INTRODUCTION

Minergy is a coal mining and trading company committed to becoming the supplier of choice to industrial customers and power utilities across southern Africa.

OPERATIONAL OVERVIEW

Much work has and continues to be done since project inception. First and foremost, focus has shifted to coal production for supply to the regional and export markets away from coal for power generation. We believe the narrative around South Africa requiring imported power will not come to fruition in the foreseeable future, if at all. This is borne out by South Africa recently announcing a surplus of 9 000 MW capacity and that it has signed take off agreements with Botswana and other SADC countries.

To this end, a highly experienced team was brought on board to accelerate the process of refining and better understanding the Masama resource. A total of 74 diamond core bore holes and 22 reverse circulation bore holes have been drilled totalling 5 570 metres over an area of ~147 square kilometres. From this a revised Competent Persons Report (“CPR”) is in the process of being finalised, mine plans are in place, markets have been identified and off take agreements are being discussed. Shareholders will be advised when the revised SAMREC compliant CPR is available on the Minergy website.

The various requirements and obligations relating to the submission of a mining licence application are being attended to with the target date for submission being end of September 2017. There has been extensive engagement with the various government departments and the response has been most encouraging leading us to believe that the mining licence should be granted by Q2 2018.

Without capital partners a project of this nature will not get off the ground. The Company embarked on a capital raising exercise in Q1 2017 and raised P70 million via a private placement prior to a listing on the Botswana Stock Exchange. The major investors are committed and supportive of the project going forward.

During July 2017, the Company embarked on a process of identifying interested parties to supply and operate the processing plant and a contract miner. Round one was completed during August 2017 and prospective tenderers were short listed to participate in round two. The process is expected to be complete during October 2017 and the Company will announce the successful bidders thereafter.

FINANCIALS

The condensed consolidated reviewed results for the financial year ended 30 June 2017 (“the results”) are representative and typical of a startup newly listed exploration group.

These are presented below as:
### CONDENSED CONSOLIDATED REVIEWED STATEMENT OF FINANCIAL POSITION

*as at 30 June 2017*

<table>
<thead>
<tr>
<th></th>
<th>Figures in Botswana Pula</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exploration and evaluation assets</td>
<td></td>
<td>20 853 784</td>
<td>15 263 287</td>
</tr>
<tr>
<td></td>
<td></td>
<td>20 853 784</td>
<td>15 263 287</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td></td>
<td>486 066</td>
<td>–</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td></td>
<td>54 171 748</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td></td>
<td>54 657 814</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td>75 511 598</td>
<td>15 263 287</td>
</tr>
<tr>
<td><strong>EQUITY AND LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital and reserves</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordinary shares</td>
<td></td>
<td>84 266 725</td>
<td>15 263 287</td>
</tr>
<tr>
<td>Accumulated loss</td>
<td></td>
<td>(9 509 380)</td>
<td>–</td>
</tr>
<tr>
<td><strong>Equity attributable to ordinary shareholders</strong></td>
<td></td>
<td>74 757 345</td>
<td>15 263 287</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td></td>
<td>74 757 345</td>
<td>15 263 287</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td></td>
<td>754 253</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td></td>
<td>754 253</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td></td>
<td>754 253</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td></td>
<td>75 511 598</td>
<td>15 263 287</td>
</tr>
</tbody>
</table>
### CONDENSED CONSOLIDATED REVIEWED STATEMENT OF COMPREHENSIVE INCOME

