assets — property	—	3 141 437	1 762 097	—	(1 107 040)	3 796 494
Right-of-use assets — machinery	—	5 468 598	187 074	—	(1 238 628)	4 417 044
Motor vehicles	749 029	—	—	—	(279 081)	469 948
Plant and machinery	1 944 088	—	234 575	—	(216 842)	1 961 821
Capital work in progress	42 915 479	—	16 786 331	(57 949 077)	—	1 752 733
Mine development asset	122 375 621	—	82 770 867	57 949 077	(1 034 349)	262 061 216
Total	168 615 430	8 610 035	168 369 029	—	(4 992 305)	340 602 189

Note (i) — Non-cash items in addition to property, plant and equipment:

The following non-cash items are included in the additions to property, plant and equipment:

Figures in Pula	2021	2020
Capitalised borrowing costs	4 477 952	14 298 797
Environmental rehabilitation asset	9 250 524	45 961 191
Beneficiation plant	26 207 207	66 266 554
Right-of-use assets — property	861 079	1 762 097
Right-of-use assets — machinery	101 788	187 074
	40 898 550	128 475 713

COMPANY

Figures in Pula	2021			2020		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Computer software	14 617	(14 617)	—	14 617	(14 617)	—
IT equipment	31 401	(31 401)	—	31 401	(28 189)	3 212
Right-of-use assets — property	843 568	(468 649)	374 919	843 568	(187 460)	656 108
Total	889 586	(514 667)	374 919	889 586	(230 266)	659 320

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2021 CONTINUED

4. PROPERTY, PLANT AND EQUIPMENT continued

Reconciliation of property, plant and equipment

Figures in Pula	Opening balance	Additions	Disposals	Reclassified	Depreciation	Total
2021						
Computer software	—	—	—	—	—	—
IT equipment	3 212	—	—	—	(3 212)	—
Right-of-use assets — property	656 108	—	—	—	(281 189)	374 919
Total	659 320	—	—	—	(284 401)	374 919
2020						
Computer software	3 361	—	—	—	(3 361)	—
IT equipment	11 994	—	—	—	(8 782)	3 212
Right-of-use assets — property	—	843 568	—	—	(187 460)	656 108
Total	15 355	843 568	—	—	(199 603)	659 320

Note (ii) — Impairment assessment:

Management performed an impairment assessment at year end. No impairment provision was required. The impairment assessment model is based on a fair value less cost of disposal ("FVLCD") methodology, which is based on estimated future cash flows discounted to net present value at a real post-tax discount rate over the projected life of mine.

The discount rate used was based on the Group's Weighted Average Cost of Capital ("WACC") rate. The Group assessed the impact of COVID-19 on the impairment calculations, which resulted in the following adjustments to estimated future cash flows:

- ▶ slower ramp-up phase to allow for market recovery
- ▶ additional working capital requirements to support a longer ramp-up phase
- ▶ lower sales prices in the short-term
- ▶ risk adjustment to WACC rate

Summary of assumptions and inputs in impairment assessment model:

- ▶ Life of mine 25 years
- ▶ Risk adjusted real WACC rate (%) 13%
- ▶ Long-term Rand : Pula exchange rate 1.35
- ▶ Long-term average sales price (Pula per tonne) P580/t
- ▶ Long-term steady state sales volumes 1.76 mtpa

Sensitivity analysis:

- ▶ 5% increase in WACC rate
- ▶ 10% decrease in sales volumes
- ▶ 10% increase in exchange rate
- ▶ 10% decrease in sales prices

None of the above resulted in the need for an impairment provision.

5. INVESTMENT IN SUBSIDIARIES

COMPANY

The following table lists the entities which are controlled by the Group, either directly or indirectly through subsidiaries

Name of company	% Holding 2021	% Holding 2020	Carrying amount 2021	Carrying amount 2020
Minergy Coal (Pty) Ltd *	100	100	153 708 565	145 888 664
Minsales (Pty) Ltd **	100	100	—	—
			153 708 565	145 888 664

* Registered in Botswana — coal exploration, development, mining and trading.

**Registered in South Africa — dormant.

Investments in subsidiaries are represented as follows:

Figures in Pula	Minergy Coal	Minsales	Carrying amount
2021			
Acquisition cost (loan acquired)	15 922 178	—	15 922 178
Share-based payment contribution	—	—	—
Loan ***	137 786 387	—	137 786 387
	153 708 565	—	153 708 565
2020			
Acquisition cost (loan acquired)	15 263 167	—	15 263 167
Share-based payment contribution	659 011	—	659 011
Loan ***	129 966 486	—	129 966 486
	145 888 664	—	145 888 664

*** The loan is unsecured and carries interest at the prevailing prime lending rate at First National Bank of Botswana Limited (5.25%) as at year-end (2020: 5.75%) and has been subordinated in favour of third party creditors. For accounting purposes, the substance of the loan is deemed to be of an equity nature and is therefore included as part of the investment in subsidiary.

The carrying value of the investment in subsidiaries has been assessed for possible indicators of impairment. Based on the commencement of coal production for sale, positive feedback received from customers on product quality, growing order levels, growing interest in off take agreements and given that the Group's market capitalisation significantly exceeded its net asset value at 30 June 2021, no indicators of impairment were identified.

This is supported by the asset impairment assessment performed at subsidiary level.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2021 CONTINUED

6. DEFERRED TAX ASSETS

Deferred tax asset balance consist of:

	GROUP		COMPANY	
Figures in Pula	2021	2020	2021	2020
Temporary differences	(34 572 762)	(42 162 873)	211 258	205 992
Tax losses	102 675 835	81 258 672	489 885	2 804 148
Total deferred tax asset	68 103 074	39 095 799	701 143	3 010 140

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction and the law allows net settlement. Therefore, they have been offset in the Statement of financial position.

	GROUP		COMPANY	
Figures in Pula	2021	2020	2021	2020
<i>Comprising:</i>				
Deferred tax assets	102 675 835	81 464 664	701 143	3 010 140
Deferred tax liabilities	(34 572 762)	(42 368 866)	—	—
	68 103 074	39 095 799	701 143	3 010 140
<i>Reconciliation:</i>				
Balance at beginning of year	39 095 799	13 346 576	3 010 140	4 684 646
(Credited)/Charged to the Statement of Comprehensive Income	29 007 275	25 749 223	(2 308 998)	(1 674 506)
Balance at the end of the year	68 103 074	39 095 799	701 143	3 010 140

The Group has concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets.

The subsidiary losses can be carried forward indefinitely and have no expiry, while the holding company losses will expire in 5 years.

7. INVENTORIES

	GROUP		COMPANY	
Figures in Pula	2021	2020	2021	2020
Work in progress	31 240 318	26 166 660	—	—
Raw coal	3 755 442	816 960	—	—
Finished product	7 637 113	21 371 530	—	—
	42 632 873	48 355 150	—	—

Work in progress represents overburden pre-stripping activity to expose coal for extraction.

As the Group is in its phase of ramping up production volumes toward steady-state operations, the cost of finished product exceeds its selling price. Finished product as disclosed above is therefore carried at net realisable value.

8. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
Figures in Pula	2021	2020	2021	2020
Trade receivables	29 930 710	8 518 133	16 798 618	13 953 836
Loss allowance	(1 131 798)	(118 205)	—	—
Trade receivables at amortised cost	28 798 912	8 399 928	16 798 618	13 953 836
Deposits	655 245	648 588	26 000	26 000
VAT and other taxes	10 550 622	4 332 946	76 030	75 548
Sundry debtors	661 955	295 780	300 095	34 325
Prepayments	274 902	283 367	144 914	160 274
	40 941 636	13 960 609	17 345 657	14 249 983

The fair value of these instruments approximates their carrying value, due to their short-term nature.

EXPOSURE TO CREDIT RISK

The risk that counterparties or customers will not perform as expected, resulting in a loss to the Group, is defined as credit risk. The Group evaluates customers prior to the granting of credit. Exposure is evaluated by granting credit limits and constant evaluation of credit behaviour and considering credit ratings (where available), financial position and past experience. The Group sells to a variety of customers in South Africa, Namibia and Botswana across a variety of industries, which mitigates the exposure of concentration risk resulting from credit risk.

