RENERGEN

FUTURE ENERGY, TODAY

# INTEGRATED ANNUAL REPORT

2018

# CONTENTS

# ABOUT THIS REPORT

WE ARE PLEASED TO PRESENT OUR THIRD INTEGRATED ANNUAL REPORT, SINCE LISTING ON THE JOHANNESBURG STOCK EXCHANGE (JSE) ALTX IN JUNE 2015

## OUR APPROACH TO REPORTING

We strive to provide a transparent and balanced appraisal of the material issues that faced our business during the year under review and that impact our ongoing ability to create value. We describe our business model outlining the resources and relationships that impact our business activities, transforming them into outputs and outcomes that guide us towards our vision of capitalising on the growth in the alternative and renewable energy sector by delivering superior and sustainable economic returns to stakeholders.

We aim to provide our stakeholders with information that we believe is of material interest and that will provide information needed to make an informed assessment of Renergen's ability to create value over the short, medium and long-term. This includes an account of our investment strategy and the operational, financial, economic, social and environmental performance of our assets.

To achieve this, we provide information on the following:

- Strategic focus
- Business model
- Operating context
- Leadership team
- Risk management
- Our approach to governance

We do not publish a separate sustainability report. Renergen endorses the guidelines of King IV and the detailed report can be found on pages 44 to 51.

## SCOPE AND BOUNDARY OUR REPORT

This report provides information relating to Renergen Limited (Renergen or the Company or the Group).

**Registration number:** 2014/195093/06
**JSE share code:** REN
**JSE ISIN:** ZAE000202610
**Listing date:** 9 June 2015

Our report covers the financial performance of the Group for the year from 1 March 2017 to 28 February 2018 and the operations of our primary asset, Tetra4 Proprietary Limited (Tetra4).

Our reporting process has been guided by the principles and/or requirements of the International Financial Reporting Standards (IFRS), the International Integrated Reporting Council's (IIRC) International <IR> Framework, the GRI Standards, the King Code on Corporate Governance 2016 (King IV), the JSE Listings Requirements and the Companies Act 71 of 2008.

In terms of human rights, labour, the environment and our anti-corruption efforts, we apply the principles of the United Nations Global Compact (UNGC).

## FORWARD-LOOKING INFORMATION

The report contains certain forward-looking information regarding the financial position of the Group. Renergen believes this forward-looking information to be realistic at the time of the issue of the report. These statements include uncertainties, assumptions and risks about future events and circumstances, which may result in actual results differing from those anticipated. Forward-looking information has not been independently reviewed by the external auditors. Renergen undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of publication of this report or to reflect the occurrence of unanticipated events.

## CORPORATE INFORMATION

The Group's Executive Directors are Stefano Marani (CEO), Nick Mitchell (COO) and Fulu Ravele (CFO). They can be contacted at the registered office. Renergen's Integrated Annual Report 2018 is available on the Group's website:
**www.renergen.co.za**

## ASSURANCE

The Group's external auditor, Grant Thornton, has provided assurance on the Consolidated Annual Financial Statements. The financial statements have been prepared under the supervision of Fulu Ravele, the CFO of Renergen.

Renergen does not have an internal audit function, but the Board, through its Committees monitors and reviews financial compliance, risk management, regulatory compliance, governance of information technology and operational management.

## BOARD APPROVAL

The Board acknowledges its responsibility for ensuring the integrity of the Integrated Annual Report. The report has been prepared in line with best practice. The Board confirms that it approved the Annual Financial Statement and the Integrated Report on the recommendation of The Audit, Risk and IT Committee on 27 June 2018.

**Brett Kimber**
Chairman
27 June 2018

**Stefano Marani**
Chief Executive Officer
27 June 2018

## NAVIGATING THIS REPORT

The following icons are used to show the connectivity between sections in the report.

## CAPITALS

See page 8 for descriptions of the capitals as they relate to Renergen.

**FINANCIAL** CAPITAL

**NATURAL** CAPITAL

**INTELLECTUAL** CAPITAL

**HUMAN** CAPITAL

**MANUFACTURED** CAPITAL

**SOCIAL & RELATIONSHIP** CAPITAL

# WHO WE ARE

RENERGEN IS A JSE ALTX-LISTED, INTEGRATED ALTERNATIVE AND RENEWABLE ENERGY BUSINESS THAT OFFERS INVESTORS EXPOSURE TO EARLY STAGE RENEWABLE ENERGY PROJECTS ACROSS AFRICA

We target investments with significant potential to unlock profits across the value chain, with a view to maximising returns through bringing projects up the steepest portion of the value curve.

Our primary asset, Tetra4, is an emerging helium and natural gas producer, which is pioneering the commercialisation of natural gas reserves in South Africa. Tetra4 holds the first, and currently only, onshore petroleum production right in South Africa. This right forms part of the Virginia Gas Project, which comprises a significant renewable natural gas resource, as well as a major global helium resource, with exceptionally high helium concentrations.

Tetra4 is geared to provide natural gas to the following markets:

**Industrial users**

Substitution of significantly more expensive liquid petroleum gas (LPG) with natural gas.

**Liquid fuel substitution**

Diesel substitution for trucks and buses, reducing emissions and running costs.

**Helium**

Sales of bulk liquid helium to international customers.

**Power generation**

Gas to power using small turbines, with heat recapture for steam generation for clients.

## OUR NATURAL GAS RESOURCE

The gas fields are located in the Free State, South Africa, an energy scarce area, with high customer density and limited competition. Our 'wellhead to tank' strategy, which sees Tetra4 beneficiate gas and supply refined product directly to the customer, has established Tetra4 as a vertically integrated gas producer in the region. Now with impending liquefaction capabilities, Tetra4 is capable of delivering nationwide.

Tetra4 is currently producing and selling compressed natural gas (CNG) on a small scale from our existing plant, which is connected to a single well and supplies fuel to a dispensing station at Megabus.

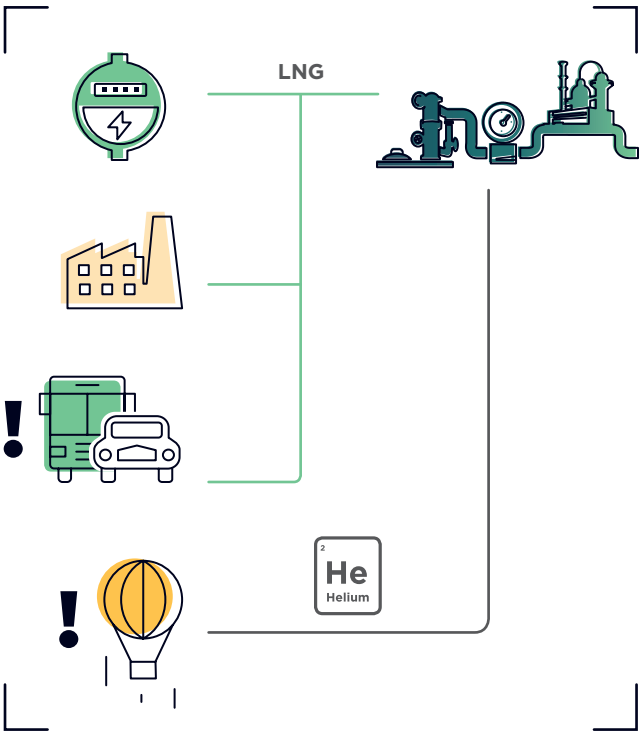
Production is set to accelerate considerably, as we expand our infrastructure to harness the gas from all our wells and move towards the production of LNG. Tetra4 will become the first commercial supplier of LNG in South Africa, providing a secure independent energy supply, with significantly reduced carbon emissions compared to diesel in the same applications.

## OUR HELIUM RESOURCE

We are set to become a significant global producer of helium, introducing South Africa as the eighth country in the world to export the very rare commodity. We are focused on unlocking the considerable value in the highly lucrative helium stream with an offtake agreement already in place. The helium plant is expected to be operational by 2020. We have secured a 'take-or-pay' agreement with Linde Global Helium, a subsidiary to Linde Group for the production from this plant.

Helium is a vital and irreplaceable element in many modern industries. Helium is used for space exploration, rocketry, high level scientific applications, in the medical industry for MRI machines, fibre optics, electronics, telecommunications, superconductivity, underwater breathing, welding and nuclear power stations and lifting balloons.

VERTICALLY INTEGRATED BUSINESS - FROM WELLHEAD TO TANK

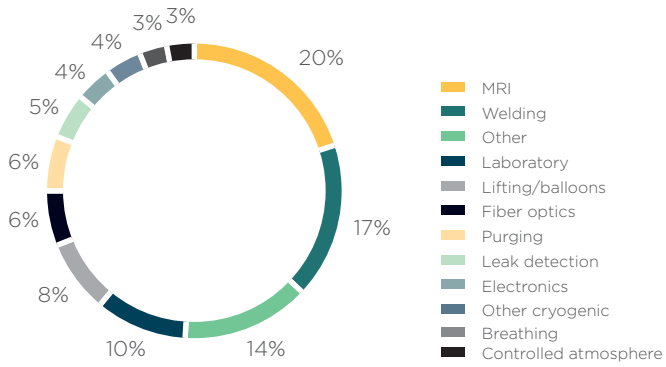



The Independent Market Report on the global helium industry (available on our website, www.renergen.co.za) states that there is likely to be a global shortage of helium supply starting in 2019 and continuing until new planned projects in Qatar and Russia come online, planned for 2020 and 2021 respectively. There is no way of manufacturing helium artificially and existing naturally occurring resources are finite.

The accessibility and commerciality of helium reserves are complex and are generally found within conventional natural gas reservoirs in small concentrations (<0.5%), making helium a valuable by-product as long as the gas is profitable to extract. Due to its properties, helium cannot be produced from shale.

Helium is a rare commodity and becomes economically viable to extract from natural gas at concentrations as low as 0.1%. The Virginia Gas Project's average concentration of helium is 3.4%, placing Tetra4 at the forefront of exciting new discoveries for global helium supply.

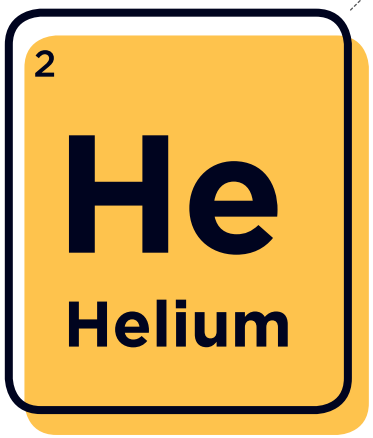
## HELIUM DEMAND CONSTITUENTS




Source: Kornbluth consulting www.kornbluthheliumconsulting.com; Edison Investment Research

## THE PROPERTIES OF HELIUM

Helium is best known for being lighter than air, but it actually has many unique qualities that make it important for applications in technology.




**INERT**
Doesn't react with other elements, and doesn't explode like hydrogen

**NON TOXIC**
Can be used by humans in a variety of applications

**LIGHTER THAN AIR**
Ability to lift and/or float

**MELTING POINT -272ºC**
Liquid at ultra-cool temperatures enables superconductivity

**SMALL MOLECULAR SIZE**
Can be used to find the smallest of leaks

# 2018 HIGHLIGHTS & MILESTONES

**FINANCIAL** CAPITAL

R218 million loan from the Industrial Development Corporation (IDC)

R161.1 million Group stated capital (2017: R137.6 million)

R2.9 million Group revenue (2017: R1.7 million)

**NATURAL** CAPITAL

Signed South Africa's first commercial LNG off-take agreement with Anheuser-Busch InBev subsidiary, South African Breweries, for use in trucks

Achieved environmental authorisation

The Virginia Gas Project's average concentration of helium is 3.4%, placing Tetra4 at the forefront of exciting new discoveries for global helium supply, with 6 billion cubic feet of helium of discovered recoverable reserves

**SOCIAL & RELATIONSHIP** CAPITAL

75% combined total procurement spend with HDSA companies

Awarded 2 secondary school bursaries

Awarded 1 tertiary school bursary

Awarded 1 leanership

Placed 1 in-service trainee in permanent employment

**MANUFACTURED** CAPITAL

24 months of CNG production completed

10 buses operated by Megabus used in CNG trial travelled over 1.6 million kilometres without incident

Engineering design of gas gathering system completed

Engineering design of LNG and helium liquefier completed

**HUMAN** CAPITAL

No injuries or fatalities

R189 706.90 spend on further education for employees

**INTELLECTUAL** CAPITAL

Integration of King IV principles into our reporting

Continual focus on digitalisation

## TIMELINE

The following major milestones have been achieved throughout the lifecycle of Renergen and the Virginia Gas Project:

**2015 JUNE**
Listed on the JSE's AltX Exchange as first primary listed SPAC

**2015 NOVEMBER**
Acquired Tetra4 and Windfall's share of Côte d'Ivoire hydro electric joint venture (Mega Power Renewables). As a result of the acquisition, Renergen is no longer classified as a SPAC and is the first renewable energy company listed on AltX

**2016 JANUARY**
Commenced construction of initial compression facilities for Tetra4

**2016 JUNE**
Commenced Front End Engineering and Design (FEED) for the helium liquefier

**2016 SEPTEMBER**
Acquired control of Mega Power Renewables

**2016 OCTOBER**

Reserve Update shows 24% increase in net reserve volumes

**2016 MAY**

Tetra4 began production, supplying Compressed Natural Gas (CNG) to Megabus, a division of Unitrans Passenger Proprietary Limited

Helium off-take agreement with Linde Group secured

**2017 MARCH**

Commenced FEED for the gas reticulation pipeline

**2017 APRIL**

Completed and submitted the Environmental Impact Assessment (EIA) related to the gas pipeline reticulation network and construction of the helium facility to the competent authority for a Record of Decision (RoD) with no formal objections

Continued progression of the feasibility study for Mega Power Renewables Côte d'Ivoire hydroelectric project

**2017 MAY**

The EIA was submitted to the authority

Renergen concludes R218 million funding with IDC

**2017 SEPTEMBER**

Received a positive environmental authorisation or RoD on Tetra4's Environmental Impact Assessment (EIA) by the Petroleum Agency of South Africa (PASA)

