



Minergy Limited

(Incorporated in accordance with the laws of Botswana)

(Company Number: BW00001542791)

www.minergycoal.com

("Minergy" or "the Company")

VOLUNTARY MARKET UPDATE

Minergy Limited is providing this voluntary update to the market as it enters a closed period, which will end when the interim results for the period ended 31 December 2022 are released towards the middle of March 2023. Minergy will then update the market through its normal reporting processes.

This market update provides high-level commentary on the performance, market conditions and developments for the six months ended 31 December 2022 ("the six-month period"). The six months ended 31 December 2021 ("the comparative six-month period") is used as the comparison for the performance indicators.

"This has been an exciting and busy six-month period for Minergy. Operations are delivering according to the designed capacity, consistently reaching a production capacity of ~125,000 tonnes per month ("tpm"), resulting in higher monthly coal sales delivered into global and regional markets. We are exceptionally proud of the efforts of all the staff, contractors, and stakeholders of Minergy and thankful for the continued support received from customers," said Morné du Plessis, CEO of Minergy.

SALES AND MARKET CONDITIONS

Sales have averaged close to 68,000 tpm, which includes the general December shutdown period downtime. Volumes are roughly 53% higher, while pricing has been exceptional and approximately 66% higher than the comparative six-month period. For these six months, roughly the same volume of coal was sold during the entire 2021 financial year and sales have already reached 70% of the full 2022 financial year volumes.

About one-third of this coal is exported through the Walvis Bay port. During the six-month period, Minergy successfully delivered coal to three vessels while deliveries are in transit for a fourth vessel by the close of the six-month period. These vessels are all bound for Europe. This amounts to the successful loading and dispatching of six vessels (ranging from 30,000 to 55,000 tonne capacity), since March 2022. To minimise risk and manage cash flows, the Incoterms basis for sales transactions was changed from Free on Board (FOB) to Free on Truck (FOT) or Ex-Works.

Despite previous railings through Mozambique, which have not gained traction and remain uneconomical, Minergy's preferred evacuation route for seaborne exports is through the Walvis Bay port. Other routes are continuously being investigated.

As mentioned, overall average pricing has increased, buoyed by lucrative export pricing. Pleasingly, coal qualities have been consistently achieved to the extent that deliveries have resulted in quality bonuses. These factors combined to achieve better revenue.

In addition, domestic sized coal pricing has increased, driven by a coal shortage in the local market which the regional and global energy crisis has exacerbated.

Minergy is exploring opportunities to provide more economical product offerings, which at the same time will increase saleable product without the requirement of increasing plant capacity.

OPERATIONAL UPDATE

We are pleased to announce that our mining operations and plant performance have constantly demonstrated full production capacity. Across the plant and mining operations, a consistent average of 125,000 tonnes per month is being achieved. This is a significant milestone for Minergy, and we are proud to have reached this goal during the period.

In line with the sales growth, mining and plant volumes have increased > 50% against the comparative six-month period. Minergy has invested in work in progress (overburden removal) to increase production and access additional coal in anticipation of increased sales.

The biggest challenge remains managing water usage carefully. Dust control at the mine and through the villages remains a priority. The recent heat and dry spell have put additional pressure on already scarce resources. Power outages, as a result of infrastructure breakdowns on the part of the national generator, as opposed to loadshedding, are also an issue as these contribute to production losses and damage to equipment. Despite these challenges, we are pleased with the performance and are confident that any future challenges can be mitigated.

FINANCIAL EFFECTS

The remarkable increase in demand for coal and higher prices, coupled with stable operations, continue to benefit Minergy. As a result, Minergy expects both an operating and EBITDA profit for the first six months of the 2023 financial year.

Input costs, primarily the cost of fuel, have stabilised, but Botswana continues to suffer high inflation, specifically wages. There remains a continued focus on cost controls. In some critical areas, additional staff have been appointed to bolster the team and to ensure that operations remain efficient and that orders can be fulfilled.

HEALTH AND SAFETY

Minergy continues to uphold an outstanding safety record, having had no lost time injuries during the period. The Company is grateful to be fatality free on the back of strictly managed health and safety systems.

OTHER

Minergy is pleased to announce that Government, as published in the National Development Plan, approved the tarring of the Lentsweletau-Medie Road. This will eradicate dust pollution, increase truck turnarounds, and simplify the evacuation of product from the mine. The project will be in the form of a Public Private Partnership, of which Minergy and its funders will be a part of.

Minergy has also significantly progressed discussions and received approval to connect the Masama Coal Mine to the North South Carrier water system, which will support Minergy's current and future requirements for water and reduce the impact on local water resources.

After a detailed consultative and clarification process, Minergy and Jarcon Power were notified that the Botswana Power Plant tender was awarded to another consortium. The vast requirement for electricity in Southern Africa remains a reality, given the dire constraints currently experienced in South Africa and Minergy still remains well poised to deliver into this market with its partners.

COMMUNITY SUPPORT AND INVOLVEMENT

The Company's contribution to the community, the surrounding areas and Botswana is often not adequately emphasised. Readers are referred to the "Minergy Cares" tab and electronic brochure on the website for various social investment highlights, which can be accessed by following this link: <https://www.minergycoal.com/wp-content/uploads/2022/03/Minergy-Cares.pdf>.

OUTLOOK

Outright crises buying from Europe has slowed down as their winter was not as cold as had been expected, in addition to many European countries having healthy stockpiles.

Fundamentally, worldwide coal supply is diminishing with global investment into coal mines significantly reducing, contributing to a general shortage of supply which was exacerbated and highlighted by the Ukraine War. Minergy expects that the price will remain high albeit at lower levels experienced over the last 12 months.

Minergy is continuing to experience interest and demand for its quality product range, locally and internationally. Our objective is to secure additional long-term export seaborne offtake agreements now that the logistics and coal qualities have been established. At the same time, we assess funding options, including enquiries to place approved equity, to reduce debt and consider expansion opportunities.

The availability of logistics has become a key challenge for Minergy and its customers. Commodity suppliers and customers increasingly rely on trucking products to ports and end users, creating a scramble for trucks, in the absence of rail. Due to Minergy being an early entrant, we have managed this, but it remains challenging in the wake of further disappointing Transnet performances.

Minergy has established and brought a fully operational mine into production, despite various challenges. We are pleased with the performance but are continually striving to improve. As we move forward, we look forward to consolidating this and the next six-month period with consistent delivery.

By Order of the Board

Morné du Plessis
Chief Executive Officer
25 January 2023

Minergy Limited | Pinnacle Park | Building 3 Ground Floor Unit 2 | Plot 75782 | Setlhoa | PO Box 2330 ABG | Broadhurst | Gaborone Tel: +267 397 2891 | Fax: +267 397 2893

Sponsoring Broker: Imara Capital Securities (Pty) Ltd | Unit 1E | Ground Floor Peeloe Place | Plot 54366 | Western Commercial Road New CBD | Gaborone | Tel: +267 318 8710

Transfer Secretaries: Corpserve Botswana | Unit 206 | 2nd Floor | Plot 64516 | Fairgrounds | Gaborone Tel: +267 393 2244 | Email: contactus@corpservebotswana.com