There were no long outstanding third party trade receivables which required specific impairment as at year end and the Group's customers all have a good payment history. The Group does not hold any security against trade or other receivables and the maximum exposure to credit risk is the carrying value of the financial assets.

In determining the loss allowance, the Group applied a simplified lifetime expected credit loss approach with the use of a provision matrix where customers were grouped based on entity type and days past due.

Refer to note 33 for additional disclosure on credit risk.

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	GROUP		COMPANY	
Figures in Pula	2021	2020	2021	2020
Cash on hand	3 000	10 379	—	—
Bank balances	908 485	1 701 676	59 686	78 053
	911 485	1 712 055	59 686	78 053

The Group does not earn interest on current account balances and the group has no overdraft facilities.

When surplus cash is held from time-to-time the Company utilises its call account with an interest rate of 0.75%.

The credit rating of the Company's banker is AA+ (2020: BB), albeit that Botswana sovereign credit rating is BBB+ (2020: BBB+)

The carrying amount of cash and cash equivalents is stated at amortised cost, which approximates fair value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2021 CONTINUED

10. STATED CAPITAL

	GROUP		COMPANY	
Figures in Pula	2021	2020	2021	2020
Number of shares issued				
Opening balance	469 975 134	431 086 245	469 975 134	431 086 245
Shares issued	—	38 888 889	—	38 888 889
Private placement	—	38 888 889	—	38 888 889
Closing balance	469 975 134	469 975 134	469 975 134	469 975 134
Value of shares issued				
Opening balance	165 563 026	130 563 026	165 563 026	130 563 026
Subscription for shares/shares issued	—	38 500 000	—	38 500 000
Private placement	—	38 500 000	—	38 500 000
Share issuance costs	—	(3 500 000)	—	(3 500 000)
Closing balance	165 563 026	165 563 026	165 563 026	165 563 026

The Group and Company have capitalised share issuance costs directly attributable to the raising and placing of funds. This has been off set against the share capital raised in line with accepted accounting practice.

The shares issued during the prior year consisted of a debt to equity conversion when one of the Group's main service providers elected to convert a portion of amounts due by the Group into equity.

11. OTHER RESERVES

	GROUP		COMPANY	
Figures in Pula	2021	2020	2021	2020
Share-based payment reserve (refer note 11.1)	365 829	1 329 720	141 852	1 329 720
Borrowings — conversion option reserve (refer note 11.2)	23 310 286	15 928 522	—	—
	23 676 115	17 258 242	141 852	1 329 720
11.1 SHARE-BASED PAYMENT RESERVE				
Opening balance	1 329 720	2 063 988	1 329 720	2 063 988
Share-based payment contribution — subsidiary	—	(363 904)	—	(363 904)
Share-based payment reversal	(1 329 720)	—	(1 329 720)	—
Share-based payment expense/(credit)	365 829	(370 364)	141 852	(370 364)
Closing balance	365 829	1 329 720	141 852	1 329 720

Shareholders of the holding company approved the 2017 Share Option Plan on 7 December 2017 at the Annual General meeting and amendments to the Plan were subsequently approved at the Annual General Meeting on 11 November 2020.

The purpose of the revised 2017 Share Option Plan is to provide Minergy Limited and its Subsidiaries, present and future (collectively "the Company"), with the means to encourage, attract, retain and motivate Service Providers and Insiders specifically in respect of the Masama Coal Mine by granting such Service Providers and Insiders share options to purchase ordinary shares in Minergy's share capital thereby giving them an ongoing proprietary interest in Minergy.

Salient features of the Share Option Plan

- ▶ maximum shares subject to Share Option Plan may not exceed 50 000 000 shares.
- ▶ maximum number of ordinary Shares which may be issued at any time to any one Service Provider or Insider may not exceed 10 000 000 shares.
- ▶ each option granted shall represent the right to purchase one Ordinary Share in the Company.
- ▶ price shall be P0.83 per share.
- ▶ options shall not have a term exceeding ten years after allotment.
- ▶ options granted shall vest upon the completion of not less than three continuous years of service to the Group, which period shall start from the date the Option(s) is granted to a Participant.
- ▶ options granted in terms of this Plan shall expire 24 months after Vesting, after which such Options are no longer exercisable for the purchase of Ordinary Shares.

The fair value at grant date was determined using the Black Scholes Model that takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk free interest rate for the term of the option and the correlations and volatilities of the peer group companies.

Management expects that the options will only be exercised at the end of their lifetime.

The model inputs for options granted during the year ended 30 June 2021 included:

- Options are granted to purchase shares for the consideration of an exercise price of P0.83 per share
- Grant date: 14 April 2021
- Maximum Exercise date: 14 April 2024
- Share price at 30 June 2021 : P0.80
- Price volatility of shares : 32.24%
- Expected dividend yield: 0.0%
- Risk free rate : 4.97%

The expected price volatility was based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information. Service Providers and Insiders are obliged to make payment of the exercise price for the options exercised, whether in cash or using the cashless option.

Set out below are summaries of options granted under the plan:

	GROUP		COMPANY	
Figures in Pula	2021	2020	2021	2020
As at 1 July	10 656 250	27 706 250	5 375 000	13 975 000
Granted during the year	24 500 000	—	9 500 000	—
Exercised during the year	—	—	—	—
Forfeited during the year	(10 656 250)	(17 050 000)	(5 375 000)	(8 600 000)
As at 30 June	24 500 000	10 656 250	9 500 000	5 375 000
Vested and exercisable at 30 June	—	10 656 250	—	5 375 000

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2021 CONTINUED

11. OTHER RESERVES continued

11.1 SHARE-BASED PAYMENT RESERVE continued

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Figures in Pula	Expiry date	GROUP		COMPANY	
		Share options 2021	Share options 2020	Share options 2021	Share options 2020
Grant date					
30 September 2018 — Tranche 1	30 Sep 20	—	10 656 250	—	5 375 000
14 April 2021	14 Apr 24	24 500 000	—	9 500 000	—
		24 500 000	10 656 250	9 500 000	5 375 000

The remaining contractual life of options outstanding at end of the period are 2.75 years.

The exercise per share option is P0.83.

11.2 BORROWINGS — CONVERSION OPTION RESERVE

Figures in Pula	GROUP		COMPANY	
	2021	2020	2021	2020
Opening balance	15 928 522	—	—	—
MDCB debentures — conversion option	7 381 764	15 928 522	—	—
Closing balance	23 310 286	15 928 522	—	—

MDCB preference shares — conversion option

Refer to note 13.2 for additional information on this facility and its conversion option.

This facility has been accounted for as a compound financial instrument with a debt and equity component.

At inception, the debt component was measured at fair value using an interest rate of 18%.

The residual value (difference between fair value of debt component and principal advanced at inception) was allocated to the equity portion.

BDC preference shares — conversion option

Refer to note 13.1 for additional information on this facility and its conversion option.

As this facility already carries a preference dividend rate of 18% no value is attributed to the conversion option.

12. REHABILITATION PROVISION

Figures in Pula	GROUP		COMPANY	
	2021	2020	2021	2020
Opening balance	69 760 293	22 665 812	—	—
Increase during the year	9 250 524	45 961 190	—	—
Unwinding of discount rate	3 488 015	1 133 291	—	—
Closing balance	82 498 832	69 760 293	—	—

The provision has been recognised as the Group has an obligation for rehabilitation of the mining areas. The provision has been calculated based on total estimated rehabilitation costs, discounted back to their present values over the lower of life of mine and remainder of lease.

The estimated cost of rehabilitation is reassessed on an annual basis.

An inflation rate of 4.5% and a risk free discount rate of 5% has been applied in calculating the present value of the future obligation. The estimated life of mine is 23 years, with the computed rehabilitation activities scheduled to occur at that time.

The increase in the current year is due to a larger mining infrastructure footprint and opencast pit volume.