18 months of CNG production completed

Pipeline FEED completed

LNG and helium liquefier FEED completed

**2018 FEBRUARY**

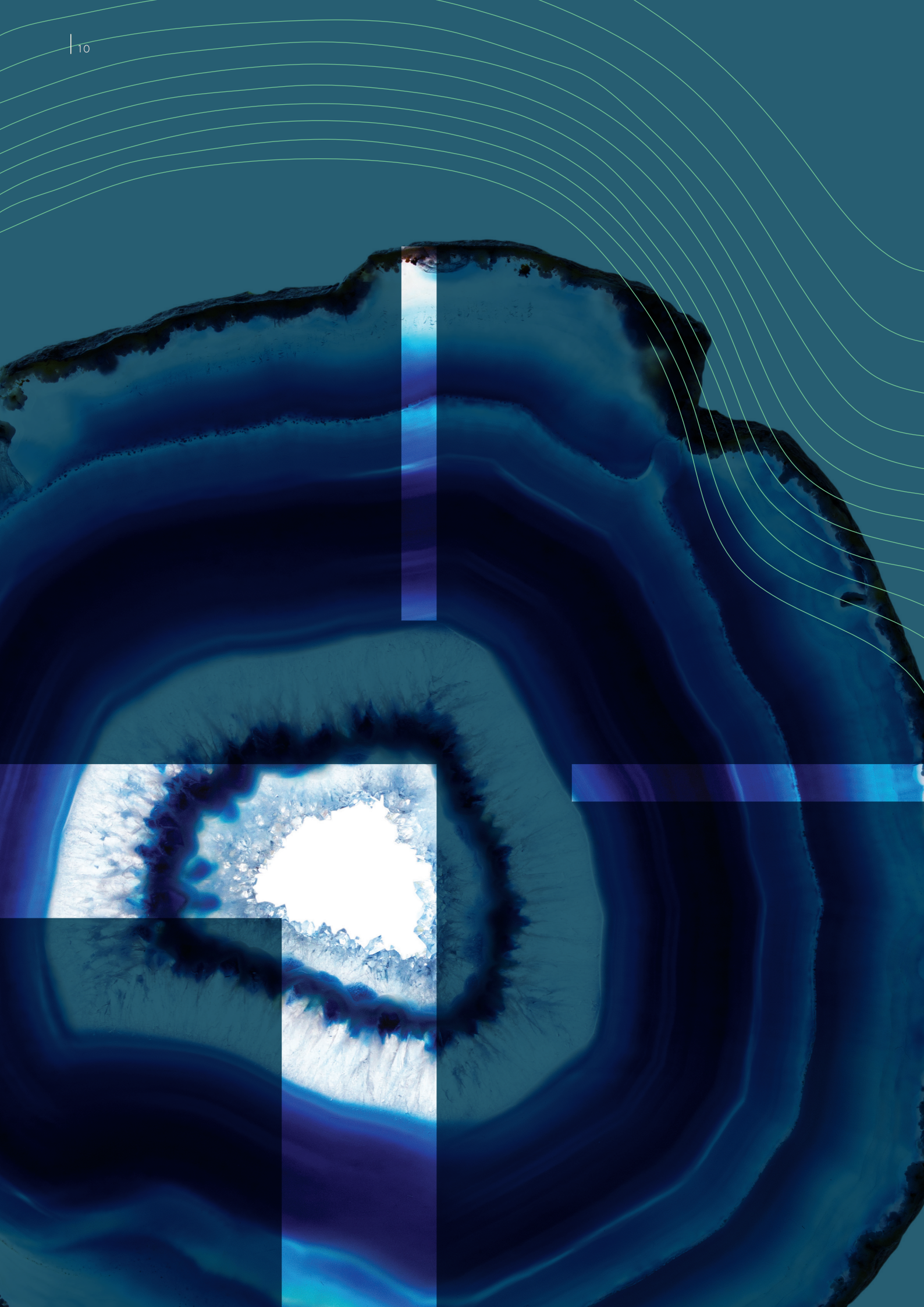
Disposed of Mega Power Renewables

**2018 MARCH**

Reserve Update shows 27% increase in net reserve volumes

**2018 MAY**

CNG and LNG Offtake Agreement concluded with Anheuser-Busch InBev subsidiary, South African Breweries



# OUR STRATEGIC FOCUS

OUR STRATEGY IS TO DEVELOP THE VIRGINIA GAS PROJECT AND UNDERTAKE FURTHER EXPLORATION OF THE EVANDER EXPLORATION RIGHT

## CNG PLANT

The CNG Plant can produce up to 200 GJ of gas per day from one well and includes a compression station, mobile storage units and a dispensing station at the site of Tetra4's customer, Megabus. Megabus has been successfully trialling replacement of diesel with Tetra4's CNG in its buses since May 2016. Megabus has more than 220 buses in proximity to Tetra4's operations. The 10 buses used in the trial have travelled over 1.6 million kilometres without incident, while reducing bus running costs and greenhouse gas emissions significantly.

The contract with Anheuser-Busch InBev subsidiary, South African Breweries, which was executed in May 2018, will see supply of CNG commence in the 4th quarter of 2018. This will consume the surplus capacity from our current CNG Plant.

Once the New Plant is operational, CNG production will cease at the Virginia Gas Project and will be replaced with LNG. Subject to regulatory approvals and other project dependencies, it is possible that in the medium-term Tetra4 will relocate the CNG Plant to its Evander Exploration Right, with the eventual aim of supplying local bus operators with CNG and bringing our second gas field into operation.

## EXPANSION OF THE VIRGINIA GAS PROJECT

The proposed expansion of the Virginia Gas Project is to be undertaken in stages.

### STAGE ONE (SHORT-TERM)

| OBJECTIVE | COMMENCE FULL-SCALE PRODUCTION |
|---|---|
| **Expected timeframe** | Within 18 months of completing financing package for construction |
| **Infrastructure development** | Construction of LNG and helium liquefiers<br>Pipeline construction to connect the 13 existing economically viable gas wells to pipeline and the New Plant |
| **Production capacity** | Designed for a maximum daily production capacity of 350 kg of liquid helium and 50 tons of LNG per day, with additional drilling increasing capacity |

### STAGE TWO (MEDIUM-TERM)

| OBJECTIVE | INCREASE PRODUCTION |
|---|---|
| **Expected timeframe** | Undertaken over 3 to 4 years |
| **Infrastructure development** | Additional drilling and connecting new wells to the main pipeline |
| **Production capacity** | Increase daily production capacity to approximately 150 tons of LNG per day, and up to 1,500 kg of helium per day by adding additional modules and drilling up to 80 wells |

### LONGER-TERM

| OBJECTIVE | INCREASE PRODUCTION |
|---|---|
| **Objectives** | Capitalise on additional opportunities in the upstream helium and natural gas sector to drive growth<br>Build a large-scale South African natural gas company with diversified revenue streams |

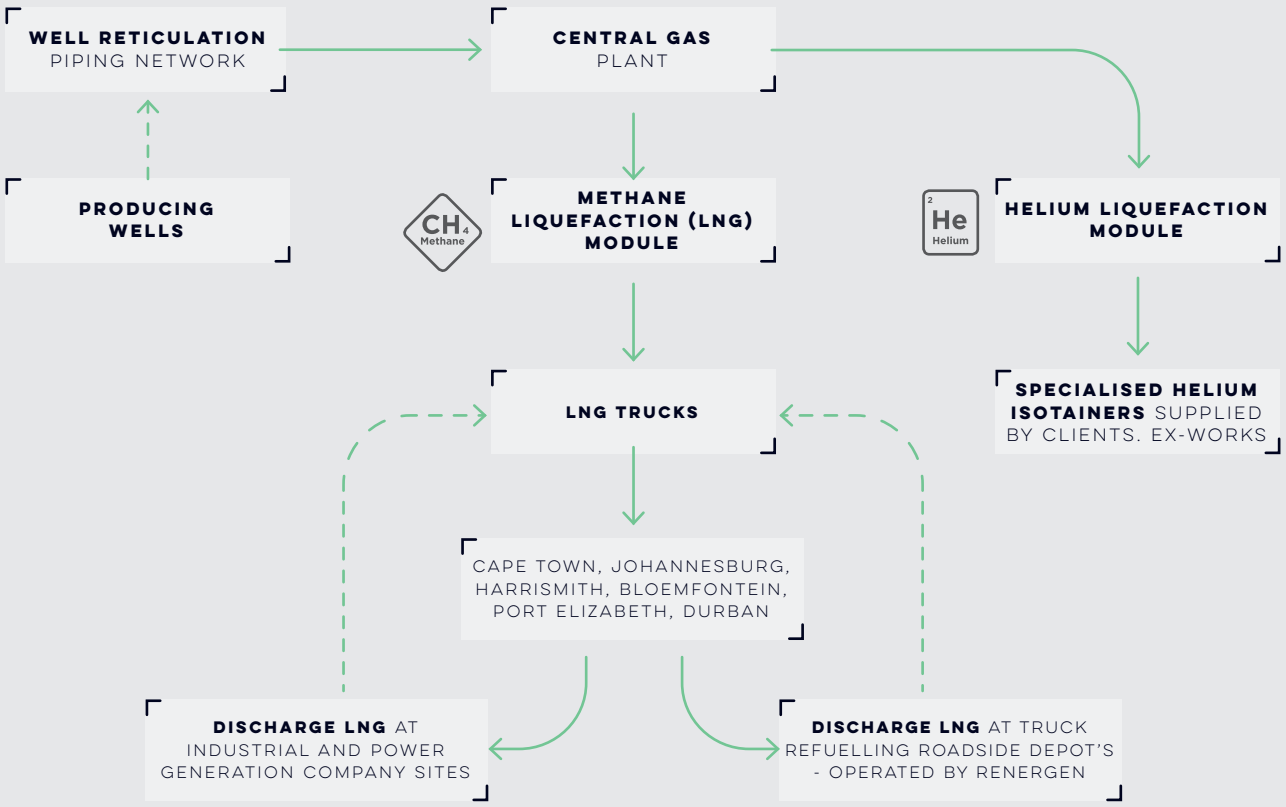
## LNG PROCESSING AND PRODUCTION

The New Plant will be located directly adjacent to Tetra4's current facility. The plant will therefore be able to share already installed infrastructure and utilities which were built for the CNG operation.

The plant is scalable to account for additional flow by the introduction of additional modules which individually occupy very little space. Modularisation also means that expanding capacity begins to enjoy economies of scale, and installation and commissioning time is reduced.

The pipeline will be connected to all the wellheads, where flow meters will communicate with the main system informing Tetra4 which wells are operating at optimum capacity, as well as ensuring that the mass-flow balances are matched.

PLANT FLOWSHEET AND SALES CYCLE




## LNG DISTRIBUTION

We intend to distribute LNG via modular mobile refuelling facilities. The technology for these facilities is mature and readily available from international suppliers.

Tetra4 aims to rollout sufficient mobile refuelling facilities to distribute its expected medium-term production capacity. The intention is to setup bespoke operations in our clients' depots to support their transport routes.

Tetra4 has already secured its first customer for LNG - Anheuser-Busch InBev subsidiary, South African Breweries, and has garnered significant interest from many other fleet owners.

## HELIUM PROCESSING AND PRODUCTION

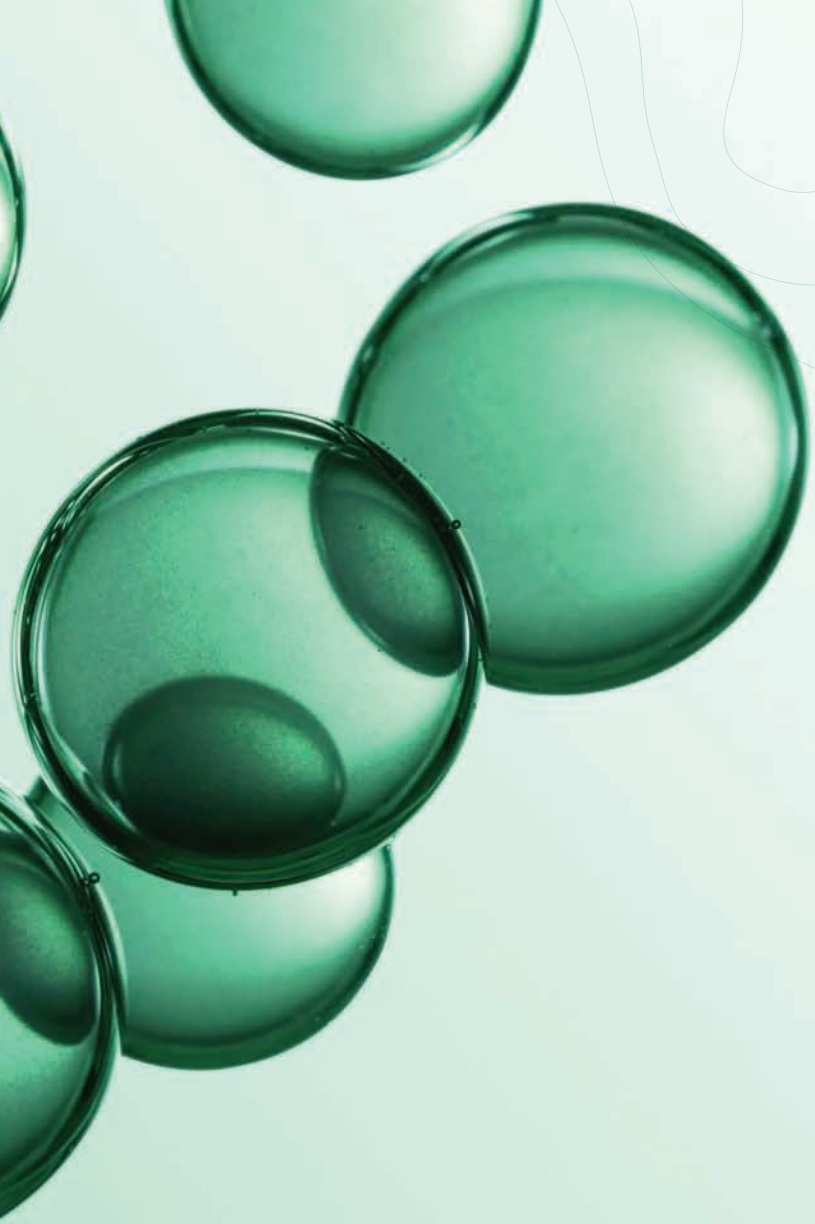
Helium is usually produced as a by-product through natural gas processing. In Tetra4's process, the natural gas will be reticulated to the New Plant by a network of gathering pipelines. The pipeline is designed to operate at low pressure. Once the gas arrives at the central processing facility, it is dried, and all particles and residual contaminants removed. The gas will then enter the cryogenic LNG and liquid helium processing facility.

