



Minergy Limited
(Incorporated in accordance with the laws of Botswana)
(Company Number: BW00001542791)
www.minergycoal.com
("Minergy" or "the Company")

MINERGY – CAUTIONARY ANNOUNCEMENT

In accordance with section 5.4 of the Listing Requirements of the Botswana Stock Exchange ("BSE"), Minergy Limited (share code: MIN) is required to announce through the BSE and in the press any circumstances or events that may impact the financial results of the Company. In addition, companies must publish a cautionary announcement as soon as they are satisfied that a reasonable degree of certainty exists that the expected profit or loss (before tax) for the period to be reported upon next will differ by at least 10% to the corresponding comparative period.

Minergy is currently finalising results for the year ended 30 June 2023 ("full year"), which are expected to be released through the BSE during the week of 18 September 2023. The comparative period used for this cautionary announcement is the year ended 30 June 2022 ("previous year").

The reported net loss before tax for the previous year was P168 million. The Board of Minergy advises shareholders that the net loss before tax for the full year will be between 0% and 10% higher than the previous year. This equates to an additional net loss before tax of between P0 and P15 million for the year ended 30 June 2023.

The reported headline loss per share ("HLPS") and loss per share ("LPS") calculated on losses after tax for the previous year was 27.91 thebe. The Company's HLPS and LPS for the full year under review is expected to increase by between 0% and 10%.

Shareholders are referred to the X-News announcement dated 25 January 2023 for the voluntary market update in conjunction with various announcements around the cessation of mining operations in March 2023 and the subsequent start up, which provided background to the performance for the second half of the year.

Disappointingly, Minergy will report a further increase in the net loss before taxation. All the positive momentum generated, including operating and EBITDA profits as reported in the interim results on 31 March 2023, has been reversed mainly as a result of two main events, these being:

The opportunity to operate at full capacity was lost by the sudden drop in export pricing from late December 2022. Exports through Walvis Bay became uneconomical, based on Free-on-Board ("FOB") pricing and logistics costs to port. Minergy had to find replacement sales for 35% of sales in a market that was and remains flooded with coal, with local pricing coming under pressure in a buyers' market. This presented a completely opposite scenario from the position in H1 2023. Minergy now has to navigate an oversupplied and low priced market, exacerbated by new competitor activity. Consequently, the pre-boom and pre-existing overdue indebtedness to the mining contractor meant that Minergy simply did not have trading volumes to recover overdue balances, as was the case with H1 2023. This resulted in the stoppage of operations at the Masama Coal Mine at the beginning of March 2023 by the mining contractor, which was restarted, on a downsized scale, during the week of 7 April 2023.

Continuing the previous year's trend, operating and cash losses have reduced year on year. However, the increase in finance costs has significantly impacted the net loss before taxation. The capital structure is heavily weighted toward expensive debt funding, which increased finance costs. The increase was driven by the full year effect of debt incurred in the previous year, additional debt arising from the mining contractor's 15% deferral of mining charges and compounding of capitalised interest.

Mining costs have increased on the back of higher explosive and diesel prices. Operating expenditures have been affected by foreign exchange losses and a claim on an export vessel. Excluding these items operating costs are lower year on year. Additional income earned on the selling of by products have assisted in the recovery of costs.

Minergy successfully concluded a further P90 million in funding from its main funder, the Minerals Development Company of Botswana ("MDCB"). The proceeds were disbursed on 3 August 2023 and were allocated to the trade payable arrears of the mining contractor.

Shareholders are reminded of recent X-News announcements around the resignation of the Chief Executive Officer and termination of the mining contractor services.

Shareholders are therefore advised to exercise caution when dealing in the Company's shares. The financial information on which this cautionary announcement is based has been audited by the Company's external auditor.

Morné du Plessis
Outgoing Chief Executive Officer
15 September 2023

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