13. BORROWINGS

Figures in Pula	GROUP		COMPANY	
	2021	2020	2021	2020
Botswana Development Corporation ("BDC") (refer note 13.1)	101 605 611	83 673 191	—	—
Mineral Development Company Botswana ("MDCB") (refer note 13.2)	190 034 354	106 430 816	—	—
Botrail siding advance (refer note 13.3)	4 413 432	4 602 493	—	—
Beneficiation Plant (refer note 13.4)	78 496 400	56 868 628	—	—
Right-of-use asset lease liabilities (refer note 13.5)	8 795 091	8 686 740	438 822	710 750
Total borrowings	383 344 888	260 261 868	438 822	710 750
Presented as follows:				
Non-current liabilities				
At amortised cost	365 377 304	252 348 149	181 332	438 822
Current liabilities				
At amortised cost	17 967 584	7 913 719	257 490	271 928
Total borrowings				
At amortised cost	383 344 888	260 261 868	438 822	710 750

The fair value of these instruments approximates their carrying value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2021 CONTINUED

13. BORROWINGS continued

13.1 BDC PREFERENCE SHARES

	GROUP		COMPANY	
Figures in Pula	2021	2020	2021	2020
BDC	101 605 611	83 673 191	—	—
Payable after one year	101 605 611	83 673 191	—	—
Payable within one year	—	—	—	—

The P80 million preference share facility carries interest at 21% and is repayable on 14 February 2026.

Interest accrued in the initial 12 months was capitalised.

Interest payments have been deferred as per the binding terms of the Minergy Coal Debt Restructure 2021 agreement.

Security

The facility is secured as follows:

- Guarantee from Minergy Limited.
- Pledge and session of Minergy Limited's shares and claims in Minergy Coal (Pty) Ltd.
- Cession of all debts to Minergy Coal (Pty) Ltd, but excluding trade receivables.
- First ranking mortgage bond over the land lease agreement in respect of the mine site.
- Deed of hypothecation over moveable assets, including all licenses and unencumbered plant and machinery.

The security package above is shared between the BDC and the MDCB (refer note 13.2) through an inter-creditor agreement.

In accordance with Section 50(3) of the Mines and Minerals Act, the Minister of Mineral Resources, Green Technology and Energy

Security has approved the encumbrance and pledge of shares in the subsidiary.

Conversion option

The BDC has the option, subject to applicable law, strike price and stock exchange requirements, to convert all of the preference shares into 88 000 000 ordinary shares in Minergy Limited. The same conversion ratio will apply to any accumulated preference dividends that remain outstanding on the conversion date.

13.2 MDCB DEBENTURES

	GROUP		COMPANY	
Figures in Pula	2021	2020	2021	2020
MDCB	190 034 354	106 430 816	—	—
Payable after one year	190 034 354	106 430 816	—	—
Payable within one year	—	—	—	—

The P235 million debenture facility carries interest at 15% and is repayable on 19 March 2026.

The balance of P62.5 million on the facility was received after the year-end, on 13 July 2021.

Interest accrued in the initial 12 months was capitalised.

Interest payments have been deferred as per the binding terms of the Minergy Coal Debt Restructure 2021 agreement.

An effective interest rate of 18% has been used for accounting purposes (refer note 11.2). The facility is secured as described in note 13.1.

Conversion option

The MDCB has the option to convert the entire principal debenture amount outstanding, or part thereof (subject to a minimum of P30 000 000), into an equity interest in Minergy Coal (Pty) Ltd. The conversion ratio is based on a pre-determined formula.

Should the MDCB elect to exercise the entire debenture principal of P235 000 000, this would result an equity interest of >40%.

As similar conversion ratio will apply to any unpaid capitalised items.

Shareholders approved conversion of debt to equity exceeding CAT 1 levels as determined by the BSE at the EGM on 18 February 2021.

13.3 BOTRAIL SIDING ADVANCE

	GROUP		COMPANY	
Figures in Pula	2021	2020	2021	2020
Botswana Railways Organisation ("Botrail")	4 413 432	4 602 493	—	—
Payable after one year	3 913 432	4 102 493	—	—
Payable within one year	500 000	500 000	—	—

Botswana Railways Organisation (Botrail) provided a P5 million facility to partially fund the construction of the Tsehe Hills rail siding.

This facility is repayable at a rate of P6.95 per tonne of coal loaded onto trains at the Tsehe Hills rail siding.

The rail siding was brought into use subsequent to year-end with the first train being loaded in July 2020.

13.4 BENEFICIATION PLANT

	GROUP		COMPANY	
Figures in Pula	2021	2020	2021	2020
Johdee Mineral Processing Botswana	78 496 400	56 868 628	—	—
Payable after one year	64 553 636	51 468 710	—	—
Payable within one year	13 942 764	5 399 918	—	—

Minergy entered into a Build Own Operate Transfer (BOOT) agreement with Johdee Mineral Processing Botswana (Pty) Ltd ("Johdee") whereby Johdee would construct and finance the coal beneficiation plant.

A revised BOOT and Capital Repayment agreement was signed and commenced in April 2021.

Repayment will be in 60 equal monthly instalments over 5 years at an interest rate of 10%.

Ownership of the beneficiation plant will transfer to Minergy Coal once all payments have been made.

Refer to note 22 for additional information on lease commitments.

13.5 RIGHT-OF-USE ASSET LEASE LIABILITIES

	GROUP		COMPANY	
Figures in Pula	2021	2020	2021	2020
Various land and building rentals	8 795 091	8 686 740	438 822	710 750
Payable after one year	5 270 271	6 672 939	181 332	438 822
Payable within one year	3 524 820	2 013 801	257 490	271 928

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2021 CONTINUED

13. BORROWINGS continued

13.5 RIGHT-OF-USE ASSET LEASE LIABILITIES continued

Upon adoption of IFRS 16 on 1 July 2019 the Group assessed existing operating lease agreements and determined that right-of-use assets, with reciprocal liabilities, would be raised for lease agreements covering various property and machinery. Certain similar leases were entered into during the year. The various lease agreements cover periods of between 1 and 25 years.

The Group's incremental borrowing rate or the rate implicit in the lease (where available) was used to discount the future lease payments upon initial recognition of the liability. Interest rates vary between 5.5% and 13%.

Refer to note 28 for additional information on lease commitments.

14. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
Figures in Pula	2021	2020	2021	2020
Trade payables	122 732 424	60 328 723	15 448	241 478
Accrued expenses	1 882 494	1 751 042	858 250	11 250
Payroll accruals	6 062 022	5 692 668	1 956 254	2 089 288
Other taxes	1 863 623	2 496 653	54 643	141 650
Other payables	1 070 490	309 236	121 530	133 168
	133 611 053	70 578 322	3 006 125	2 616 834

The fair value of these instruments approximates their carrying value, due to their short-term nature.

15. FINANCIAL ASSETS BY CATEGORY

GROUP

Figures in Pula	Amortised cost	Non-financial assets	Total
2021			
Trade and other receivables	30 116 112	10 825 524	40 941 636
Cash and cash equivalents	911 485	—	911 485
	31 027 597	10 825 524	41 853 121
2020			
Trade and other receivables	9 344 296	4 616 313	13 960 609
Cash and cash equivalents	1 712 055	—	1 712 055
	11 056 351	4 616 313	15 672 664

COMPANY

Figures in Pula

	Amortised cost	Non-financial assets	Total
2021			
Trade and other receivables	17 124 713	220 944	17 345 657
Cash and cash equivalents	59 686	—	59 686
	17 184 399	220 944	17 405 343
2020			
Trade and other receivables	14 014 161	235 822	14 249 983
Cash and cash equivalents	78 053	—	78 053
	14 092 214	235 822	14 328 036

16. FINANCIAL LIABILITIES BY CATEGORY

GROUP

Figures in Pula

	Amortised cost	Non-financial liabilities	Total
2021			
Borrowings	383 344 888	—	383 344 888
Trade and other payables	128 842 216	4 768 837	133 611 053
	512 187 104	4 768 837	516 955 941
2020			
Borrowings	260 261 868	—	260 261 868
Trade and other payables	62 389 001	8 189 321	70 578 322
	322 650 869	8 189 321	330 840 190

COMPANY

Figures in Pula

	Amortised cost	Non-financial liabilities	Total
2021			
Borrowings	438 822	—	438 822
Trade and other payables	995 228	2 010 897	3 006 125
	1 434 050	2 010 897	3 444 947
2020			
Borrowings	710 750	—	710 750
Trade and other payables	385 896	2 230 938	2 616 834
	1 096 646	2 230 938	3 327 584

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2021 CONTINUED

17. REVENUE

Figures in Pula	GROUP		COMPANY	
	2021	2020	2021	2020
Coal: Sales	167 213 341	74 654 135	—	—
Coal: Transport	25 735 386	5 995 904	—	—
	192 948 727	80 650 039	—	—