The pipeline is designed to cater for growth by accommodating additional capacity along the main trunk line. As a result, only feeder lines will be required from the wellheads of the new wells, drilled during stage two of the proposed expansion of the Virginia Gas Project.

## EVANDER EXPLORATION RIGHT

Tetra4's Evander Exploration Right is located 120km east of Johannesburg and covers approximately 52,000 hectares. Tetra4 has not commenced exploratory drilling, however there are historically drilled boreholes which produce natural gas. These were drilled by mines exploring for minerals, rather than petroleum. The Evander Exploration Right also has a significant number of additional sites that show indications of natural gas.

The natural gas indications at the Evander Exploration Right are similar in composition to the gas produced at the Virginia Gas Project, in that they have almost nil higher alkanes. However, the helium concentrations are significantly lower at around 0.5% (which Renergen still considers significant). Tetra4 intends to carry out additional exploration at the Evander Exploration Right in the new financial year.



HELIUM IS A NON-RENEWABLE RESOURCE. IT IS A COLOURLESS, ODOURLESS, TASTELESS, NON-TOXIC, INERT, MONATOMIC GAS, THE FIRST IN THE NOBLE GAS GROUP IN THE PERIODIC TABLE

# HOW WE CREATE VALUE THROUGH THE SIX CAPITALS

# WE USE OUR BUSINESS MODEL TO CREATE VALUE FOR ALL OUR STAKEHOLDERS

## OUR VISION

To capitalise on the unprecedented growth in the alternative and renewable energy sector by delivering superior and sustainable economic returns to shareholders.

## OUR MISSION

Renergen is an integrated alternative and renewable energy business that invests in early stage energy projects across Sub-Saharan Africa and other emerging markets.

## OUR VALUES

### PIONEERS

The first JSE listed company in the alternative energy sector

### INSIGHTFUL

A deep understanding of alternative energy sector and the ability to enhance and maximise resources

### LIMITLESS

Endless possibilities in underutilised energy resources

### ENTREPRENEURIAL

Consistently exploring opportunities from challenges faced on the African continent

Dynamic management

Experienced team

### SUSTAINABLE

Reduction of carbon footprint and access to energy are primary goals

# OUR KEY RESOURCES AND RELATIONSHIPS


## OUR NATURAL RESOURCES

Our natural capital includes the mineral resources and reserves, which we extract and beneficiate to supply renewable, cleaner energy for the South African transport market and helium for the global helium market.

| KEY NATURAL CAPITAL INPUTS | KEY METRICS / SALIENT FEATURES |
|---|---|
| **Proven and Probable natural gas reserves** | 162 billion cubic feet (Bcf) of Proven and Probable |
| **Independent reserve valuation** | R8.4 billion 2P at 15% |
| **Renewable resource of gas of unique origin** | The gas is a combination of biogenic (produced by bacteria) and thermogenic (from the earth's mantle), which is classified as renewable due to the bacterial action renewing the gas |
| **Very high-quality gas** | >90% methane, no other alkanes or condensates |
| **Exceptionally high helium content** | On average 3.4% |
| **Helium reserves** | Proven and Probable helium reserves of close to 9.2 million kilograms |


## OUR FINANCIAL CAPITAL

The funding acquired from various capital providers, which is used to invest in our strategy and business operations.

| KEY FINANCIAL CAPITAL INPUTS | KEY METRICS / SALIENT FEATURES | |
|---|---|---|
| | **2018** | **2017** |
| **Group Revenue** | R2.9 million | R1.7 million |
| **Group Stated Capital** | R161.1 million | R137.6 million |

**MANUFACTURED**
CAPITAL

## OUR INFRASTRUCTURE AND EXTRACTION ACTIVITIES

Our manufactured capital includes the infrastructure required to extract, process and distribute our products.

| KEY MANUFACTURED CAPITAL INPUTS | KEY METRICS / SALIENT FEATURES |
|---|---|
| **Low cost producer** | Very low-pressure wells that can be drilled to 400 meters in depth using standard percussion drilling |
| **13 existing economically viable wells** | No further drilling required to achieve stage one in expansion as the wells simply need to be connected to the New Plant |
| **Engineering design of gas gathering system** | Completed<br>Final procedural approval expected by 30 June 2018 |
| **Producing and selling CNG on a small scale from existing CNG Plant at the Virginia Gas Project** | 200 GJ per day of gas from one well and includes a compression station, mobile storage units and a dispensing station at Megabus |
| **Commissioning of first commercial LNG and liquid helium extraction plant in South Africa** | Competitive bidding process nearing completion |

**INTELLECTUAL**
CAPITAL

## OUR INTELLECTUAL CAPITAL

Intellectual capital encompasses the collective body of intellectual assets at our disposal that enable us to create value for all our stakeholders.

| KEY INTELLECTUAL CAPITAL INPUTS | KEY METRICS / SALIENT FEATURES |
|---|---|
| **Tetra4 owns multiple Rights** | Virginia Gas Project 30-year Production Right, with 24-years remaining<br>Virginia Gas Project Exploration Rights<br>Evander Exploration Rights, which has two wells currently blowing |
| **Sustainability, risk management, assurance and governance structures** | Implemented King IV in 2018 |
| **Effective decision-making** | Embedded strong governance, proactive risk management, ability to react rapidly to changing business conditions |

**SOCIAL & RELATIONSHIP** CAPITAL

## QUALITY STAKEHOLDER RELATIONSHIPS AND MAJOR REGULATORY APPROVALS

Our stakeholders include, our employees, shareholders, customers, suppliers and regulators and government, as well as the communities in which we operate. Our social licence to operate and establishing full-scale production is contingent on meeting regulatory requirements.

| KEY SOCIAL AND RELATIONSHIP CAPITAL INPUTS | KEY METRICS / SALIENT FEATURES |
|---|---|
| **Tetra4 is currently the only onshore producer of natural gas in South Africa** | Natural gas produced and sold as a fuel substitute has a low carbon footprint. Natural gas is a cleaner source of energy |
| **Received all regulatory approvals required to move into full-scale production** | Environmental authorisation for the expansion issued on 29 September 2017<br>Final procedural approval expected by 31 July 2018 |
| **Applied for an integrated water use license under the South African National Water Act 36 of 1998** | Expected to be obtained in the last quarter of 2018, allowing Tetra4's to connect our proposed pipeline to bridge crossings |
| **Helium product under an offtake agreement with Linde Global** | Concluded |
| **Educational bursaries** | High school students and tertiary education bursaries awarded to students |
| **Learnerships and experiential training** | Tertiary students offered experiential training<br>Learnerships offered to graduates<br>Previous trainee offered permanent employment |

**HUMAN**
CAPITAL

## OUR PEOPLE

Our human capital is the skills, productivity, safety and wellbeing of our employees, who in turn are critical to implementing Renergen's growth strategy and ensuring the necessary compliance.

| KEY FINANCIAL CAPITAL INPUTS | KEY METRICS / SALIENT FEATURES |
|---|---|
| **Diverse workforce** | 23 employees<br>56% black employees<br>17% black senior and top management<br>1 female black Director<br>48% female employees |
| **Experienced management team with a strong track record in natural gas project development** | Management team responsible for developing the Tetra4 asset from as early as 2013 and are considered pioneers of the local onshore upstream gas industry |
| **Effective agile leaders** | Enables effective and flexible implementation of strategy |
| **Constructive and effective working relationships with all our employees** | Retained the skills we require<br>Policies implemented to ensure conducive work environment; Racism and Racial Harassment Policy<br>Health and Safety Policy<br>Sexual Harassment Policy |
| **Commitment to ensuring a safe work environment** | Implemented an Accidental Death and Disability Policy for our employees<br>Zero injuries on duty<br>Training on health and safety<br>Provide appropriate personal protection equipment (PPE) |
| **Talent management** | Bonus Share Plan (BSP) scheme in place to reward excellent performance and retain key staff members |

# OUR OUTPUTS

## NATURAL GAS

The South African gas market has historically been stagnant, and almost entirely dependent on local production of LPG and natural gas imported from Mozambique. There are frequent constraints in LPG supply in South Africa. Natural gas imported from Mozambique comes via the Republic of Mozambique Pipeline Company's pipeline to Johannesburg and is supplied mainly to users close to the pipeline at low pressures. This source of gas is unable to fully supply existing gas demand in South Africa.

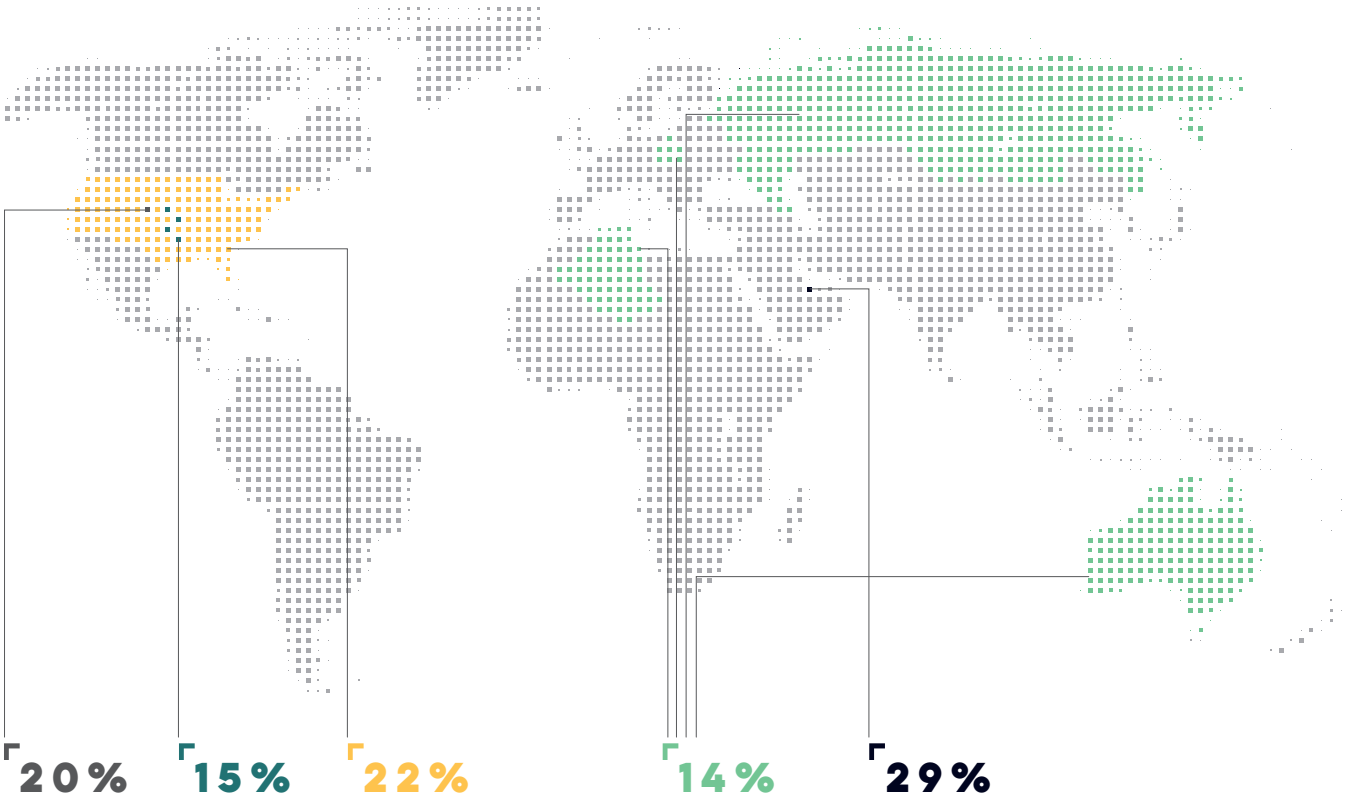
Tetra4 will sell its natural gas product to domestic consumers, targeting primarily the South African transport industry, in which it has established relationships with customers. By switching from diesel to Tetra4's CNG and LNG, customers will realise a meaningful cost saving and reduce their carbon footprint.

Key facts on natural gas for transport

- Drastically reduces carbon emissions
- Improves vehicle lifestyle maintenance
- Reduces the operating costs significantly
- Globally almost 24 million vehicles run on natural gas

## CURRENT HELIUM SUPPLY

While helium is extracted, refined, and produced all over the world, the majority of helium is produced in the United States and Qatar. The following diagram is a breakdown of global helium by geography.




**29%** Qatar I & II plants
**22%** U.S. Bureau of Land Management (BLM)
**20%** ExxonMobil, Wyoming
**15%** (Private plants), Kansas, Oklahoma, Texas, Colorado, South Dakota
**14%** (Collective plants) Poland, Australia, Russia, Algeria

Helium is sold as a globally traded commodity. The reported spot price for helium has increased by 100% in the past 10 years. The Qatar blockade is expected to curtail Qatar's supply of helium, with a resultant increase in the helium spot price. In addition, global demand for helium continues to increase at 2% per annum as more uses are discovered. Helium is a rare commodity and becomes economically viable to extract from natural gas at concentrations as low as 0.1%. The Virginia Gas Project's average concentration of helium is 3.4%, placing Tetra4 at the forefront of exciting new discoveries for global helium supply.

# KEY **STRENGTHS** AND **COMPETITIVE ADVANTAGES**

## PROVEN HELIUM RESERVES MAKE TETRA4 A MEANINGFUL PLAYER IN THE GLOBAL LANDSCAPE

Tetra4 enjoys a high helium concentration in its gas stream, with an average concentration of 3.4%, with the last well (drilled in September 2016) producing 11% helium.