*for the year ended 30 June 2017*

<table>
<thead>
<tr>
<th>Figures in Botswana Pula</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other income</td>
<td>19 683</td>
<td>–</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(19 879 987)</td>
<td>–</td>
</tr>
<tr>
<td><strong>Operating loss</strong></td>
<td>(19 860 304)</td>
<td>–</td>
</tr>
<tr>
<td>Finance income</td>
<td>294 504</td>
<td>–</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(324)</td>
<td>–</td>
</tr>
<tr>
<td>Finance income – net</td>
<td>294 180</td>
<td>–</td>
</tr>
<tr>
<td><strong>Loss before income tax</strong></td>
<td>(19 566 124)</td>
<td>–</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total loss for the year</strong></td>
<td>(19 566 124)</td>
<td>–</td>
</tr>
<tr>
<td>Other comprehensive income for the year</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total comprehensive loss for the year</strong></td>
<td>(19 566 124)</td>
<td>–</td>
</tr>
<tr>
<td>Total comprehensive loss attributable to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owners of the parent</td>
<td>(19 566 124)</td>
<td>–</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total comprehensive loss for the year</strong></td>
<td>(19 566 124)</td>
<td>–</td>
</tr>
</tbody>
</table>

| Loss per share (thebe)           | (6.76)   | 0.00     |
| Diluted loss per share (thebe)   | (6.76)   | 0.00     |
CONDENSED CONSOLIDATED REVIEWED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2017

<table>
<thead>
<tr>
<th>Figures in Botswana Pula</th>
<th>Share capital</th>
<th>Accumulated loss</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at 1 July 2015</strong></td>
<td>11 568 051</td>
<td>–</td>
<td>11 568 051</td>
</tr>
<tr>
<td>Equity injected by shareholders during the year</td>
<td>3 695 236</td>
<td>–</td>
<td>3 695 236</td>
</tr>
<tr>
<td>Comprehensive loss</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Balance at 1 July 2016</strong></td>
<td>15 263 287</td>
<td>–</td>
<td>15 263 287</td>
</tr>
<tr>
<td>Shares issued during the year</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19 January 2017 issue</td>
<td>150 000</td>
<td>–</td>
<td>150 000</td>
</tr>
<tr>
<td>31 January 2017 private placement</td>
<td>70 000 000</td>
<td>–</td>
<td>70 000 000</td>
</tr>
<tr>
<td>27 April 2017 Rule 5.11 placing</td>
<td>1 858 200</td>
<td>–</td>
<td>1 858 200</td>
</tr>
<tr>
<td>Capitalisation of share issuance costs</td>
<td>(3 004 762)</td>
<td>–</td>
<td>(3 004 762)</td>
</tr>
<tr>
<td>Comprehensive loss</td>
<td>–</td>
<td>(19 566 124)</td>
<td>(19 566 124)</td>
</tr>
<tr>
<td>Share-based payment expense</td>
<td>–</td>
<td>10 056 744</td>
<td>10 056 744</td>
</tr>
<tr>
<td><strong>Balance at 30 June 2017</strong></td>
<td>84 266 725</td>
<td>(9 509 380)</td>
<td>74 757 345</td>
</tr>
</tbody>
</table>
## CONDENSED CONSOLIDATED REVIEWED STATEMENT OF CASH FLOWS

*for the year ended 30 June 2017*

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Figures in Botswana Pula</strong></td>
<td></td>
</tr>
<tr>
<td><strong>2017</strong></td>
<td><strong>2016</strong></td>
</tr>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
</tr>
<tr>
<td>Cash utilised in operations</td>
<td>(9 497 646)</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(324)</td>
</tr>
<tr>
<td><strong>Net cash used in operating activities</strong></td>
<td>(9 497 970)</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
</tr>
<tr>
<td>Exploration and evaluation asset expenditure</td>
<td>(5 628 223)</td>
</tr>
<tr>
<td>Interest income</td>
<td>294 504</td>
</tr>
<tr>
<td><strong>Net cash utilised in investing activities</strong></td>
<td>(5 333 719)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
</tr>
<tr>
<td>Subscription for shares</td>
<td>69 003 437</td>
</tr>
<tr>
<td><strong>Net cash from financing activities</strong></td>
<td>69 003 437</td>
</tr>
<tr>
<td><strong>Total cash movement for the period</strong></td>
<td>54 171 748</td>
</tr>
<tr>
<td>Cash at the beginning of the period</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total cash at the end of the period</strong></td>
<td>54 171 748</td>
</tr>
</tbody>
</table>
COMMENTARY

The Group raised P72 million via a private and public placement of shares during the year. The cash was utilised to finance operational expenditures and further exploration and evaluation of the Masama Coal Project covered by the Prospecting Licence. To this end the Group expended P5.6 million in increasing the existing capitalised exploration and evaluation expenditure assets with the majority of the spend on drilling and related assets.