18. COST OF SALES

Figures in Pula	GROUP		COMPANY	
	2021	2020	2021	2020
Mining	145 465 054	88 120 036	—	—
Beneficiation	47 121 548	40 729 987	—	—
Transport	27 679 762	6 208 938	—	—
Employee cost	7 094 760	5 412 885	—	—
Royalties	5 036 324	2 228 124	—	—
Depreciation	8 543 977	3 706 750	—	—
Inventory movement: WIP	(5 073 658)	19 000 245	—	—
Inventory movement: Raw coal	(2 938 482)	1 262 580	—	—
Inventory movement: Finished product	13 734 417	(21 371 530)	—	—
Other	8 915 604	4 620 699	—	—
	255 579 306	149 918 714	—	—

19. OTHER INCOME

Figures in Pula	GROUP		COMPANY	
	2021	2020	2021	2020
Administration and service fees received	—	—	12 930 000	15 840 000
Discount received	—	35 113	—	—
Sundry income	254 091	62 501	—	15 603
	254 091	97 614	12 930 000	15 855 603

20. OPERATING LOSS/PROFIT

Operating loss for the year is stated after accounting for the following:

Figures in Pula	GROUP		COMPANY	
	2021	2020	2021	2020
Audit fees				
Current year fee	306 160	287 410	115 600	115 200
(Over)/Under provision — prior year	40 893	(24 576)	25 873	(10 976)
	347 053	262 834	141 473	104 224
Depreciation				
Cost of sales	8 543 977	3 706 750	—	—
Operating expenses	1 479 573	1 285 555	284 401	199 603
	10 023 550	4 992 305	284 401	199 603
Operating lease charges				
Property	—	69 520	—	—
Office equipment	26 680	21 168	—	—
	26 680	90 688	—	—
Employee costs	12 777 003	15 994 863	—	—
Directors' emoluments				
Executive Directors	4 942 860	5 067 076	4 600 200	5 067 076
Short-term employee benefits	4 942 860	5 067 076	4 600 200	5 067 076
Non-executive Directors	785 500	853 100	785 500	853 100
	5 728 360	5 920 176	5 385 700	5 920 176
Share-based payment charge/(credit)	365 829	(734 268)	141 852	(370 364)
Corporate advisory and consulting expenses	1 436 273	1 920 419	1 436 273	1 920 419
(Profit)/loss on foreign exchange	(1 051 960)	1 339 045	51 540	64 660

21. FINANCE INCOME

Figures in Pula	GROUP		COMPANY	
	2021	2020	2021	2020
Bank balances and short term deposits	93 612	101 097	4 822	26 176
Intercompany loan	—	—	7 173 979	5 785 090
	93 612	101 097	7 178 801	5 811 266

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2021 CONTINUED

22. FINANCE COSTS

	GROUP		COMPANY	
Figures in Pula	2021	2020	2021	2020
Botswana Development Corporation	17 932 418	9 876 517	—	—
Mineral Development Company Botswana	28 444 285	13 219 318	—	—
Beneficiation Plant ("BOOT")	1 982 091	3 789 076	—	—
Jarcon Opencast Mining Botswana	2 354 813	2 972 110	—	—
Interest on right-of-use lease liabilities	796 809	767 228	54 632	49 182
Unwind of discounted rehabilitation provision	3 488 015	1 133 291	—	—
Less: Borrowing costs capitalised	(4 477 952)	(14 298 797)	—	—
	50 520 479	17 458 743	54 632	49 182
Non-cash finance costs:				
The following non-cash finance costs are included above:				
Botswana Development Corporation	17 932 418	3 787 162	—	—
Mineral Development Company Botswana	28 444 285	13 219 318	—	—
Beneficiation Plant (BOOT)	1 982 091	3 789 076	—	—
Jarcon Opencast Mining Botswana	2 354 813	2 972 110	—	—
Unwind of discounted rehabilitation provision	3 488 015	1 133 291	—	—
	54 201 622	24 900 957	—	—

23. INCOME TAX

MAJOR COMPONENTS OF THE INCOME TAX

	GROUP		COMPANY	
Figures in Pula	2021	2020	2021	2020
Normal	—	—	—	—
Capital gains tax	—	—	—	—
Total current tax	—	—	—	—
Deferred				
Tax losses available for set off against future taxable income	21 417 163	35 302 784	(2 314 263)	(1 881 043)
Origination and reversal of temporary differences	7 590 112	(9 553 561)	5 266	206 537
Total deferred tax	29 007 275	25 749 223	(2 308 998)	(1 674 506)
Income tax (credit)/charge	29 007 275	25 749 223	(2 308 998)	(1 674 506)

RECONCILIATION OF THE TAX EXPENSE

The tax on the Group and the Company's (loss)/profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits as follows:

	GROUP		COMPANY	
Figures in Pula	2021	2020	2021	2020
Accounting (loss)/profit before tax	(135 910 884)	(117 621 919)	10 353 592	7 981 753
Calculated tax at the applicable tax rate (22%)	29 900 394	25 876 822	(2 277 790)	(1 755 986)
Non-taxable items				
Share-based payment expense	(80 483)	161 539	(31 208)	81 481
Share issuance costs	—	—	—	—
Non-deductible finance cost	(812 637)	(289 139)	—	—
	29 007 275	25 749 223	(2 308 998)	(1 674 506)

24. LOSS AND HEADLINE LOSS PER SHARE (THEBE)

	GROUP	
Figures in Pula	2021	2020
Basic loss per share	(22.75)	(20.69)
Basic diluted loss per share	(22.75)	(20.69)
Headline loss per share	(22.75)	(20.69)
Diluted headline loss per share	(22.75)	(20.69)

RECONCILIATION OF LOSS USED IN CALCULATING LOSS PER SHARE AND HEADLINE LOSS PER SHARE

	GROUP	
Figures in Pula	2021	2020
Loss attributable to the ordinary equity holders of the Company used in calculating basic loss per share	(106 903 609)	(91 872 696)
Adjustments	—	—
Headline loss	(106 903 609)	(91 872 696)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2021 CONTINUED

24. LOSS AND HEADLINE LOSS PER SHARE (THEBE) continued

WEIGHTED AVERAGE NUMBER OF SHARES USED AS THE DENOMINATOR

Figures in Pula	GROUP	
	2021	2020
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	469 975 134	444 049 208
Adjusted for calculation of diluted earnings per shares	—	—
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per shares	469 975 134	444 049 208

No dilution has been calculated as the Group is in a loss position and the effect of dilutive options would be anti-dilutive.

25. CASH UTILISED IN OPERATIONS

Figures in Pula	GROUP		COMPANY	
	2021	2020	2021	2020
(Loss)/profit before tax	(135 910 884)	(117 621 919)	10 353 592	7 981 753
Adjustments for:				
Depreciation	10 023 550	4 992 305	284 401	199 603
Loss allowance on trade receivables	—	118 205	—	—
Unrealised gain on foreign exchange	—	—	—	—
Finance income	(93 612)	(101 097)	(7 178 801)	(5 811 266)
Finance costs	50 520 479	17 458 743	54 632	49 182
Share-based payment expense/(credit)	365 829	(734 268)	141 852	(370 364)
Changes in working capital				
Inventories	5 722 277	(1 108 705)	—	—
Trade and other receivables	(26 981 027)	(3 361 835)	(3 095 674)	3 947 305
Trade and other payables	60 677 918	2 057 037	389 291	979 902
	(35 675 470)	(98 301 534)	949 293	6 976 115

26. CONTINGENT LIABILITIES

The Group had the following contingent liabilities as at 30 June 2021 and 30 June 2020:

PUT OPTION DEED IN FAVOUR OF BARAK FUND

The subsidiary, Minergy Coal (Pty) Ltd, entered into a Build-Own-Operate-Transfer ("BOOT") agreement with Johdee Mineral Processing (Pty) Ltd to build, erect and commission a beneficiation plant. Johdee Mineral Processing (Pty) Ltd in turn entered into a facility agreement with Barak Fund, to finance the construction of the plant. In the interest of securing the facility the Group granted a put option in favour Barak Fund in respect the outstanding indebtedness of Johdee Mineral Processing for a purchase consideration equal to the put strike price (which equates to facility outstanding balance), so long as the facility has not been irrevocably and unconditionally repaid and/or discharged in full. As at the year-end the Johdee Mineral Processing (Pty) Ltd had met the terms of its repayments and therefore exercise of the option was not at risk.