## HELIUM IS A HIGH GROWTH GLOBAL MARKET

Edison Investment Research in its Independent Market Report, reports that there is likely to be a global shortage of helium supply commencing in 2019.

## FIRST MOVER ADVANTAGE ON DISTRIBUTION OF NATURAL GAS IN SOUTH AFRICA

Tetra4 was granted the first and only onshore petroleum production right in South Africa and has experience in producing and selling natural gas, having started doing so in May 2016. Tetra4 expects to be able to capitalise on its first mover advantage and begin supplying LNG to the South African transport industry and other users by 2020.

## LARGE LNG UNTAPPED MARKET IN SOUTH AFRICA – PARTICULARLY FOR THE TRANSPORTATION INDUSTRY

Demand for Tetra4's LNG is expected to significantly exceed its production capacity, given that South Africa lacks LNG import infrastructure and has no other access to LNG.

## SCALABLE PLANT

The New Plant is modular in design and scalable, to support the anticipated growth in demand for helium and LNG.

## REVENUE IS LINKED TO US DOLLAR

Tetra4's expected future helium revenue is denominated in US dollars, whilst its expenses are primarily incurred in Rand. This means that if the Rand depreciates against the US dollar, Tetra4 would become more profitable. However, if the Rand strengthens production costs remain stable.

## EXPLORATION POTENTIAL

Tetra4 also holds the Evander Exploration Right, which is an additional onshore petroleum exploration right at Evander, Mpumalanga in South Africa.

## TETRA4 IS EXPECTED TO BE AN ECONOMIC STIMULATOR FOR THE REGION

Tetra4 has garnered significant support from local business and communities. Less expensive energy sources reduce costs of transport in logistics and production in the manufacturing sector, these costs savings will stimulate the economy, and locally produced energy will substitute imported liquid fuels.

## TETRA4 WILL BE AN EXPORTER OF LOCALLY PRODUCED HELIUM

This not only generates foreign currency revenues for the Company, but more importantly the Virginia Gas Project will contribute towards South Africa's balance of payments. This underpins Tetra4's social licence to operate and will continue to be a focus for Tetra4 during the proposed expansion of the Virginia Gas Project, after helium and LNG production commences.

# OUR BOARD


STEFANO
MARANI
NICK
MITCHELL
FULUFHEDZANI
RAVELE (FULU)

# OUR **DIRECTORS**

## EXECUTIVE DIRECTORS

### MR STEFANO MARANI (40)

**Managing Director and Chief Executive Officer**
*BSc Actuarial Science; BSc Hons in Advanced Mathematics of Finance*

Stefano is the Chief Executive Officer of Renergen and its subsidiary Tetra4. He was part of the team which acquired Tetra4 from Molopo Energy Limited in October 2013 and has been involved with the Company in a management role since October 2013.

Stefano has significant experience in the areas of structured finance and advisory. After completing his formative training with Deutsche Bank, Stefano was recruited by Morgan Stanley in London, where he was ultimately charged with building their sub-Saharan African fixed income capital markets business, before starting his own business in 2009.

Appointed 20 November 2014

### MS FULUFHEDZANI (FULU) RAVELE (31)

**Executive Director and Chief Financial Officer**
*B Comm Financial Accounting; Postgraduate Diploma in Accounting; CA(SA)*

Fulu obtained her CA(SA) qualification with Deloitte South Africa in 2012. She has experience in financial accounting, internal and external audit. After qualifying as a CA(SA), she was seconded to Deloitte LLP Los Angeles office as an audit senior. Fulu was appointed as a management accountant at Barclays Capital South Africa in June 2013, where she focused on reporting financial results for Corporate and Investment Banking (CIB) South Africa and rest of Africa.

Fulu joined Tetra4 as Financial Director in July 2015 and was appointed to the Board of Renergen in November 2015 following the acquisition of Tetra4 by Renergen.

Appointed 25 November 2015

### MR NICK MITCHELL (39)

**Executive Director and Chief Operating Officer**
*Microsoft Certified Systems Engineer (MCSE), A+ Certified*

Nick was instrumental in the acquisition of Tetra4 from Molopo Energy Limited in October 2013 and subsequently developed and implemented Tetra4's vertically integrated business plan. Nick was appointed to the Board of Renergen in November 2015 following the acquisition of Tetra4 by Renergen. Nick is also currently serving as the Chairman for the Onshore Petroleum Association of South Africa (ONPASA) which represents the upstream onshore petroleum industry in South Africa. He has extensive experience in infrastructure projects across Africa supported by a network in territories including Côte d'Ivoire, the Democratic Republic of Congo and Mozambique.

Appointed 25 November 2015

## INDEPENDENT NON-EXECUTIVE DIRECTORS

### MR BRETT KIMBER (57)

**Non-executive Chairman, Independent**
*Bsc Hons Mineral Economics; Bsc Hons Geochemistry*

Brett is currently the Managing Director of Marley Pipe Systems a member of the Aliaxas Group of companies. He stepped down as Managing Director of African Oxygen Limited in January 2015 after a twenty-five-year career in the broader Linde Group across Asia, the US and South Africa.

He graduated with a Bsc Hons Geochemistry in 1987 and joined Anglo American in 1988 as a senior research geologist before joining the then BOC Group (now Linde Global Helium) in 1990 where he served in various capacities.

Appointed 17 June 2015

### MR MBALI SWANA (61)

**Non-executive Director, Independent**
*Bas (UCT); Barch (UCT); Pr Arch (SA); MIAT (SA)*

Mbali is the chief executive officer of Prop5 Corporation Proprietary Limited, a turnkey-built environment infrastructure and engineered products developer which he founded in 1986. Mbali has significant experience in implementing large scale projects across Africa and is currently developing Prop5's Africa-wide strategy for the development of infrastructure.

Appointed 16 February 2015

### MR LUIGI MATTEUCCI (64)

**Non-executive Director, Independent**
*CA(SA); B Com (Wits); CTA (Wits)*

Luigi actively consults on strategic and business development initiatives in the mining and engineering field. He served in senior management positions and as Financial Director of Highveld Steel and Vanadium Corporation Limited for 18 years up to 2007 where he implemented successful cost reduction and efficiency strategies.

Appointed 16 February 2015

### DR BANE MALEKE (68)

**Non-executive Director, Independent**
*BA. MBA and PhD University of Bath (UK).*

Bane spent 20 years in senior management at the Development Bank of South Africa and held the position of Regional Executive for the Southern African Development Community and East Africa Regions.

Appointed 7 December 2016

# OUR STAKE HOLDERS

Our stakeholders include our employees, shareholders, customers, suppliers, regulators and government, as well as the communities in which we operate.

Establishing and maintaining effective stakeholder relationships are not only essential to sustain the growth of the Group but also an essential component of sound governance. The Board has approved a communications process and engagements with stakeholders are in accordance with the process.

By establishing and maintaining constructive relationships with our stakeholders, we are better equipped to identify and address opportunities and risks.

| MATERIAL STAKEHOLDER INTERESTS | MATERIAL INTERESTS | HOW WE ENGAGE | COMMITTEE OF THE BOARD |
|---|---|---|---|
| SHAREHOLDERS AND POTENTIAL FUTURE INVESTORS | Return on investment (ROI)<br>Operational performance<br>Strategy execution<br>Compliance with regulatory requirements | Annual General Meeting (AGM)<br>One-on-one meetings<br>SENS announcements Investor presentations<br>Dedicated investor relations email address<br>Integrated Annual Report | Renergen Exco<br>Audit and Risk Committee<br>GETSC Committee |
| FINANCIERS | Liquidity and sustainability<br>Capital management<br>Project execution<br>Sustainability<br>Risk management | Reporting/investor briefings<br>Integrated Annual Report | Renergen Exco<br>Audit and Risk Committee |
| EMPLOYEES AND CONTRACTORS | Job security<br>Fair remuneration<br>Skills development<br>Favourable working conditions<br>Health and Safety<br>Standardisation of processes and operating procedures | Newsletters<br>Regular meetings<br>Training and<br>Development goals<br>Performance appraisals<br>Market related compensation | GETSC Committee<br>Audit and Risk Committee |
| GOVERNMENT (NATIONAL AND LOCAL) AND REGULATORS | Employment equity<br>Environmental impact<br>Social Labour Plan (SLP)<br>Safety<br>Compliance with relevant legislation and regulations | Monthly reporting to regulator<br>Regular scheduled engagements with the regulators | Renergen Exco<br>GETSC Committee<br>Audit and Risk Committee |
| CUSTOMERS | Operational efficiency and productivity<br>Competitive pricing<br>Security of goods and services | Operational meetings with our customers | Renergen Exco |
| SUPPLIERS AND SERVICE PROVIDERS | Transparency of procurement processes<br>Ethical conduct | Procurements Policy<br>UN Global<br>Compact Principles<br>Organisation for Economic Co-operation and Development's (OECD) recommendations<br>Equity Act<br>Broad-based Black Economic Empowerment Act | Renergen Exco |

# CHAIRMAN AND CEO'S REPORT

WE ACHIEVED SIGNIFICANT MILESTONES IN THE YEAR UNDER REVIEW, POSITIONING TETRA4 ON THE CUSP OF FULL-SCALE PRODUCTION AND IGNITING OUR GROWTH STRATEGY. THE EIA APPROVAL FROM THE PETROLEUM AGENCY OF SOUTH AFRICA (PASA) WAS A TURNING POINT FOR RENERGEN, PROVIDING ENVIRONMENTAL AUTHORISATION TO COMMENCE FULL-SCALE PRODUCTION

This is further supported by securing key funding from the IDC and the completion of vital front-end engineering design for the pipeline network and associated gas processing facilities. This supports a key enhancement of our strategy – to focus on liquefaction or turning the gas into LNG - placing Tetra4 at the forefront of the South African market as the first private sector producer, supplier and distributor of LNG in South Africa. The very high concentration of helium in our gas, enabled the optimisation of plant design and the use of cryogenics from the helium liquefaction to produce LNG instead of compressing the gas.

## MOVING TO LNG PRODUCTION

Tetra4 is set to commence construction of natural gas liquefiers in the 2019 financial year, with the production of LNG expected to begin by 2020. The LNG plant is designed to have a capacity of up to 50 tonnes a day for the end-user. LNG is more cost-effective and easier to use as it does not require large vessels and high pressures to hold the gas. In addition, trucks and buses using LNG, can travel up to 2000 km, compared with the current 500 km with CNG in dual fuel scenarios.

In anticipation of full-scale production of LNG, we have established relationships with several large energy intensive customers. Post-year end we signed an offtake agreement with Anheuser-Busch InBev subsidiary, South African Breweries for the supply of LNG to power its delivery trucks, and now we have significant interest from other players in the logistics market as a result.

## CAPITALISING ON OUR EXCEPTIONAL HELIUM RESERVES

The Virginia Gas Project has the potential to become a globally significant source of helium. In March 2018, an updated Independent Reserve review by US-based MHA Petroleum Consultants estimated our recoverable resources, at 6.2-billion cubic feet on a discovered commercial basis. This represents a 27% increase in the value of our gas reserves — from R6.6 billion to R8.4billion.

Contingent helium resources are between 8.64 Bcf and 24.6 Bcf, with one of the richest helium concentrations recorded globally (average 3.4%, with helium becoming economically viable to extract from natural gas at concentrations as low as 0.1%).

Detailed information about Tetra4's helium and methane gas reserves and resources is contained in the Independent Reserve and Resource Evaluation Report on our website.

In the prior financial year Renergen concluded a fully termed 'take-or-pay' helium offtake agreement with Linde Global Helium at the Virginia Gas Project to satisfy consumption in South Africa, up to a maximum annual volume of 24,000 Mcf. We expect that helium production will begin in 2020. As a commodity, helium has experienced strong demand growth and diminishing supply.

## COST STRUCTURE

Tetra4 aims to maintain the lowest cost structure possible. This begins at the wellhead, where we are able to extract raw natural gas at costs lower than most gas producers, because of the low cost of drilling and extraction due to Virginia Gas Project's regenerative nature. Tetra4's midstream operation is designed with the intention of being low cost to build and maintain. Tetra4's processing has been tailored to its high helium concentration, so Tetra4 enjoys significant economies of scale on power consumption in the cryogenics process – more so than a company with little to no helium concentration.

## FUNDING

During the year, we secured a R218 million loan from the IDC to develop a compression station, pipeline and associated infrastructure at the Virginia Gas Project. Further funding activities are underway and will be announced to the market once the full scope of financing has been secured.

## OPERATING CONTEXT

Tetra4 produces energy as a substitute to liquid fuels, the majority of which are imported into South Africa. Furthermore, liquid fuels are correlated to the oil price, which means that Tetra4 will enjoy wider margins with a higher oil prices and weaker Rand, both of which transpired over in year under review.

As the government seeks to levy more taxes by implementing carbon tax, increasing tax on diesel and petrol, and potentially adding VAT to diesel, Tetra4's offering becomes more competitive as businesses seek viable substitutes.

## FINANCIAL PERFORMANCE

In the year under review, Renergen's initial production facility operated on a small-scale, delivering a revenue of R2.9 million. The Group continued to accelerate investment to expand the business, with R9.6 million spent on plant, machinery and equipment for the engineering of Tetra4's Virginia operating plant expansion. In addition, R2.8 million on was spent on a financial business system and integrated health, safety and environmental quality software system. The Group recorded a total loss for the year of R40.6 million after taxation of R 2.4 million, compared to R18.7 million, the previous year after taxation of R6.2 million.

The feasibility and pre-feasibility studies of the hydroelectric project in Côte d'Ivoire, were funded by Renergen. All costs incurred to date were funded in the form of a loan to Mega Power Renewables. The hydroelectric project of R12.2 million has been impaired as no economic benefits are expected to be recovered.

## OPERATIONS

During the year, Tetra4 continued to supply the Megabus bus fleet and several trucks with compressed natural gas from our recently completed natural gas compression station in Virginia, in the Free State.

## OUR OTHER ASSETS

Mega Power Renewables was an early stage hydroelectric project in Wodougou Province, Côte d'Ivoire that was aimed at harnessing the hydropower of the Badama Rouge and Bandama Blanc rivers. The Board took the decision not to proceed with the hydroelectric project managed by Mega Power Renewables so that Renergen can concentrate exclusively on capitalising on the opportunities available to Tetra4.