This is the first year that the Group has expensed certain operating expenditures. These mostly relate to operating expenditures incurred at the holding company level which acts as an investment and holding company and sources funding for the Group. The Group also accounted for a once-off non-cash share-based payment expense in line with the requirements of IFRS 2. The operational entity, Minergy Coal (Pty) Ltd, incurs typical exploration and evaluation expenditures including salary costs. All qualifying expenditure is capitalised to the project asset.

The Group has capitalised P3 million of preliminary and share issuance costs directly attributable to the raising and placing of funds. This has been set off against the share capital raised in line with accepted accounting practice.

INDUSTRY MATTERS

Whilst there has been steady negative media coverage about the future of coal, coal is here to stay for the foreseeable future. Renewable energy has been proven unreliable for base load electricity supply leaving only the alternatives nuclear, hydro and coal. Nuclear is prohibitively capital intensive, hydro is hamstrung by global water shortage which leaves coal fired power generation. In addition, a large volume of coal continues to be used in numerous industrial processes other than power generation. Many of these processes are dependent on coal with no practical substitutes.

It is forecast that by 2030 the world will be short of 380 million tons of sea borne thermal coal due primarily to increased or at worst steady consumption, coupled with decreased production due to mines reaching end of life, lack of investment and production cut backs in China.

In the African context and as highlighted by Miriam Mannack in the article “Power for Progress”, Africa urgently needs power. Approximately 620 million Africans rely on firewood, kerosene and charcoal for cooking, heating and lighting and the African Development Bank says that 600 000 Africans, mainly women and children, die prematurely every year due to illnesses caused by indoor air pollution. In addition, Africa’s population is expected to double to 2.5 billion by 2050.

Besides this, the use of charcoal and firewood leads to alarming deforestation with Zambia losing 250 000 to 300 000 hectares of forest annually. Furthermore, off and on grid renewables have a role but cannot support base load requirements.
In 2016, four million tons of coal was exported from South Africa to the African continent. This is forecast to rise to 38 million tons by 2030 and Botswana has a significant role to play going forward by utilising the South African bulk handling facilities, the most sophisticated in Africa.

PROSPECTS

Regional market
The demand for coal in the southern African region continues unabated with prices escalating on an ongoing basis. The July 2017 McCloskey Coal Report highlights that South African domestic prices are 51% higher than the same period in 2016 and there is strong demand from the cement, industrial and paper industries.

This situation is driven by demand exceeding supply as producers are focused on fulfilling their take or pay export agreements together with the lack of investment in new projects or expansion of existing production facilities. The climate of under-investment in South Africa is blamed partly on political interference in the mining sector and the rise of resource nationalisation.

With the mining licence grant expected in Q2 2018 and the processes under way as outlined in the operational overview, the Company expects to be in production by August 2018 and would therefore be well positioned to take advantage of the southern African coal market. Initial production is planned for 1.2 million tons of saleable coal per annum ramping up when required, as the project will have a capacity of two million tons per annum from first commissioning.

Export market
Whilst the initial project plan focused entirely on the 1.2 million tons to the regional market, attention must be paid to the export market as the API4 index price for sea borne thermal coal has risen 67% since 2016 and currently trades at $82 to $84 per ton. The international traders forecast that this trend could continue, albeit at slower rate, due to production cut backs in China and delayed investment in greenfield coal projects. One must note the significant investment by large multinationals in coal projects in Australia which highlights their bullish view on coal going forward.