Should the Put Option be exercised, then Barak Fund shall be deemed to have sold the Facility Outstandings to Minergy and Minergy shall be deemed to have purchased the Facility Outstandings from Barak Fund.

SECURITY ON FACILITY WITH BOTSWANA DEVELOPMENT CORPORATION (BDC) AND MINERAL DEVELOPMENT COMPANY BOTSWANA (MDCB)

Minergy Limited provided the following security in favour of BDC and MDCB towards its facilities with Minergy Coal (Pty) Ltd:

- ▶ A guarantee in favour of BDC and MDCB that ensures punctual performance by Minergy Coal (Pty) in all obligations under the facilities.
- ▶ A pledge and cession of the Groups shares in Minergy Coal (Pty) Ltd to BDC and MDCB.

GUARANTEE IN FAVOUR OF VIVO ENERGY BOTSWANA

Minergy Limited provided a guarantee in favour of Vivo Energy Botswana for due and proper payment from Minergy Coal (Pty) Ltd towards all guaranteed obligations. In event Minergy Coal (Pty) Ltd fails to carry out, or perform the guaranteed obligations Minergy Limited shall become liable for settlement of the obligation.

GUARANTEES IN FAVOUR OF THE GOVERNMENT OF BOTSWANA

Minergy Limited provided parent company guarantees in favour the Government of Botswana which guarantee the performance of Minergy Coal (Pty) Ltd towards its obligations under its mining licences and its compliance with the Mines and Minerals Act.

Apart from the above, the directors are of the opinion that there are no other contingent liabilities as at the year end.

27. CAPITAL COMMITMENTS

Figures in Pula	GROUP		COMPANY	
	2021	2020	2021	2020
Authorised by Directors and contracted for	—	28 013 700	—	—
Authorised by Directors but not yet contracted for	—	—	—	—
	—	28 013 700	—	—

28. LEASE COMMITMENTS

Figures in Pula	GROUP		COMPANY	
	2021	2020	2021	2020
Leases not recognised as a liability:				
Operating leases — as lessee				
Minimum lease payments due				
— within one year	61 500	73 800	—	—
— in second to fifth year inclusive	—	—	—	—
	61 500	73 800	—	—

Leases recognised as a liability:

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognised:

Figures in Pula	No. of assets leased	Remaining term	No. of leases with extension options	No. of leases with purchase options	No. of leases with termination options
Right-of-use assets — washing plant	1	4.75 years	0	1	0
Right-of-use assets — property	10	1 to 25 years	2	0	10
Right-of-use assets — machinery	2	0.75 to 2.5 years	0	2	2

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2021 CONTINUED

28. LEASE COMMITMENTS continued

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 30 June 2021 were as follows:

Figures in Pula	Within 1 year	Within 1 – 3 years	Within 3 – 5 years	After 5 years	Total
Lease payments					
Right-of-use assets — washing plant	20 397 156	40 794 312	35 695 023	—	96 886 491
Right-of-use assets — property	1 035 468	1 281 101	894 055	5 238 354	8 448 979
Right-of-use assets — machinery	3 168 354	2 180 030	—	—	5 348 384
	24 600 978	44 255 444	36 589 078	5 238 354	110 683 854
Less: future finance costs					
Right-of-use assets — washing plant	(6 747 071)	(9 167 430)	(2 475 590)	—	(18 390 091)
Right-of-use assets — property	(415 690)	(685 417)	(612 733)	(3 001 121)	(4 714 961)
Right-of-use assets — machinery	(198 789)	(88 521)	—	—	(287 310)
	(7 361 550)	(9 941 368)	(3 088 322)	(3 001 121)	(23 392 362)
Right-of-use asset lease liabilities					
Right-of-use assets — washing plant	13 650 085	31 626 882	33 219 433	—	78 496 400
Right-of-use assets — property	619 778	595 684	281 323	2 237 233	3 734 018
Right-of-use assets — machinery	2 969 564	2 091 510	—	—	5 061 074
	17 239 427	34 314 075	33 500 756	2 237 233	87 291 492

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 30 June 2020 were as follows:

Figures in Pula	Within 1 year	Within 1 – 3 years	Within 3 – 5 years	After 5 years	Total
Lease payments					
Right-of-use assets — washing plant	9 143 503	27 430 509	27 430 509	4 571 751	68 576 272
Right-of-use assets — property	1 262 652	1 511 420	825 147	5 663 171	9 262 390
Right-of-use assets — machinery	1 419 984	2 839 968	709 992	—	4 969 944
	11 826 139	31 781 897	28 965 648	10 234 922	82 808 606
Less: future finance costs					
Right-of-use assets — washing plant	(3 743 585)	(5 514 903)	(2 386 131)	(63 025)	(11 707 644)
Right-of-use assets — property	(458 703)	(718 447)	(640 923)	(3 286 225)	(5 104 298)
Right-of-use assets — machinery	(210 132)	(220 357)	(10 807)	—	(441 296)
	(4 412 420)	(6 453 707)	(3 037 861)	(3 349 250)	(17 253 238)
Right-of-use asset lease liabilities					
Right-of-use assets — washing plant	5 399 918	21 915 606	25 044 378	4 508 726	56 868 628
Right-of-use assets — property	803 949	792 973	184 224	2 376 946	4 158 092
Right-of-use assets — machinery	1 209 852	2 619 611	699 185	—	4 528 648
	7 413 719	25 328 190	25 927 787	6 885 672	65 555 368

29. RELATED PARTIES

RELATIONSHIPS

Subsidiaries

Minergy Coal (Pty) Ltd

Minsales (Pty) Ltd

Refer note 30

Members of key management

Botswana Development Corporation

Finance providers with board representation at Group level

Mineral Development Company Botswana

Finance providers with board representation at subsidiary level

Suppliers with board representation at subsidiary level and shareholding at Group level

Jarcon Opencast Mining Botswana

RELATED PARTY BALANCES

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

Figures in Pula	GROUP		COMPANY	
	2021	2020	2021	2020
(i) Trade and other receivables				
Minergy Coal (Pty) Ltd	—	—	16 798 618	13 953 836
(ii) Trade and other payables				
Jarcon Opencast Mining Botswana	92 732 614	47 204 546	—	—
Key management — claims payable	55 681	3 858	5 930	—
(iii) Loan receivable				
Minergy Coal (Pty) Ltd	—	—	153 708 565	145 229 653
(iv) Loans payable				
Botswana Development Corporation	101 605 611	83 673 191	—	—
Mineral Development Company Botswana	190 034 354	106 430 816	—	—

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2021 CONTINUED

29. RELATED PARTIES continued

RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

	GROUP		COMPANY	
Figures in Pula	2021	2020	2021	2020
(i) Compensation paid to directors and other key management				
Short-term benefits	10 422 600	9 529 878	5 385 700	5 920 176
(ii) Advisory fees paid				
Non-executive directors	1 413 250	3 440 000	1 413 250	3 440 000
(iii) Finance income				
Minergy Coal (Pty) Ltd	—	—	7 173 979	5 785 090
(iv) Finance cost				
Botswana Development Corporation	17 932 418	9 876 517	—	—
Mineral Development Company Botswana	28 444 285	13 219 318	—	—
Jarcon Opencast Mining Botswana	2 354 813	2 972 110	—	—
(v) Contractor services				
Jarcon Opencast Mining Botswana	158 753 280	119 476 585	—	—
(vi) Administration and Service Fees received				
Minergy Coal (Pty) Ltd	—	—	12 930 000	15 840 000

30. DIRECTORS EMOLUMENTS

COMPANY

Figures in Pula	Salary	Bonus	Benefits	Total
2021				
Executive				
Morné du Plessis (Chief Executive Officer)	2 600 000	—	461 860	3 061 860
J-P van Staden (Chief Financial Officer — resigned 31 March 2021)	1 800 000	—	81 000	1 881 000
	4 400 000	—	542 860	4 942 860

Benefits relate to housing and statutory severance benefits.