## SAFETY

We are happy to report that we had a fatality free and injury free year. Through Isometrix, our integrated environmental, health, safety and quality system, we are able to track all our incidents, date occurred and assign any action necessary. This past year, there were no injuries on duty.

## CORPORATE GOVERNANCE

The Renergen Board has welcomed King IV and subscribes to achieving the principles, practices and governance outcomes that interact as follows:

- Ethical culture
- Good performance
- Effective control
- Legitimacy

Our King IV Report is no longer checklist, but a full Report. We are proud of our Board's collective commitment to leading ethically, acting in good faith and in the best interests of the business. The Board's assumption of responsibility for the governance and ethics includes an approved Code of Conduct and Ethics, which is governed and monitored by the GETSC Committee.

Renergen continuously reviews and revises its policies and controls where necessary in order to optimise our governance standards, the following policies were reviewed over the past year:

- Remuneration Policy
- Corporate travel Policy
- HR Policies

## LOOKING AHEAD

We are excited about the progress made on all fronts. We expect to realise value from our investment in Tetra4 sooner than previously anticipated and, once the plant is in full production, we should be able to explore and develop further opportunities.

The Board looks forward to an exciting future and would like to thank all our dedicated employees for their efforts during the past financial year.

**Brett Kimber**
Chairman

**Stefano Marani**
Chief Executive Officer

# MATERIAL ISSUES, RISKS AND OPPORTUNITIES

Renegen has adopted an enterprise-wide approach to risk management, to identify and assess relevant risks facing the Group at strategic, business and operational levels. The risk assessment process also identifies areas of opportunity, for example, where effective risk management can be turned into a competitive advantage or where taking certain risks could result in reward for the Group. Identifying risks and opportunities through a structured and systematic process enhances our strategic planning process.

Any risk taken is considered within the Group's risk appetite and tolerance levels, which are updated annually. In addition, the Board has embedded sound governance and regulatory frameworks, as well as clear delegation of authority and strategic investment policies.

Using Isometrix, Renergen manages its business risks, governance, and sustainability in our single system. Our business management software acts as our ERP solution and assists in automating key business functions in financials and operations. The Board, through the Audit, Risk and IT Committee, are ultimately responsible for the successful implementation and ongoing monitoring of the risk management framework.

The following table is a summary of key opportunities and risks that Renergen is exposed to.

## MATERIAL OPPORTUNITIES

| OPPORTUNITY | DESCRIPTION |
|---|---|
| **HELIUM OPPORTUNITIES** | Renergen will seek additional opportunities in the upstream helium and natural gas sector to complement its growth strategy.<br>Supply versus demand for helium is becoming favourable to Tetra4's prospects in entering the global helium supply market. |
| **EARLY STAGE NATURAL GAS FIELDS** | Renergen will look for opportunities to consolidate similar early stage natural gas fields with the ambition of building a large-scale South African natural gas company with diversified revenue streams.<br>Tetra4 also holds the Evander Exploration Right. Although Renergen has not begun exploration, existing drill holes drilled by others exploring for minerals, are producing natural gas. The Evander Exploration Right also has a significant number of additional sites that show indications of natural gas. |
| **LARGE LNG MARKET IN SOUTH AFRICA – PARTICULARLY FOR THE TRANSPORTATION INDUSTRY** | Demand for Tetra4's LNG is expected to significantly exceed its production capacity, given that South Africa lacks LNG import infrastructure and has no other access to LNG. |

## MATERIAL ISSUES AND RISKS

| RISKS | DESCRIPTION |
|---|---|
| **CONSTRUCTION AND NEW PRODUCTION FACILITIES** | Renergen's projected cost for the construction of the New Plant is predominantly comprised of fixed costs and some variable costs. The cost projections for the New Plant are dependent upon certain assumptions, estimates and judgements which may prove to be inaccurate or unreliable. There is a risk that significant unanticipated costs or delays could arise due to errors or omissions, unforeseen technical issues (such as major equipment failures), increases in plant and equipment costs, inadequate contractual arrangements, labour difficulties or unusually adverse weather conditions. Should significant unanticipated costs or delays arise, this could have a material adverse impact on Renergen's business, financial performance and operations. |
| **CONSTRUCTION AND NEW PRODUCTION FACILITIES** | Renergen's expansion of production may also place increased demand on Renergen's management, operating systems, internal controls and physical resources. If not managed effectively, these increased demands may adversely affect Renergen's financial position and ability to meet customer demands. In addition, Renergen's personnel, systems, procedures and controls may be inadequate to support future operations. In order to manage this expansion effectively, Renergen may need to increase expenditures in order to increase its physical resources, expand, train or manage its employee base, and improve management, financial and information systems and controls.<br>Renergen's results of operations, financial condition and growth objectives are likely to be materially adversely affected if it is not able to manage effectively the budgeting, construction, forecasting or other process control issues presented by scaling up its operations. |
| **REGULATORY RISKS, INCLUDING ENVIRONMENTAL AND MINING REGULATION** | Renergen's operations are subject to a number of environmental laws and regulations.<br>Tetra4 has obtained all critical regulatory approvals required for stage one of the proposed expansion of the Virginia Gas Project. Tetra4 has applied for a water use license, which is expected to be received in the last quarter of 2018. A failure to obtain, or a delay in obtaining, any additional required permits or authorisations, or the nature of any conditions attached to such permits or authorisations, could have a material adverse effect on Renergen's business and financial performance, and growth objectives. |
| **INABILITY TO ATTRACT CUSTOMERS** | Historically Renergen has sold its products on a small scale to a limited number of customers. The success of Renergen's growth strategy is dependent upon securing additional customers for Renergen's products on a larger scale and converting trial or pipeline customers, including its strategic relationships with Megabus, into ongoing revenue-producing commercial supply relationships.<br>Renergen's ability to do this will be dependent on whether it is able to meet customer demands in terms of quality, price, volume and functional requirements. |
| **EXPOSURE TO COMMODITY PRICES** | The price that Tetra4 achieves or may achieve for its helium and LNG products will be impacted by global commodity prices.<br>Any material decline in oil and gas prices could result in a reduction of Renergen's net production revenue and overall value. |
| **INVESTMENT IN EMERGING MARKETS** | The South African economy is vulnerable to market downturns, currency fluctuation and economic slowdowns elsewhere in the world, and, generally, investing in emerging markets such as South Africa involves greater risk than investing in more developed markets, including in some cases significant legal, economic and political risks. Emerging markets such as South Africa are subject to rapid change. Global financial or economic crises in any large emerging market country tend to adversely affect prices in equity markets of most or all emerging market countries as investors move their money to more stable, developed markets.<br>As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in South Africa and adversely affect the economy. In addition, during such times, businesses that operate in emerging markets can face severe liquidity constraints as foreign funding sources are withdrawn. |
| **INTERRUPTIONS TO OPERATIONS** | Renergen is exposed to short, medium or long-term interruptions to its operations arising from events including industrial disputes, electricity and gas interruptions, work stoppages, acts of terrorism, fires, floods, earthquakes and other natural disasters.<br>In addition, Renergen's production facilities may not function reliably, efficiently or cost effectively, resulting in less helium and LNG products produced than planned, of lesser quality or at higher than expected costs.<br>Renergen is particularly exposed to these interruptions, given it currently only operates the CNG Plant. Renergen is also exposed to such events in relation to the proposed New Plant and any future additional plants. Any such interruption could have a material adverse effect on Renergen's business, operating or financial performance. |

# GOVERNANCE AND RISK MANAGEMENT

RENERGEN'S GOVERNANCE AND RISK FRAMEWORK IS BASED ON THE PRINCIPLES OF ACCOUNTABILITY, TRANSPARENCY, ETHICAL MANAGEMENT AND FAIRNESS. A PHILOSOPHY OF SOUND GOVERNANCE IS ENTRENCHED ACROSS THE BUSINESS. THE DIRECTORS RECOGNISE THAT GOOD GOVERNANCE, ACHIEVED THROUGH AN ETHICAL CULTURE, COMPETITIVE PERFORMANCE, EFFECTIVE CONTROL AND LEGITIMACY, CAN CREATE SUSTAINABLE VALUE AND ENHANCE LONG-TERM EQUITY PERFORMANCE

## OUR BOARD

There were no changes to the Board during the year.

Adhering to the highest standards of corporate governance is fundamental to the sustainability of Renergen's business.

Renergen's business practices are conducted in good faith, in the interests of the all its stakeholders, with due observance of the principles of good corporate governance. The Board retains effective control of the business of Renergen through a clear governance structure and has established Committees to assist it in accordance with the provisions of its Board Charter. It further sets out the roles and responsibilities of the Board and its Directors, considering that strategy, risk, performance and sustainability are inseparable.

The Board is responsible for identifying key performance areas. It ensures that the Group complies with applicable laws and considers adherence to nonbinding rules and standards and is responsible for information technology (IT) governance.

The Board recognises that delegating authority does not reduce the responsibility its Directors to discharge their statutory and common law fiduciary duties.

We continue to review our governance structures to ensure that they support effective decision-making, provide robust controls and are aligned to evolving local and global best practice.

## BOARD COMPOSITION AND INDEPENDENCE

The Board consists of seven members, three Executive Directors and four Independent Non-executive Directors.

### DIVERSITY AND INCLUSION

Renergen recognises the benefits of a diverse Board and to confirm its commitment, the Board has adopted a Policy for the promotion of Gender and Race diversity and inclusion on the Board.

### INDEPENDENCE

All Directors have a duty to act with independence of mind in the best interests of the Group. The Board believes that the Independent Non-executive Directors of the Group are of the appropriate calibre, diversity and number for their views to carry significant weight in the Board's deliberations and decisions.

The Independent Non-executive Directors are highly experienced and have the skills, background and knowledge to fulfill their responsibilities. The classification of Independent Non-executive Directors is determined by the Board on the recommendation of the Nomination Committee. In determining the independence of the Independent Non-executive Directors, character and judgement are considered together with any of their relationships or circumstances which are likely to affect, or could appear to affect, their judgement and with due regard to the criteria for determining independence as set out in King IV and the JSE Listings Requirements.

At any time, all Independent Non-executive Directors have unrestricted access to management and to the Group's external auditors. Further, all Directors are entitled to seek independent professional advice on any matters pertaining to Renergen as they decide is necessary, and at the Group's expense.

The Board also considers the Director's interests including those in the business in terms of direct or indirect shareholding and/or an interest in a contract with the Group. Conflicts of interest, actual or perceived conflicts are monitored. All Directors of the Group and its major subsidiaries are required to adhere to the Group's policy on dealing in the Group's securities, which is designed to prevent insider trading in terms of the Financial Markets Act, 2012.

To improve the Board's effectiveness, evaluations of the Board, individual Directors, Board Committees and the Chairman are carried out annually.

# OUR GOVERNANCE STRUCTURE

## RENERGEN BOARD

### EXECUTIVE DIRECTORS

Stefano Marani (CEO)

Fulu Ravele (CFO)

Nick Mitchell (COO)

### INDEPENDENT NON - EXECUTIVE DIRECTORS

Brett Kimber (Chairman)

Mbali Swana

Luigi Matteucci

Bane Maleke

4 meetings per annum

The Board of Directors provides strategic leadership to the Group with due regard to all stakeholders. They determine the Group's purpose and values while providing leadership aligned to the Group's value system to ensure the sustainability of the business.

The Board is diverse in demographics, skills and experience and consists of 57% Independent Non-executive Directors and 43% Executive Directors.

To improve the Board's effectiveness, evaluations of the Board, individual Directors, Board Committees and the Chairman are carried out annually.

## GOVERNANCE, ETHICS, TRANSFORMATION, SOCIAL & COMPENSATION COMMITTEE

### EXECUTIVE DIRECTORS

Nick Mitchell (COO)

### INDEPENDENT NON - EXECUTIVE DIRECTORS

Luigi Matteucci

Brett Kimber

2 meetings per annum

The Committee is responsible for reviewing and recommending the Remuneration Policy and philosophy. The Committee acts in terms of the delegated authority of the Board and assists the Directors in monitoring social, transformation and ethical matters and disclosures in terms of legislation, regulation and codes of best practices relating to:

- Provide strategic input on transformation within the Group
- Overseeing remuneration of Directors and Executives
- Stakeholder engagement (including employees, customers, suppliers, communities and the environment)
- Environmental responsibility and adherence to applicable legislation
- Review CSI initiatives of the Group
- Review Remuneration Policy of the Group

## AUDIT, RISK AND IT COMMITTEE (AUDIT COMM)

### INDEPENDENT NON - EXECUTIVE DIRECTORS

Mbali Swana (Chairman)

Luigi Matteucci

Bane Maleke

3 meetings per annum

The Audit, Risk and IT Committee oversees the governance of the risks associated with the implementation of Renergen's strategy. It is the duty of the Audit, Risk and IT Committee, inter alia, to monitor and review:

- Evaluation of the performance of the Chief Financial Officer
- Annual integrated financial reports, statements and all other widely distributed financial documents
- Accounting policies of the Group and any proposed revisions
- Compliance with applicable legislation, King IV and JSE Listing Requirements
- Evaluation of external auditors and recommendation of external auditor appointments

## THE NOMINATION COMMITTEE

### EXECUTIVE DIRECTORS

Nick Mitchell (COO)

### INDEPENDENT NON - EXECUTIVE DIRECTORS

Brett Kimber (Chairman)

Luigi Matteucci

2 meetings per annum

The Nomination Committee oversees the Board composition as well as assesses which retiring Independent Non-executive Directors are up for re-election.

- Review Board composition
- Board evaluation and assessment of Committee members and their effectiveness
- Succession planning
- Recommending nominations to the Board

## RENERGEN EXCO

### EXECUTIVE DIRECTORS

Stefano Marani (CEO)

Fulu Ravele (CFO)

Nick Mitchell (COO)

No set number of meetings per annum. Meet as and when required or necessary

The Executive Committee is responsible for delivering the strategic objectives as set by the Board of Directors. The Executive Committee is an experienced management team that comprises the Chief Executive Officer, the Chief Operations Officer and the Chief Financial Officer.