As outlined in the industry overview, Botswana has a significant role to play in the sea borne thermal coal market due to its large untapped coal resources and close proximity to the South African coal export infrastructure. Currently Richards Bay Coal Terminal (“RBCT”) and Transnet Freight Rail (“TFR”) together have a capacity of 84 million tons per annum. However, in 2016 only 72.6 million tons of coal was shipped through RBCT. Forecasts are for this number to remain steady leaving excess capacity of 11.4 million tons of coal per annum that Botswana is ideally suited to utilise.
Logistical challenges to exploit this opportunity need to be addressed and the Company has had extensive engagement with Botswana Rail ("BR") and TFR to address the issue of getting coal to port. The engagements have been extremely positive with an apparent will from all parties to resolve this which is expected to result in full utilisation of the project capacity.

Following the successful listing on the Botswana Stock Exchange ("BSE") in April 2017, the proposal was to explore a listing on the JSE Securities Exchange ("JSE") and list during 2018. The Board has deemed it prudent to investigate the Australian Stock Exchange ("ASX") and the London-based Alternative Investment Market ("AIM") in addition to the JSE. Shareholders will be advised on progress on this matter in due course.

CHANGES TO THE BOARD OF DIRECTORS
During the year under review there were no changes to the Board of Directors as set out in the prospectus dated March 2017.

DIVIDEND
Current year dividends
No dividends have been distributed to date as cash is utilised to ensure operations are in place.

Future dividends
Dividends will only be payable once the Company is profitable and generates the required free cash flow. It is proposed that dividends will be declared annually based on the financial performance of the Company for the 12 months ended 30 June, on a two times cover (of headline earnings per share) basis, and paid on or about October of each year. The Board shall determine the specifics of the dividend policy of the Company from time to time.

CONTINGENT LIABILITY
There are no contingent liabilities in the Group.

BASIS OF PREPARATION
The condensed consolidated financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and financial pronouncements as issued by the International Accounting Standards Board and to also, as a minimum, contain the information required by IAS 34: Interim Financial Reporting. The accounting policies applied in preparing the condensed consolidated financial statements are in terms of IFRS and are consistent with prior periods.
The formation of the Minergy Limited Group (being the incorporation of Minergy Limited and the acquisition of Minergy Coal (Pty) Ltd) was considered to be a group restructure. In substance, a group restructure results in the same controlling shareholders before and after the transaction. The Company accounted for the group restructure using the predecessor method of accounting, under which the results of the entities or business forming part of the group restructure are presented as if the group had always existed.

The Group currently has sufficient cash resources to progress the evaluation and early development of its coal project in Botswana; however, as the Group does not generate any other operating cash flows, additional funding will be required to complete development activities and bring the project into production. The Group’s ability to continue as a going concern in the longer term is therefore dependent upon obtaining additional equity and/or debt financing. There is, however, no guarantee that further funding will be obtained on favourable terms or at all. This indicates the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern in the longer term. The directors are of the opinion that the prospects of securing additional funding are positive and therefore the condensed consolidated financial statements for the year ended 30 June 2017 have been prepared on a going concern basis.

The condensed consolidated financial statements were prepared by the Chief Financial Officer, Morne du Plessis (CA)SA and were approved by the Board of Directors on 29 August 2017.

UNMODIFIED REVIEW CONCLUSION
These condensed consolidated financial statements for the year ended 30 June 2017 have been reviewed by the Company’s auditors, PricewaterhouseCoopers, who expressed an unmodified review conclusion. A copy of the auditor’s review report is available for inspection at the Company’s registered office.

APPRECIATION
The Board would like to take this opportunity to thank the shareholders for their support of the project and the management team for their dedication to ensuring that we remain on track to have operations in place as soon as possible. This is paramount to ensuring that Minergy returns value to shareholders.

On behalf of the Board

Mokwena Morulane
Non-Executive Chairman

Andre Boje
Chief Executive Officer

5 September 2017
Non-Executive Directors
M Morulane (Chairman)
C de Bruin
L Tumelo

Executive Directors
A Boje (Chief Executive Officer)
M du Plessis (Chief Financial Officer)

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Unit B3 and Unit B4
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Gaborone

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Transfer secretaries
Corpserve Botswana

Designated adviser
Exchange Sponsors South Africa

Attorneys
Collins Newman & Co

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