Figures in Pula	Fees	Bonus	Benefits	Total
Non-executive				
Mokwena Morulane (Chairman)	250 000	—	—	250 000
André Bojé (resigned 31 May 2021)	178 500	—	—	178 500
Leutlwetse Tumelo	170 000	—	—	170 000
Claude de Bruin	170 000	—	—	170 000
Cross Kgosiile	8 500	—	—	8 500
Leonard Makwinja	8 500	—	—	8 500
	785 500	—	—	785 500

Figures in Pula	Salary	Bonus	Benefits	Total
2020				
Executive				
Morné du Plessis (Chief Executive Officer)	2 845 000	72 000	522 123	3 439 123
André Bojé (Chief Executive Officer — resigned 31 July 2019)	250 000	78 000	11 375	339 375
J-P van Staden (Chief Financial Officer — appointed 2 January 2020)	1 232 500	—	56 079	1 288 579
	4 327 500	150 000	589 576	5 067 076

Figures in Pula	Fees	Bonus	Benefits	Total
Non-executive				
Mokwena Morulane (Chairman)	360 600	—	—	360 600
Leutlwetse Tumelo	241 000	—	—	241 000
Claude de Bruin	251 500	—	—	251 500
	853 100	—	—	853 100

31. SEGMENTAL REPORTING

The Group currently has one coal project in Botswana. In assessing potential operating segments, the Group has considered the information reviewed by the Chief Operating Decision Maker ("CODM"). The Group has identified the Chief Executive Officer as the CODM and is satisfied that the information as presented in the financial statements is the same as that assessed by the CODM for management reporting purposes.

32. SUBSEQUENT EVENTS

A debt restructuring agreement was signed with BDC, MDCB and Jarcon Opencast Mining Botswana (Debt Funders) on 12 July 2021, which in summary achieves the following:

- ▶ Capitalised the interest payments for the restructuring period
- ▶ Reduced mining rates on a deferral basis;
- ▶ Cost saving initiatives;
- ▶ Converts a portion of short-term trade payables into longer secured debt facility up to a maximum of P 30 million; and
- ▶ Secured longer term funding for development of important logistics infrastructure.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2021 CONTINUED

32. SUBSEQUENT EVENTS continued

The agreement also includes a payment waterfall, which prioritises the order of cash flow utilisation, with Minergy Coal's operating and capital expenditure taking precedence over other financial obligations.

The restructuring period shall run until the earlier of:

- (i) the Debt Funders, reasonably declaring that they are satisfied that the capital raised by the Group is sufficient to allow trade in the normal course into the foreseeable future; and
- (ii) the successful completion of the Double-Up Feasibility Study

33. RISK MANAGEMENT

FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

Risk management is carried out at Group level under policies approved by the Board of Directors. Group treasury identifies, evaluates and responds to financial risks in close co-operation of the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk and interest rate risk.

a) Market risk

Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the South African Rand and Namibian Dollar. Foreign exchange risk arises mainly from sales to foreign customers.

To mitigate the Group's exposure to foreign currency risk, non-Pula amounts are monitored. Forward exchange contracts are considered from time to time, but none have been entered into to date.

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are translated into Pula at the closing rate:

Figures in Pula	ZAR	N\$	Other
Financial assets	27 136 463	2 568 323	—
Financial liabilities	(846 480)	—	—
Closing rate of exchange	1.31	1.31	1.31

The Group had no significant foreign currency risk exposure in the previous financial year.

The following table illustrates the sensitivity of profit in relating to the Group's financial assets and financial liabilities at year-end. If the Pula had strengthened against these currencies by 10% then this would have had the following impact on profit (a weakening of 10% would have an equal and opposite impact on profit):

Figures in Pula	ZAR	N\$	Other
Financial assets	6 603 310	1 882 423	—
Financial liabilities	(718 064)	—	(925)
Closing rate of exchange	1.47	1.47	1.47

Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from borrowings and payables with variable rates, which expose the Group to cash flow interest rate risk.

At 30 June 2021 all of the Group's borrowings had fixed interest rates, hence no significant interest rate risk on borrowings. Overdue trade payables carry interest at prime rate.

Interest rate sensitivity

The following table reflects the potential impact on earnings, given an increase in interest rates of 25 basis points:

	GROUP		COMPANY	
Figures in Pula	Loss 2021	Loss 2020	Loss 2021	Loss 2020
Increase of 25 basis points in interest rate	231 832	118 011	—	—

A decrease in interest rates of 25 basis points would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging.

The scenarios are run only for liabilities that represent the major interest-bearing positions.

Price Risk

The Group transitioned into its operational phase during the current financial year. The Group's sales prices are exposed to commodity price risk. Coal prices are subject to negotiations with customers, but are indirectly linked to international coal export prices. Sales prices are regularly reviewed and renegotiated with customers when deemed necessary. No hedging programmes are currently in place. A 5% movement in sales prices would have increased/decreased profit by P8 360 667.

b) Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to credit risk from financial assets including cash and cash equivalents held at banks, trade and other receivables.

Credit risk management

The credit risk is managed on a Group basis based on the Group's credit risk management policies and procedures.

The credit risk in respect of cash balances held with banks and deposits with banks are managed by dealing only with major reputable financial institutions.

The Group continuously monitors the credit quality of customers based on a credit rating scorecard. Where available, external credit ratings and/or reports on customers are obtained and used. The Group's policy is to extend credit terms only to credit worthy counterparties. The credit terms are generally 30 days. The ongoing credit risk is managed through regular review of ageing analysis, together with credit limits per customer.

Trade receivables consist of multiple customers in various industries and geographical areas.

The Group does not hold any security on the trade receivables balance.

The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on entity type, the days past due and also according to the geographical location of customers.

The expected loss rates are based on the payment profile for sales over the past 12 months before 30 June 2021 as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. Relative credit ratings and probability of default per geographical location and entity type was used as the most relevant factors to determine an expected credit loss rate.

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AS AT 30 JUNE 2021 CONTINUED

33. RISK MANAGEMENT continued

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the Group on alternative payment arrangement amongst others is considered indicators of no reasonable expectation of recovery.

On the above basis the expected credit loss for trade receivables as at 30 June 2021 was determined as follows:

Figures in Pula	Not past due	Less than 30 days past due	More than 30 days past due	Total
At 30 June 2021				
Weighted expected credit loss rate (%)	4.16	2.18	2.72	
Gross carrying amount	24 166 116	5 723 941	40 653	29 930 710
Lifetime expected credit loss	1 006 052	124 640	1 107	1 131 798
At 30 June 2020				
Weighted expected credit loss rate (%)	1.38	1.41	1.76	
Gross carrying amount	6 811 872	1 623 003	83 258	8 518 133
Lifetime expected credit loss	93 875	22 864	1 466	118 205

Other receivables includes mainly VAT, deposits and prepayments. No loss allowance has been provided on these balances.

Loans receivables consist mainly of Group loans. Management evaluates the credit risk relating to these companies on an ongoing basis by taking into account its financial position, past experience and other factors.

The amount that best represents the Group's maximum exposure to credit risk at 30 June 2021 is made up as follows:

Figures in Pula	GROUP		COMPANY	
	2021	2020	2021	2020
Cash and cash equivalents	911 485	1 712 055	59 686	78 053
Trade and other receivables	40 941 636	13 960 609	17 345 657	14 249 983
	41 853 121	15 672 664	17 405 343	14 328 036

The credit rating of the Company's banker is AA+ (2020: BB), albeit that Botswana sovereign credit rating is BBB+ (2020: BBB+)

No collateral is held for any of the above assets.

None of the above assets are past due or impaired.

c) Liquidity risk

Liquidity risk is that the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings:

GROUP	Less than 1 year	Between 2 and 5 years	After 5 years	Total
Figures in Pula				
At 30 June 2021				
Borrowings	17 739 427	67 814 831	297 790 629	383 344 888
Trade and other payables	128 842 216	—	—	128 842 216
At 30 June 2020				
Borrowings	7 913 719	51 255 977	201 092 172	260 261 868
Trade and other payables	62 389 001	—	—	62 389 001
COMPANY				
Figures in Pula				
At 30 June 2021				
Borrowings	438 822	—	—	438 822
Trade and other payables	995 228	—	—	995 228
At 30 June 2020				
Borrowings	710 750	—	—	710 750
Trade and other payables	385 896	—	—	385 896

CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new capital or sell assets to reduce debt.

The capital structure consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising share capital disclosed in the statement of changes in equity and borrowings.