- Set the direction and implement Group strategy
- Manage all stakeholder relationships
- Corporate and strategic leadership
- Promote investor confidence
- Cultivating and promoting an ethical corporate culture within the Group
- Compliance with applicable legislation and the Group's Code of Conduct and Ethics

## BOARD CHARTER

The Board Charter provides guidelines to Directors in respect of, inter alia, the Board's responsibilities, authority, composition, meetings and the need for performance evaluations. The Board Charter also provides for a clear division of responsibilities to ensure a balance of power and authority so that no one Director has unfettered powers of decision-making.

## SUCCESSION PLANNING

The Nomination Committee deals with succession planning for Independent Non-executive Directors and monitors the succession planning for Executive Directors.

Renergen has a succession plan in place for Executive Directors and senior management, which provides for the key management of the Group. The Group continuously strives to improve its talent pool through a comprehensive and focused plan for the management of human capital, including career development and recruitment. The Board is satisfied that the ongoing efforts to strengthen leadership provide short and long-term management depth.

The CEO and COO share responsibility, shadow each other and have both been involved with the primary asset since 2013.

## BOARD COMMITTEES

The Board delegates certain functions to well-structured Committees without abdicating its own responsibilities. Board Committee Charters define the purposes, authority and responsibility of the various Board Committees.

- The Renergen Exco
- The Audit, Risk and IT Committee
- The Governance, Ethics, Transformation, Social and Compensation Committee
- The Nomination Committee

The Committees assist the Board in discharging its duties. The Directors acknowledge that notwithstanding this delegation, ultimate accountability and responsibility for the performance and affairs of the Group remain with the Board.

## BOARD MEETINGS

The Board meets quarterly with ad-hoc special meetings convened as necessary. Details of Directors' attendance at Board and Board Committee meetings during the year are set out on page 43.

## COMPANY SECRETARY

All Directors have access to the services and advice of the Company Secretary, Renergen has appointed Acorim Proprietary Limited, which have extensive experience in the boardroom. The Company Secretary supports the Board as a whole, and Directors individually, by providing guidance as to how to fulfill their responsibilities as Directors in the best interests of the Group.

Annual evaluation of the Company Secretary is performed. The Board remains satisfied with the competency and experience of the Company Secretary and is satisfied that an arm's length relationship exists.

## ADVICE AND INFORMATION

No restriction is placed on a Director's access to Company information, records, documents and property. Independent Non-executive Directors have access to management and regular interaction is encouraged. All Directors are entitled to seek independent professional advice concerning the affairs of the Group at the Group's expense.

## TECHNOLOGY AND INFORMATION GOVERNANCE

The Board affirms its responsibility for the governance of technology and information. The governance model reflects both business and information technology requirements, focusing on strategic alignment, the value delivery, risk management (including information security, resilience and legislative and health and safety compliance), resource management and performance management.

Our Audit, Risk and IT Committee assist the Board in carrying out its IT responsibilities.

# BOARD AND COMMITTEE ATTENDANCE REGISTER

## BOARD

| DIRECTOR | 25 APRIL 2017 | 10 AUGUST 2017 | 16 NOVEMBER 2017 | 13 FEBRUARY 2018 |
|---|---|---|---|---|
| Brett Kimber | Y | Y | Y | Y |
| Luigi Matteucci | Y | Y | Y | Y |
| Mbali Swana | Y | Y | Y | Y |
| Bane Maleke | Y | Y | Y | Y |
| Stefano Marani | Y | Y | Y | Y |
| Nick Mitchell | Y | Y | Y | Y |
| Fulu Ravele | Y | Y | N | Y |

## AUDIT, RISK AND IT COMMITTEE

| MEMBER | 21 APRIL 2017 | 24 OCTOBER 2017 | 29 JANUARY 2018 |
|---|---|---|---|
| Mbali Swana | Y | Y | Y |
| Luigi Matteucci | Y | Y | Y |
| Bane Maleke | Y | N | Y |

## GOVERNANCE, ETHICS, TRANSFORMATION, SOCIAL AND COMPENSATION COMMITTEE

| MEMBER | 21 APRIL 2017 | 29 JANUARY 2018 |
|---|---|---|
| Luigi Matteucci | Y | Y |
| Brett Kimber | Y | Y |
| Nick Mitchell | Y | Y |

## NOMINATION COMMITTEE

| MEMBER | 29 JANUARY 2018 |
|---|---|
| Luigi Matteucci | Y |
| Brett Kimber | Y |
| Nick Mitchell | Y |

Bane Maleke joined the GETSC and Nomination Committee after the financial year end.

The Board took a decision to appoint a Nomination Committee towards the end of the current year. The Board had previously taken on the responsibility of a Nomination Committee. Only one meeting was held in the current year.

# APPLICATION OF KING IV PRINCIPLES

Renergen is listed on the Johannesburg Stock Exchange's (JSE) AltX. Renergen complies with the principles of King IV and the mandatory corporate governance requirements of the JSE.

Paragraph 3.84 of the JSE Listings Requirements stipulates that issuers must comply with certain specific requirements concerning corporate governance. Renergen complies with all the requirements of paragraph 3.84.

Renergen endorses and endeavours to adhere to the guidelines and principles of King IV. Renergen applied the principles of King IV as disclosed in the table below, for the period ended 28 February 2018.

## SECTION 1: LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP

| PRINCIPLE 1 | LEADERSHIP |
|---|---|
| **The Governing Body should lead ethically and effectively** | The Board is responsible and accountable for Renergen's performance and affairs and has full control over all the underlying companies within the Group. It is the focal point for, and custodian of, corporate governance, managing Renergen's relationships with its stakeholders along sound corporate governance principles, as set out in King IV.<br>The Board is committed to driving Renergen's strategy and operations based on an ethical foundation so as to support a sustainable business, taking into account Renergen's short and long-term impact on the economy, society, the environment and its stakeholders.<br>The Board operates under an approved Charter which regulates the way that business is conducted and ensures that the Board maintains the highest level of integrity, transparency and ethical conduct. The Charter details the powers of the Board and provides that the Board has ultimate accountability and responsibility for Renergen's performance and affairs. |

| PRINCIPLE 2 | ORGANISATIONAL VALUES AND ETHICS |
|---|---|
| **The Governing Body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture** | The Board determines and sets the tone of Renergen's values, including principles of ethical business practice, human rights considerations and the requirements of being a responsible corporate citizen. Through the Governance, Ethics, Transformation, Social and Compensation Committee (GETSC), approves Renergen's Code of Conduct and Ethics (the Code), based on responsibility, honesty, fairness and respect.<br>The Code guides interaction with all stakeholders of the Group, including employees, clients, suppliers and the communities within which it operates, and addresses the key ethical risks. The ethics programme, including the whistle-blowing mechanisms and management of the independent ethics reporting line to detect breaches of ethical standards, as well as the dedicated effort to create awareness, detect and resolve ethical violations, all contribute to a strong ethical foundation. |

| PRINCIPLE 3 | RESPONSIBLE CORPORATE CITIZENSHIP |
|---|---|
| **The Governing Body should ensure that the organisation is and is seen to be a responsible corporate citizen** | In setting the strategy and priorities of the business, and with the support of the executive team, the Board, through the GETSC, oversees and monitors how the operations and activities of Renergen affect its status as a responsible corporate citizen. This is measured against agreed performance targets that are aligned with Renergen's strategic initiatives.<br>The performance targets contain financial and non-financial measures which encompass the workplace, economy, society and the environment so that Renergen's core strategy and conduct are consistent with it being, and being seen to be, a responsible corporate citizen. |

## SECTION 2: STRATEGY, PERFORMANCE AND REPORTING

| PRINCIPLE 4 | STRATEGY AND PERFORMANCE |
|---|---|
| **The Governing Body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process** | Renergen has a clear set out strategy of targeting investment opportunities in early stage renewable and alternative energy projects. This strategy is aimed at ensuring Renergen's sustainability.<br>The Board has delegated the detailed formulation and implementation of this strategy to the executive team and regularly oversees the plans carried out by the executive. The Board is aware of the general viability, reliance and effect of its activities on its six capitals, solvency and liquidity and its going concern status.<br>The Audit, Risk and IT Committee oversees the governance of the risks associated with the implementation of Renergen's strategy, specifically monitoring the effects of the identified risks and the mitigating controls. Refer to pages 36 and 37 that presents the Material Issues, Risks and Opportunities.<br>To view how Renergen's strategic road map is aligned to its business model, which in turn enhances the six capitals, refer to pages 17 to 22 of the Integrated Annual Report. |

| PRINCIPLE 5 | REPORTING |
|---|---|
| **The Governing Body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short, medium and long-term prospects** | The Board, through the Audit, Risk and IT Committee, ensures that the necessary controls are in place to verify and safeguard the integrity of all requisite reports and any other disclosures made to stakeholders.<br>Renergen ensures that the Integrated Annual Reports, including the Annual Financial Statements (AFS) and the Integrated Annual Report (IAR) and any other relevant information to stakeholders are published on the Group's website, as well as through other media as is appropriate.<br>The Integrated Annual Report is issued as a stand-alone report and does not have any supplementary reports. It provides a comprehensive review of the Group, including the Group's financial, economic, social and environmental performance on matters material to the Group's strategy and the key stakeholders. |

## SECTION 3: GOVERNING STRUCTURES AND DELEGATION

| PRINCIPLE 6 | PRIMARY ROLES AND RESPONSIBILITIES OF THE GOVERNING BODY |
|---|---|
| **The Governing Body should serve as the focal point and custodian of corporate governance in the organisation** | The Board operates under an approved Charter that ensures that its roles, responsibilities and accountability are documented and adhered to. The Board Charter specifically sets out the Board's responsibilities relating to corporate governance. Through the GETSC Committee, the Board implements and monitors the governance practices throughout the Group.<br>A detailed breakdown of the number of meetings held during the reporting period, and attendance at those meetings, is contained on page 43 of the Integrated Annual Report.<br>The Board is satisfied that it has fulfilled its responsibilities in accordance with its Charter for the reporting period.<br>The Board, as well as any Director or Committee, may obtain independent, external professional advice at the Group's expense concerning matters within the scope of their duties and the Directors may request documentation from and set up meetings with management as and when required.<br>Renergen's governance and risk management framework are disclosed in the Integrated Annual Report on pages 39 to 43. |

| PRINCIPLE 7 | COMPOSITION OF THE GOVERNING BODY |
|---|---|
| **The Governing Body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively** | The Board Charter provides for the appropriate size of the Board taking into account diversity targets. The Board, assisted by the Nomination Committee, regularly considers the effectiveness of each Board member in discharging his/her duties as a Director of Renergen.<br>The Board is satisfied that its current composition is sufficient considering Renergen's size, the optimum mix of skills, experience, diversity, independence and knowledge, the requirement of numbers for its Committees, and any regulatory requirements.<br>The Board is comprised of a majority of Non-executive Directors, all of whom are independent. None of the Independent Non-executive Directors have served on the Board for more than 9 years however, should a Director serve for a period of 9 years, a review of the independence and performance of such Director will be undertaken by the Board.<br>Following its review of the Independent Non-executive Directors, the Board is satisfied that there are no factors which prevent the Directors from exercising independent judgement or acting in an independent manner, and as such the Independent Non-executive Directors are appropriately classified as being independent.<br>As of the date of the Integrated Annual Report, three Executive Directors are appointed as members of the Board namely the CEO, the COO and the CFO. There is a clear distinction between the roles of the CEO and the chairperson and these positions are occupied by separate individuals.<br>Renergen supports the principles and aims of appropriate gender and race diversity at Board level as such, and in accordance with the recommendations of King IV, the Board has approved both a Race Diversity and Gender Policy, which will aim to achieve an appropriate level of gender and race diversity at Board level. To this end, should a vacancy on the Board arise or should there be a requirement for an additional Board appointment, preference will be given to appropriate candidates who meet the skills, expertise, experience and background required to fill such position. The Board will endeavour to ensure a mix of skills, diversity and experience which will best serve the interests of Renergen and its stakeholders. The Board will review the state of its gender and race representation on an ongoing basis to ensure that the above Policy is appropriately applied and will annually report to shareholders in its integrated report on how it has considered and applied the Policy in the nomination and appointment of Directors.<br>Further details regarding the Board and the individual Directors, is contained on pages 28 and 29. of the Integrated Annual Report. |