Management continually monitors the level of equity and debt. As part of this review, management considers the cost of capital and the risks associated with each class of capital.

The Group's policy is to cover its annual net funding requirements through Group equity and external long-term loan facilities with maturities spread over time.

In terms of the BDC and MDCB facilities, the subsidiary is not entitled to make any payments in respect of interest or capital on shareholder loans or make any distributions of any kind to its shareholder until the facilities have been adequately serviced.

By 30 June 2021, the Company had not yet achieved commercial steady-state levels of production as the operational ramp-up phase was delayed by the impact of COVID-19 and delayed funding. The Group has a history of successful debt and capital raisings to meet its funding requirements. The Group is seeking a secondary listing on an international exchange which will bring additional cash into the business.

Refer to note 11 in the directors' report for additional discussion on this topic.

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NOTICE OF ANNUAL GENERAL MEETING

MINERGY LIMITED

(Incorporated in accordance with the laws of Botswana)
(Botswana registration number: BW0001542791)

www.minergycoal.com

("Minergy" or "the Company", and where referred to with its subsidiaries "the Group")

Notice is hereby given that the Annual General Meeting (the "Meeting" or the "AGM", unless referred to in full) of the shareholders of Minergy Ltd will take place at 10:00 on Wednesday, 24 November 2021, at the Minergy office situated at Ground Floor, Unit 2, Building 3, Pinnacle Park, Setlhoa, Plot 75782, Gaborone, for the purpose of transacting the proposed business and passing if deemed fit with or without amendment the proposed resolutions.

Should a need arise to adhere to COVID-19 social distancing and gathering confines, the meeting will take place via Microsoft Teams. Shareholders wishing to participate in the MS Teams AGM call should contact the Transfer Secretary, CorpServe Botswana at Unit 206, Second Floor, Plot 64516, Showgrounds Close, Fairgrounds, Gaborone, or by email to **contactus@corpservebotswana.com** at any time at least 48 hours before the start of the meeting. CorpServe will verify your shareholding and provide you with the MS Teams link.

VOTING AND PROXIES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his/her stead.
2. The instrument appointing such a proxy must be deposited at the registered office of the Company or sent by email to **contactus@corpservebotswana.com** not less than 48 hours before the meeting, i.e., 10:00 on Monday, 22 November 2021.
3. The completion and lodging of the form of proxy will not preclude the relevant member from attending the meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms thereof.

AGENDA

Presentation of annual financial statements and report.

The complete set of the consolidated audited annual financial statements (pages 58 to 81), together with the independent auditor's report (pages 56 to 57) and reports of the Audit and Risk Committee and Remuneration and Nomination Committee (pages 45 to 50), as well as the Social and Ethics Committee (page 33) are contained in the Integrated Annual Report.

The following resolutions are proposed for consideration and adoption to be moved, with or without modification.

ORDINARY RESOLUTIONS

2021 FINANCIAL STATEMENTS

Ordinary resolution number 1

To receive, consider and adopt the audited financial statements for the year ended 30 June 2021.

RE-ELECTION OF DIRECTORS OF THE COMPANY

Ordinary resolution number 2

To re-elect, by way of a separate vote, Mr. Leutlwetse Tumelo who retires in terms of clauses 19.9.1 and 19.9.2 of the constitution, and who is eligible and offers himself for re-election.

Ordinary resolution number 3

To re-elect, by way of a separate vote, Mr. Mokwena Morulane who retires in terms of clauses 19.9.1 and 19.9.2 of the constitution, and who is eligible and offers himself for re-election.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

Ordinary resolution number 4

To elect, by way of a separate vote, Mr. Leonard Makwinja who was appointed by the Board in terms of clause 19.4 of the constitution, and who is eligible and offers himself for election.

Brief CVs in respect of each Director offering himself for re-election can be found on pages 38 to 39 of this Integrated Annual Report.

Appointment of members of the Audit and Risk Committee ("ARCO") as well as Remuneration and Nomination Committee ("REMCO") and Social and Ethics Committee ("SEC").

In accordance with its constitution and charter, and the charters of each respective committee of the Board, the Board appoints the members of each respective committee.

The membership of each committee for the next reporting period is set out in the report of each respective committee in the Integrated Annual Report (refer to page 40). Brief CVs in respect of each member are also contained in the Integrated Annual Report.

APPOINTMENT OF AUDITORS AND REMUNERATION OF AUDITORS

Ordinary resolution number 5

Appointment of auditors

To reappoint the Company's current auditors Grant Thornton (Botswana) upon the recommendation of the Audit and Risk Committee, as the independent registered auditors of the Company.

Ordinary resolution number 6

Remuneration of auditors

To authorise the Board to determine the remuneration of the external auditors and the auditors' terms of reference.

REMUNERATION OF NON-EXECUTIVE DIRECTORS FOR 2021 AND 2022

Ordinary resolution number 7

Remuneration of Non-executive Directors for 2021

To approve remuneration of Non-executive Directors for the financial year ended 30 June 2021, in terms of Note 30 of the consolidated annual financial statements, as recommended by the Board and set out in the following table.

Non-executive remuneration for the financial year ended 30 June 2021:

NAME	2021 (Pula)
Mokwena Morulane	250 000
Leutlwetse Tumelo	170 000
Claude de Bruin	170 000
André Bojé	178 500
Cross Kgosiidiile	8 500
Leonard Makwinja	8 500

Ordinary resolution number 8

Remuneration of Non-executive Directors for 2022

To approve remuneration of Non-executive Directors for the financial year ending 30 June 2022, as recommended by the Board and set out in the table below.

Non-executive remuneration for the financial year ended 30 June 2022:

RETAINER FEE PER MONTH	2022 (Pula)	2021 (Pula)
Chairman of the Board	25 000	25 000
Board member	17 000	17 000
Chairman of Governance Committee	Nil	Nil
Member of Governance Committee	Nil	Nil

GENERAL

To transact such other business as may be transacted at an AGM including the sanction or declaration of dividends if deemed necessary.

To take and respond to questions of shareholders in respect to the affairs, operation and management of the Company.

PROXIES AND REPRESENTATIVES

A shareholder may exercise the right to vote either by being present in person or by duly appointed representative or by delivery of a duly completed proxy form.

A representative or proxy for a shareholder is entitled to attend and be heard at a meeting and to cast votes as if the representative or proxy were the shareholder. A representative or proxy need not be a holder of a security issued by the Company.

A representative must be in a possession of a resolution of the Board of the Company being represented, the trust or fund which is a shareholder which he/she represents, or mandate letter, a power of attorney from the principal which is a shareholder which he/she represents ("Appointment Documents").

Shareholders wishing to appoint a proxy must complete the proxy form enclosed to this notice.

If the proxy is signed under a power of attorney, a copy of the power of attorney (unless already deposited with the Company) must accompany the proxy form.

If a representative is being appointed or if the proxy form is signed under a power of attorney, the Appointment Documents must be deposited at the Transfer Secretary's office by hand at Unit 206, Second Floor, Plot 64516, Showgrounds Close, Fairgrounds, Gaborone, by post to PO Box 1583, AAD, Gaborone or by email to contactus@corpservebotswana.com not later than 48 hours before the meeting.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

VOTING

All voting shall be by poll, so that every holder of an ordinary share in the Company present in person or by representative or by proxy and voting has one vote in respect of every ordinary share held.

Shareholders present in person, or by representative or by proxy and voting, shall cast their votes by signifying individually their assent or dissent, or as applicable their abstention, as directed by the Chairman by a show of hands, or by ballot, and for those present by audio-visual means by voice.

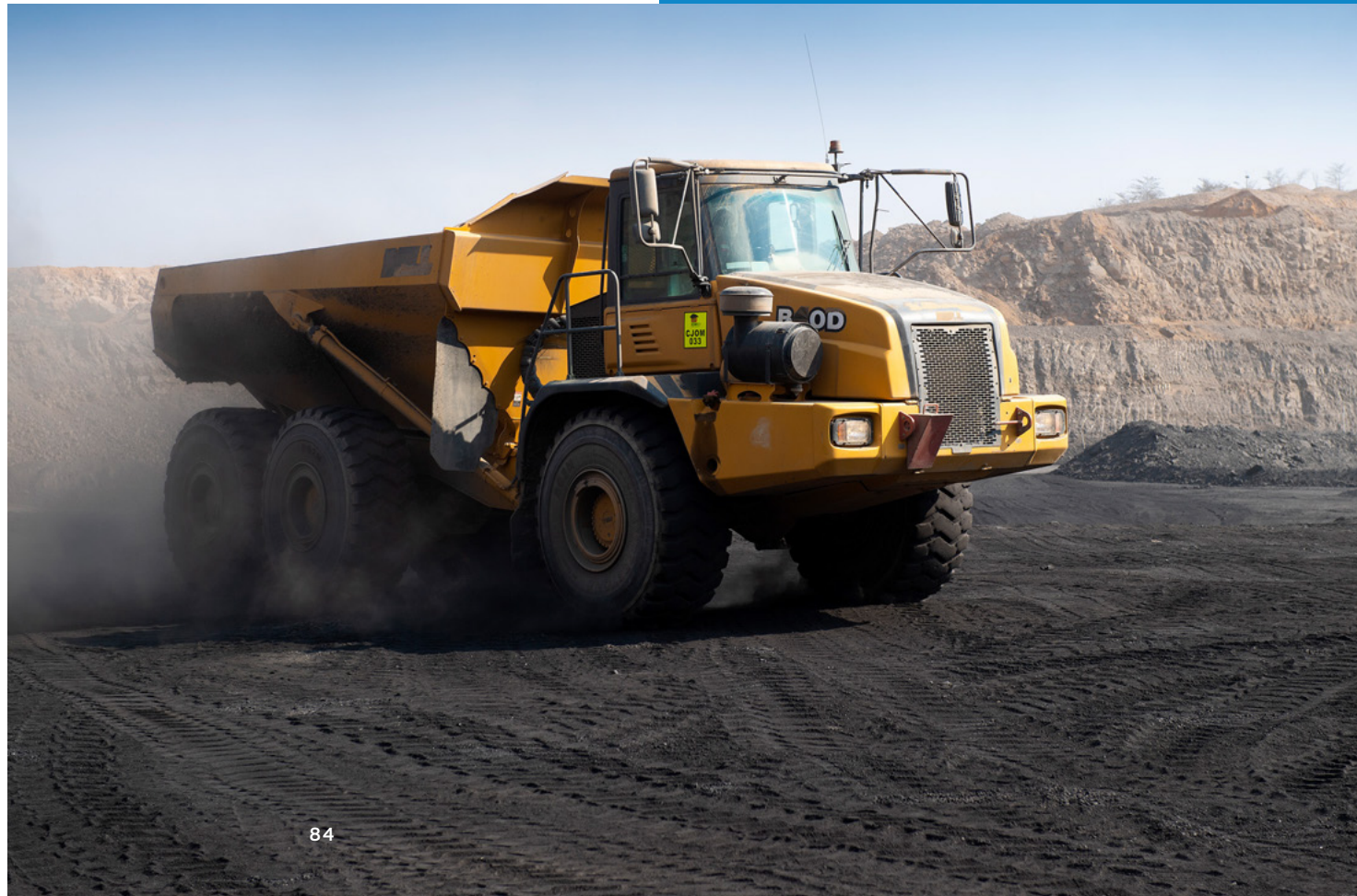
The Chairman of the meeting may reject or, provided that the Chairman is satisfied as to the manner in which a shareholder wishes to vote, accept any form of proxy or evidence of authority to act as representative, in his absolute discretion, which is completed other than in accordance specified herein or the notes to the proxy form. Appointment Documents and any proxy form which is duly completed in accordance herewith and the notes to the proxy form shall be accepted.

By order of the Board



Morné du Plessis
Chief Executive Officer

Registered office
Ground Floor, Unit 2, Building 3
Pinnacle Park, Setlhoa
Plot 75782
Gaborone, Botswana



FORM OF PROXY

I/we (full name in BLOCK LETTERS please):

of (address): _____

Telephone — work: (_____) _____

Telephone — home: (_____) _____

being a shareholder of Minergy and holder of _____ ordinary shares, hereby appoint:

1. _____ or failing him/her

2. _____ or failing him/her

3. The Chairman of the AGM

as my/our proxy to act for me/us at the Meeting or any adjournment thereof for the purpose of considering, and if deemed fit, passing with or without modification, the resolutions and/or abstain from voting as indicated in respect of each resolution to be considered at said Meeting.

Signed at _____ on _____ 2021.

Name (full name in BLOCK LETTERS please):

Signature:

Assisted by me:

Full names of signatory/ies if signing in a representative capacity (name in BLOCK LETTERS please):

	FOR	AGAINST	ABSTAIN
Ordinary resolution number 1: Audited Financial Statements for the year ended 30 June 2021			
Ordinary resolution number 2: Re-elect Mr. Leutlwetse Tumelo: Board			
Ordinary resolution number 3: Re-elect Mr. Mokwena Morulane: Board			
Ordinary resolution number 4: Elect Mr. Leonard Makwinja: Board			
Ordinary resolution number 5: Appointment of auditors			
Ordinary resolution number 6: Remuneration of auditors			
Ordinary resolution number 7: Approve remuneration of Non-executive Directors for 2021			
Ordinary resolution number 8: Approve remuneration of Non-executive Directors for 2022			

NOTES TO THE FORM OF PROXY

INSTRUCTIONS FOR SIGNING AND LODGING THIS FORM OF PROXY

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting "the Chairman of the AGM", but any such deletion must be initialled by the shareholder concerned. The person whose name appears first on the form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those whose names follow.
2. Please insert an "X" in the relevant spaces according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of shares than you own in Minergy, insert the number of ordinary shares held in respect of which you desire to vote. Failure to comply with the above will be deemed to authorise the proxy to vote at the Meeting as he/she deems fit in respect of all the shareholders votes exercisable thereat. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect whereof abstentions are recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.
3. The date must be filled in on this proxy form when it is signed.
4. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof. Where there are joint holders of shares, the vote of the joint holder whose name appears first in the register will be accepted.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries or waived by the Chairman of the AGM of Minergy shareholders.
6. Any alterations or corrections made to this form of proxy must be initialled by the signatory/ies.
7. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by Transfer Secretaries.
8. Forms of proxy must be received by the Transfer Secretary, office by hand at Unit 206, Second Floor, Plot 64516, Showgrounds Close, Fairgrounds, Gaborone, by post to PO Box 1583, AAD, Gaborone or by email to contactus@corpservebotswana.com at any time at least 48 hours before the start of the meeting.
9. If required, additional forms of proxy are available from the transfer secretaries.

CORPORATE AND GENERAL INFORMATION

CORPORATE INFORMATION

REGISTERED OFFICE AND BUSINESS ADDRESS

Ground Floor, Unit 2, Building 3
Pinnacle Park, Setlhoa
Plot 75782
Gaborone
Botswana

POSTAL ADDRESS

P.O Box 2330 ABG
Broadhurst
Gaborone
Botswana

COMPANY SECRETARY

Desert Secretarial Services (Pty) Ltd
Telephone: +267 7329 7384

WEBSITE

www.minergycoal.com

TRANSFER SECRETARIES

Corpserve Botswana

ATTORNEYS

Akheel Jinabhai & Associates

BANKERS

RMB Botswana

AUDITORS

Grant Thornton (Botswana)
Certified auditors of public interest entities

REGISTRATION NUMBER

BW00001542791

GENERAL INFORMATION

COUNTRY OF INCORPORATION AND DOMICILE

Botswana

NATURE OF THE BUSINESS

The Group is invested in the exploration, development, mining and trading of sized thermal coal, primarily for sale into the industrial market. The quality and size of the Minergy coal resource is suitable to expand into the supply of coal for the power generation sector and for seaborne export.

DIRECTORS

M Morulane
L Tumelo
C de Bruin
M du Plessis
C Kgosiile
L Makwinja (appointed 1 June 2021)

LEVEL OF ASSURANCE

The financial statements have been audited in compliance with the applicable requirements of the Companies Act of Botswana (CAP 42:01).

PREPARER

The audited full year consolidated financial statements were prepared by the Acting Chief Financial Officer, Julius Ayo (Bachelor of Accounting ("BACC") and Association of Certified Chartered Accountants ("ACCA")) under the supervision of the Chief Executive Officer ("CEO"), Morné du Plessis, CA(SA).