## SECTION 3: GOVERNING STRUCTURES AND DELEGATION

| PRINCIPLE 8 | COMMITTEES OF THE GOVERNING BODY |
|---|---|
| **The Governing Body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties** | While the Board remains accountable and responsible for Renergen's performance and affairs, Board Committees assist the Board in discharging its duties and responsibilities. These Committees do not in any way mitigate or discharge the Board of its duties and responsibilities.<br>The Board has constituted the following Committees, which observe the same rules of conduct and procedures as the Board, unless the Board determines otherwise:<br>• Audit, Risk and IT Committee<br>• GETSC Committee<br>• Nomination Committee<br>A delegation by the Board of its responsibilities to a Committee will not by or of itself constitute a discharge of the Board's accountability. The Board applies its collective mind to the information, opinions, recommendations, reports and statements presented by the Chairman of a Committee.<br>Each Committee operates in accordance with a formally determined and Board approved Charter containing clearly agreed upon reporting procedures and a written scope of authority, which is reviewed annually.<br>Further details regarding the Board Committees, is contained in each of the respective Committee reports contained on pages 40 and 41 of the Integrated Annual Report. |

| PRINCIPLE 9 | EVALUATIONS OF THE PERFORMANCE OF THE GOVERNING BODY |
|---|---|
| **The Governing Body should ensure that the evaluation of its own performance and that of its Committees, its chair and its individual members, support continued improvement in its performance and effectiveness** | The Board fully supports the notion that an appropriate evaluation of the Board and its various structures is a value adding exercise that facilitates the continued improvement of the Board's performance and effectiveness. For this reason, a formal, externally facilitated, self and peer-evaluation process was undertaken during the past year and included an assessment of the performance of the Board, its chairperson and individual members as well as the Board Committees and the Company Secretary.<br>Overall, the evaluation confirmed that the Board and Board Committees are highly effective and appropriately positioned to discharge their governance responsibilities. The evaluation further confirmed that reliable and effective reporting remains the greatest enabler to empower the Board to execute its responsibilities and focus on appropriate matters.<br>The Executive Chairman of the Board, through the Nomination Committee and assisted by the Company Secretary, leads the evaluation process. An external service provider assisted with the Board and Board Committee evaluations in respect of the Board's performance in the last financial year. The Board is satisfied that the evaluation process is improving the Board's performance and effectiveness. (Refer to the Integrated Annual Report and the Corporate Governance Report.) |

| PRINCIPLE 10 | APPOINTMENT AND DELEGATION TO MANAGEMENT |
|---|---|
| **The Governing Body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities** | While retaining overall accountability, and subject to matters reserved to itself, the Board has delegated authority to the CEO to run the day to day affairs of the Group, subject to a delegation of authority framework. The delegation of authority framework sets out authority thresholds and governs sub-delegation. The framework also prescribes authority levels for each of the territories that the Group operates in.<br>The CEO is currently not a member of any other Board outside of the organisation. The Board evaluates the CEO's performance against specific and agreed targets on an annual basis. The CEO and the other Executive Directors are subject to a three-month notice period. On an annual basis the Board reviews the talent and succession plan for senior and executive management including the CEO.<br>The Board is satisfied that Renergen is appropriately resourced and that its delegation to management contributes to an effective arrangement by which authority and responsibilities are exercised.<br>Professional corporate governance has been outsourced to Acorim Proprietary Limited (Acorim), as Renergen's Company Secretary.<br>All Directors have unfettered access to the Company Secretary who assists with a full range of services to ensure that the Board and the individual Directors are in a position to discharge their roles and responsibilities.<br>The Board considers the competence, qualifications and experience of the Company Secretary annually and is satisfied that Acorim is competent and has the appropriate in-house qualifications and experience to serve as the Company Secretary. The Board further believes that the Company Secretary is suitably qualified and experienced to carry out the duties stipulated under section 88 of the Companies Act.<br>The Board is satisfied that an arm's length relationship exists with the Company Secretary. |

## SECTION 4: GOVERNANCE FUNCTIONAL AREAS

| PRINCIPLE 11 | RISK GOVERNANCE |
|---|---|
| **The Governing Body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives** | The Board has ultimate responsibility and accountability for the governance of risk as it is linked to the strategy, performance and sustainability of Renergen.<br>The Board approves Renergen's Risk Management Policy that sets out Renergen's risk appetite and risk tolerance levels, ensuring that risks are managed within these levels based on materiality and changes in the external and internal environments.<br>To support the Board in ensuring effective risk management oversight, the Board Committees are responsible for ensuring the effective monitoring of material risks and opportunities, in compliance with Renergen's Enterprise Risk Management (ERM) framework and Risk Management Policy, within the ambit of each Committee's scope.<br>The Board is provided with assurance that Renergen's approved ERM framework, process and methodology remain aligned with best practice and good governance requirements. Renergen's approach to increasing the probability of anticipating unpredictable risks includes regular monitoring of key developments in the external and internal environments, as well as identifying and monitoring developments associated with risks on its "watch-list" (emerging risks).<br>The implementation and execution of risk management has been delegated to management, however the Board exercises continuous oversight in this regard.<br>Further details regarding Renergen's material risks and opportunities are contained on pages 36 and 37 of the Integrated Annual Report. |

## SECTION 4: GOVERNANCE FUNCTIONAL AREAS

| PRINCIPLE 12 | TECHNOLOGY AND INFORMATION GOVERNANCE |
|---|---|
| **The Governing Body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives** | The Board is cognisant of the importance of technology and information governance as it is interrelated to the strategy, performance and sustainability of Renergen.<br>The Audit, Risk and IT Committee is responsible for IT governance and, in accordance with the recommendations of King IV, oversees the implementation of IT governance mechanisms, IT frameworks, policies, procedures and standards to ensure the effectiveness and efficiency of Renergen's information systems.<br>The Committee has co-opted an external IT specialist to assist it in governing technology and information. This Information Management (IM) function is accountable for the operational governance of IM throughout the Group which are aligned with Renergen's business needs and sustainability objectives.<br>Assurance is provided that the IM controls in place are effective, information management risks are addressed and the return on major IT investments, aligned to Renergen's strategy, is monitored by the Committee. |

| PRINCIPLE 13 | COMPLIANCE GOVERNANCE |
|---|---|
| **The Governing Body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen** | The Board is responsible for Renergen's compliance with applicable laws and has delegated the responsibility for implementing compliance to the executive team. The Board is assisted by the Audit, Risk and IT Committee in monitoring compliance.<br>Legal compliance systems and processes are in place and are continuously improved to mitigate the risk of non-compliance with the laws in the various jurisdictions in which Renergen does business and to ensure appropriate responses to changes and developments in the regulatory environment.<br>The Audit, Risk and IT Committee receives regular reports on compliance matters to the extent that they have an impact on Renergen's financial statements. Specific areas of law have been identified as key Group legal compliance risk areas and risk mitigation and control steps have been identified for each of these areas.<br>The Group did not have any material or repeated regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations during the report period.<br>The GETSC Committee assists the Board with ensuring responsible business practices throughout the Group and monitors the Group's activities in line with section 72 of the Companies Act, no 71 of 2008 (as amended). |

| PRINCIPLE 14 | REMUNERATION GOVERNANCE |
|---|---|
| **The Governing Body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short-, medium- and long-term** | The Board, assisted by the GETSC Committee, oversees the establishment of a Remuneration Policy that will promote the achievement of strategic objectives at all levels in Renergen and reviews the outcomes of the implementation of the Remuneration Policy on an annual basis.<br>Renergen's remuneration strategy is designed to attract and retain key talent and to motivate and reward employees fairly and responsibly to ensure that they achieve key organisational objectives, while promoting the creation of value in a sustainable manner.<br>The GETSC Committee oversees the implementation of the policy to ensure achievement of the policy objectives.<br>The Remuneration Policy and Report are set out on pages 52 to 63 of the Integrated Annual Report. |

| PRINCIPLE 15 | ASSURANCE |
|---|---|
| **The Governing Body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports** | The Group has implemented an assurance model which is coordinated and managed by the Audit, Risk and IT Committee and ensures that there is suitable assurance in respect of the adequacy and effectiveness of Renergen's internal control and risk management systems; the efficiency and profitability of operations; Renergen's adherence to rules and regulations; and the integrity and reliability of information.<br>Assurance of external reports<br>With the assistance of independent assurers, such as the external auditor, the Audit, Risk and IT Committee and other Board Committees review and evaluate the Integrated Annual Report and the Annual Financial Statements, prior to recommendation to the Board for approval.<br>The Integrated Annual Report provides a consolidated review of the sustainability of the Group including the Group's financial, economic, social and environmental performance on matters material to the Group's strategy and the key stakeholders.<br>The Audit, Risk and IT Committee, and the Board, receive regular reports from management in respect of the matters set out above and are satisfied that Renergen's systems of internal control and risk management are effective. |

## SECTION 5: STAKEHOLDERS RELATIONSHIPS

| PRINCIPLE 16 | STAKEHOLDERS |
|---|---|
| **In the execution of its governance role and responsibilities, the Governing Body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time** | Renergen strives to ensure a systematic and integrated approach to stakeholder engagement throughout the Group, facilitated through engagement programmes aimed at ensuring that all stakeholder issues have been identified, prioritised and appropriately addressed.<br>The Board, through GETSC Committee, considers issues around stakeholder perceptions and oversees stakeholder engagement and management.<br>By receiving regular reports, the Board is equipped with the necessary information to enable it to take the legitimate interests and expectations of stakeholders into account in its decision-making.<br>Renergen's stakeholders includes: employees and their representatives; government and regulators; shareholders; the communities around Group operations; suppliers and customers; and business partners. The individual stakeholders within these groups are highly diverse, with sometimes competing interests. Renergen is therefore constantly seeking to improve the way in which it engages with its stakeholders to effectively respond to this complexity and diversity.<br>Interaction with stakeholders happens during the normal course of business at multiple levels across the Renergen Group and Renergen strives to resolve disputes with its stakeholders effectively and expeditiously.<br>The Group publishes its most recent financial and operational performance and provides recent historical information, including its Integrated Annual Reports, on its website. Renergen invites all shareholders to attend its AGM and facilitates participation by way of focused proxy solicitation and electronic means. The CEO and the COO conduct regular presentations on the Group's performance and strategy to analysts, institutional investors and the media. Renergen's Investor Relations function maintains regular contact with the investment community and analysts. |

| PRINCIPLE 17 | INVESTMENT |
|---|---|
| **The Governing Body of an institutional investor organisation should ensure responsible investment is practiced by the organisation to promote good governance and the creation of value by the companies in which in invests** | Renergen Limited is not an institutional investor. |

# REMUNERATION REPORT

In beginning the process of aligning our IAR to King IV, the Remuneration Report consists of three sections.

We believe that this structure will further improve clarity around how the philosophy is linked to the actual pay received by Executive Directors, senior managers and employees.

## SECTION 1

A report of material matters covered by the Committee during the year from the Chairman of the Governance, Ethics, Transformation and Social Compensation Committee (GESTC)

## SECTION 2

The remuneration philosophy, policy, and reward framework

## SECTION 3

The implementation of the Remuneration Policy in the 2018 financial year, to be tabled at the AGM for a non-binding advisory vote (Ordinary resolution number 5) by the Group's shareholders, along with the payment of remuneration for services as Directors of Renergen

## SECTION 1

### BACKGROUND STATEMENT

This report highlights the material matters dealt with by the GETSC Committee and summarises the Group's approach to fair, responsible and transparent remuneration and the way this promotes the achievement of the Group's overall strategic outcomes.

Renergen engaged formally with shareholders or stakeholders during the year and are pleased with the results from our 2017 Annual General Meeting as indicated below:

| RESOLUTION | NUMBER OF SHARES VOTED | % ABSTAINED OF ISSUED SHARES | % AGAINST OF SHARES VOTED | % FOR OF SHARES VOTED |
|---|---|---|---|---|
| **Ordinary resolution No. 5: Approval of the Remuneration Policy** | 72 013 274 | - | 4.31% | 95.69% |
| **Ordinary resolution No. 7: Approval of Renergen Limited Bonus Share Plan (BSP)** | 72 013 274 | - | 2.33% | 97.67% |

We look forward to ongoing engagement and support of our shareholders as we develop our Remuneration Policy and the executives, senior managers and employees deliver on the Group strategy. We have taken steps towards alignment with King IV and are pleased to note that many aspects of our philosophy are already aligned with the spirit of King IV.

### REMUNERATION MIX

We have decided that all employees will participate in the full remuneration mix available to the Group. This ensures that every single staff member is aligned and incentivised to take ownership of their own roles within the Group and collectively drive towards implementing our strategy and achieving the vision. This provides maximum cohesion in the team and aligns to our shareholders expectations.

| EMPLOYEE GROUP | FOCUS AREAS | STRATEGIC TERM | REMUNERATION MIX |
|---|---|---|---|
| **Executives** | Formulation and implementation of company strategy | Long-term | Cost to company package<br>Long-term incentive (BSP)<br>Short-term incentive (Cash bonus) |
| **Senior Management** | Operational and administrative | Medium to long-term | Cost to company package<br>Long-term incentive (BSP)<br>Short-term incentive (Cash bonus) |
| **Other staff** | Operational and administrative | Short to medium-term | Cost to company package<br>Long-term incentive (BSP<br>Short-term incentive (Cash bonus) |

## KEY ACTIVITIES OF THE GETSC COMMITTEE

During the year under review, the Compensation Committee reviewed the Remuneration Policy, and is in the process of finalising changes. The focal areas have included:

- The Group measures the minimum wage, respective positioning relative to minimum wage legislation
- Medical aid and retirement fund cover is being considered for the medium-term of the Group
- Review of the Key Performance Indicator (KPI) methodology and process for evaluation

## COMPANY BENEFITS

Renergen is in the process of considering other benefits such as Group life cover, medical aid contributions and retirement options, but no formal decisions have been taken to date. As the Group moves forward it is our responsibility to ensure we provide these supplementary benefits to all our employees and the GETSC Committee is actively working towards achieving these objectives.

## REVIEW OF KEY PERFORMANCE INDICATORS

During the 2018 financial year, we implemented our KPI system, although the process was more objective than previous years (2017), the system was aligned to individual performance and could be subjective in certain instances. After reviewing the GETSC Committee decided to standardise the KPI's methodology and align it to the executives' model, which includes a combination of strategic company objectives and individual performance objectives as per current position held in the Group. The new process will better align goals and performance measures with the Group, and individual performance to ensure the Group strategy is achieved and value is created.

## FAIR AND RESPONSIBLE REMUNERATION

During the year we have taken steps to materially align our remuneration reporting with the King IV Report on Corporate Governance (King IV). King IV aims to foster enhanced accountability on remuneration. One of the ways it addresses this, is by including more definitive disclosure requirements. The King IV principle of remuneration governance outlines that the Group should ensure that the remuneration is fair, responsible and transparent to achieve its strategic objectives and positive outcomes in the short, medium, and long-term.

### Minimum wage

Historically, Renergen has set its internal minimum wage threshold significantly higher than the current proposed minimum wage threshold (as legislated). We believe it is our responsibility to ensure all our staff have a livable wage that allow them to provide meaningfully for their families given the rising living costs in South Africa.

### Total cost to company packages

The total cost to company (CTC) packages are informed by market rates at the time of employment and reviewed annually by the GETSC Committee, across companies in South Africa. Market conditions, company performance, internal comparability, individual performance and responsibility are taken into consideration. Adjustments are recommended for implementation and are effective 1st March each year.

**Short-term incentive bonus**

Employees received a short-term incentive (STI) cash bonus in line with the achievement of their Key Performance Indicators (KPI's). STI cash payments are not guaranteed and are at the full discretion of the GETSC Committee. These awards are assessed annually based on KPI's.

**Long-term incentive bonus**

Employees are eligible to participate in the Renergen Limited Bonus Share Plan. The long-term incentive (LTI) is designed specifically to reward performance and retain talent within the Group. The incentive is awarded annually and the shares vest after a three-year period. Bonus shares are not guaranteed and are awarded at the full discretion of the GETSC Committee.

## CHANGES TO THE REMUNERATION PHILOSOPHY FOR THE 2019 FINANCIAL YEAR

The Committee has reviewed the 2018 Remuneration philosophy against market practice, and the fit for purpose requirement, and will implement the following changes for the 2019 financial year.

| REMUNERATION DESCRIPTION / ELEMENT | CHANGE | REASON FOR CHANGE |
|---|---|---|
| **Independent Non-executive fees** | We propose implementing an unscheduled Telecon Directors Fee of R4000 per call at our next AGM | For urgent unscheduled meetings that do not require a physical meeting but still require INED to make themselves available for a Teleconference. A suitable fee was suggested and agreed upon by the INEDs and we will seek approval for this at our next AGM |
| **Bonus Share Plan (long-term incentive bonus) - LTI's** | The Committee has reviewed the weighting of the performance conditions for the Bonus Share Plan (PSP) proposed the following changes:<br>The KPI's (performance conditions) will be standardised and adjusted to ensure an appropriate mix of both company objectives and personal objectives | The Committee aligned Executives, Senior Management and staff to a single KPI methodology that promotes both company objectives and individual performance. This ensures alignment to shareholders objectives and not only the individual performance |
| **Short-term incentive (STI's) bonus** | Employees are eligible to receive a STI bonus at the end of the financial year based on a performance rating | Designed to deliver value to employees and incentivise them to deliver on the Group strategy in accordance with the relevant pay mix |
| **A combined capped once off Implementation bonus of R3 000 000 broken down into 4 milestones** | The bonus is introduced to further incentivise Executives to deliver the Virginia Gas Project on time and on budget | To incentivise Executives to deliver the Virginia Gas Project and to unlock and realise shareholder value in the shortest possible time frame. As a milestone is hit the payment is released to the executives prorate as a percentage of total cost to company package |

# SECTION 2

## REMUNERATION PHILOSOPHY, POLICY AND REWARD FRAMEWORK

The Group's remuneration philosophy is to ensure that employees are rewarded appropriately for their contribution to the execution of the strategy of the Group. The new Remuneration Policy has been designed so that it will continue to attract, engage, retain, and motivate the right, diverse talent required to deliver sustainable profit growth.

The policy recognises and rewards individual responsibility, performance and behaviour in the achievement of the Group's goals. This policy is applicable to all employees.

The Remuneration Policy and the implementation thereof are focused on achieving a fair and sustainable balance between CTC, STI's and LTI's for employees. The fair and responsible application of the Remuneration Policy is guided by the King IV principles relating to fair and responsible remuneration, which have been adopted by the Group.

## FAIR AND RESPONSIBLE REMUNERATION

The Group measures fair and responsible remuneration in a manner which is relevant to its business model. This will be reviewed and improved over time in line with best practice and governance guidelines.

Some of the principles driving fair and responsible remuneration are:

| PRINCIPLE | APPLICATION | MEASUREMENT |
|---|---|---|
| **MINIMUM WAGE** | The Group measures the positioning relative to minimum wage legislation | Pay position relative to minimum wage of the country |
| **ANNUAL SALARY INCREASES** | Application of differentiated salary increase percentages | CPI increases for all staff based upon performance criteria |
| **STI'S (CASH BONUS)** | All permanent employees (employed for at least 5 months) of the Group to participate in some form of incentive scheme | Costs of the STI's, are calculated based on each employees CTC |
| **LTI'S (BSP)** | All permanent employees (who have been employed for at least 12 months) of the Group to participate in some form of incentive scheme | Costs of the LTI's, are calculated based on each employees CTC as well as KPI's |

## OUR REMUNERATION FRAMEWORK

**GUARANTEED PAY (GP)**

**Cost to Company (CTC)**

- Market-related salary tailored to roles and performance
- Benchmarked to attract and retain the required level of experience and expertise required
- Included in the CTC are benefits; annual leave and cellphone allowances

**VARIABLE PAY**

**Short-Term Incentives (STI's)**

- Annual performance bonus paid on the achievement of one-year KPI targets
- Group STI payments are discretionary, and payments made under the scheme are dependent on both business and individual performance. Payments were previously made in cash in December each year
- Short-Term Incentive payments will be made at the end of the financial year, based on performance going forward

**Long-Term Incentives (LTI's)**

- Annual performance bonus paid on the achievement of one-year KPI targets
- Designed to incentivise and motivate delivery of long-term strategic goals of the Group
- Allocations are made annually
- The GETSC Committee may, at its discretion, consider granting allocations under the BSP, depending on the circumstances

## ACTIVITIES UNDERTAKEN BY THE COMMITTEE DURING THE YEAR

- The Committee mandated PwC to implement a LTI (BSP) for the Group relative to the market
- The Committee undertook an annual review of the Remuneration Policy and satisfied itself that there were no material deviations from its mandate and terms of reference
- The Committee has reviewed the KPI's and agreed that the current method needed to be adjusted. This will be done during the next financial year (2019)
- Introduced a once off implementation bonus for the three Executives to ensure that the Virginia Gas Project is completed within budget and indicated timeframes

## REMUNERATION PHILOSOPHY IN OVERVIEW

In line with King IV, a Remuneration Policy is designed with the aim to attract, motivate, reward and retain individuals who contribute to sustainable and consistent corporate performance and the promotion of the achievement of strategic objectives, positive outcomes and an ethical culture and responsible corporate citizenship in the short, medium and long-term.

Renergen is in the process of reviewing its Remuneration Policy to take account of the new focus of the Group.

## SERVICE CONTRACTS AND NOTICE PERIODS

It is the policy that the Executive Directors and Executives have employment agreements with the Group which may be terminated with a minimum notice periods of three months and one month respectively. The Group has not agreed to or entered any termination payments with Employees including the Executives. The only payments permissible are those provided for by law such as accrued annual leave and retrenchments payments.

# SECTION 3

## IMPLEMENTATION OF REMUNERATION POLICY FOR THE YEAR ENDED 28 FEBRUARY 2018.

This section of the report specifically deals with the remuneration for the Group CEO, Executive Directors, and Non-executive Directors.

## COMPLIANCE WITH THE REMUNERATION PHILOSOPHY

The GETSC Committee monitored the implementation of the remuneration philosophy and strategy throughout the year and is of the view that the Group was in material compliance as set out in the 2018 Integrated Annual Report. The Committee has also committed to a more formal Remuneration Policy to be implemented for 2019.

## REWARD FRAMEWORK

The Group, through the GETSC Committee, is committed to fair and responsible remuneration policies.

During the 2018 financial year, the CTC increase for the Renergen Group was approved at 8%.

The Committee has asked PwC to conduct a salary and fee review as well as a benchmarking exercise for both the Executive Directors and Independent Non-executive Directors.

The exercise is currently underway and it is the Committee's intention to implement the recommendation for the Executive Directors and back date the remuneration to 1st March 2018.

The Independent Non-executive Director fees recommendation emanating from the PwC's exercise will be presented to shareholders in our successive report for voting and approval.

For the next financial year (2019), increases linked to inflation had been recommended by the Committee for approval by the Board. This increase was approved by the Board for salaried employees.

## DETAILS OF REMUNERATION PAID

The remuneration of the Executive Directors of Renergen for the past two financial years is shown on the tables below.

| | **EXECUTIVES** | | | | | |
|---|---|---|---|---|---|---|
| Figures in Rand thousands | **28 February 2018** | | | 28 February 2017 | | |
| | **Basic Salary** | **Bonus** | **Total** | **Basic Salary** | **Bonus** | **Total** |
| Stefano Marani | 2 159 | 180 | 2 339 | 1 999 | 167 | 2 166 |
| Fulu Ravele* | 1 344 | 112 | 1 456 | 1 145 | 100 | 1 245 |
| Nick Mitchell | 2 072 | 173 | 2 245 | 1 931 | 160 | 2 091 |
| | **5 575** | **465** | **6 040** | **5 075** | **427** | **5 502** |

* The Group granted Fulu Ravele 58,734 bonus shares that vest after 36 months of service from grant date (05 October 2017), the shares had a fair value of R10.22 per share. R50 021 of the share-based payment expense was recognized in operating expenses at 28 February 2018.

## EXTERNAL APPOINTMENTS AND BOARD MEETING ATTENDANCE OF EXECUTIVE DIRECTORS

Executive Directors do not draw any additional remuneration for attending Board meetings. Renergen Executive Directors who sit on subsidiary boards do not receive fees for serving on the Boards of those Committees. Renergen did not appoint new Directors in the current financial year.

## DETAILS OF REMUNERATION PAID TO INED

The fee structure is aligned to the King IV remuneration guidelines that Non-executive Directors receive a base annual retainer for appointment to the Board or any Committee, together with an attendance fee (meeting fee) per meeting. The Chairman of the Board or any Committee receives a higher fee.

The appointment of Independent Non-executive Directors is initially considered and resolved by the Board, thereafter ratified by Shareholders and is duly approved at the AGM. The remuneration is based on proposals from the Board as is duly approved. In line with best governance practice, Independent Non-executive Directors do not participate in STI's and LTI's and their term of office is governed by the Group's Memorandum of Incorporation, which provides that at least one-third of the Independent Non-executive Directors will retire by rotation, but may, if eligible, offer themselves for re-election.

The remuneration of the Executive Directors is reviewed by the GETSC Committee annually and approved by the Board.

It is further presented and voted on by the shareholders at the next AGM.

The remuneration of Independent Non-executive Directors of Renergen for the past two financial years is shown in the table below.

The Board has recommended that the remuneration of Independent Non-executive Directors remain unchanged for the next financial year.

| | **NON-EXECUTIVES** | | |
|---|---|---|---|
| Figures in Rand thousands | **28 February 2018** | | |
| | **Directors Fees** | **Committee Fees** | **Total** |
| Brett Kimber | 216 | 130 | 346 |
| Mbali Swana | 173 | 151 | 324 |
| Luigi Matteucci | 216 | 194 | 410 |
| Bane Maleke | 173 | 86 | 259 |
| | **778** | **561** | **1 339** |

| | **NON-EXECUTIVES** | | |
|---|---|---|---|
| Figures in Rand thousands | 28 February 2017 | | |
| | **Directors Fees** | **Committee Fees** | **Total** |
| Brett Kimber | 260 | 99 | 359 |
| Mbali Swana | 180 | 140 | 320 |
| Russell Broadhead | 129 | 44 | 173 |
| Reginald Edmond Cooke | 53 | 13 | 66 |
| Luigi Matteucci | 127 | 188 | 315 |
| Bane Maleke | 18 | 25 | 43 |
| | **767** | **509** | **1 276** |

## SHAREHOLDER NON-BINDING ADVISORY NOTE

The Remuneration Policy as updated from time to time together with the Implementation Report will be submitted to shareholders annually for two separate non-binding advisory notes in accordance with JSE Listing Requirements, if 25% or more votes are exercised against the Remuneration Policy and/or the Implementation Report, Renergen will:

1. Include the results together with a statement of its AGM voting published via SENS, an invitation to shareholders to engage with Renergen together with the manner and timing of the engagement
2. Address legitimate concerns raised by taking these into account together with review of our Remuneration Policy and/or by clarifying and/or adjusting the remuneration governance processes

The engagement with shareholders may take many forms which include but are not limited to email, telephone calls, and face to face meetings and/or questions received during investor roadshow presentations. In situations that may arise as illustrated above, the results will be disclosed in the succeeding Remuneration Report to be issued by Renergen.

## GOVERNANCE, ETHICS, TRANSFORMATION, SOCIAL AND COMPENSATION REPORT

The Renergen Governance, Ethics, Transformation, Social and Compensation Committee (GETSC) (the Committee) is a statutory Committee which assists the Board in monitoring the Group's corporate citizenship, sustainability and ethics.

### Role of the Committee

The Committee is governed by a GETSC Charter which detail its duties in terms of the Companies Act, the JSE Listings Requirements and King IV, as well as responsibilities allocated to it by the Board. The Charter also guides the Committee in terms of its objectives, authority and responsibilities.

The Committee acts in terms of the delegated authority of the Board and assists the Directors in monitoring the Group's activities and disclosures in terms of legislation, regulation and codes of best practices relating to:

- Ethics
- Sustainable development and sustainability
- Stakeholder engagement (including employees, customers, suppliers, communities and the environment)
- Strategic empowerment and transformation

### Responsibilities of the Committee

The responsibilities of the Committee are as follows:

- Monitor activities relating to social and ethical matters (social environment)
- Ensure that the disclosure of Executive and Independent Non-executive Directors' remuneration is compliant with applicable regulations and codes of best conduct and is accurate, complete and transparent (workplace environment)
- To ensure that the Group remunerates Directors and executives fairly and responsibly
- To monitor and strengthen the objectivity and credibility of the Group's Directors and senior executive remuneration system by linking remuneration to individual performance, the Group's performance and market conditions
- To make recommendations to the Board on remuneration packages and policies applicable to Directors and senior executives

- To review and provide strategic input on the transformation status reports submitted to it (transformation function)
- To review compliance with all environmental laws and regulations applicable to the Group's business operations

**Composition and functioning**

The Committee is chaired by Independent Non-executive Director Luigi Matteucci. The Committee further comprises Independent Non-executive Director Brett Kimber, and Bane Maleke, as well as Executive Director Nick Mitchell (COO). Stefano Marani (CEO) and Fulu Ravele(CFO) attend by invitation. The Committee met twice in the year under review. Attendance at Committee meetings are set out on page 43.

**Activities of the Committee**

Renergen is classified as an exempt micro enterprise with an annual turnover below R10 million under the Department of Trade and Industry B-BBEE Codes of Good Practice. Transformation is a fundamental part of our ongoing commitment to Broad-Based Black Economic Empowerment. The Committee monitored progress against transformation targets and the internal employment equity plan.

- 55% of the Group's employees are black and
- 45% of employees are women
- 33% of the Group's Senior Managers are black
- 33% of our employees in executive Committee positions, are black

The Committee also evaluated Renergen's Corporate Social Investment (CSI) programme, focusing primarily on the following:

- Bursaries
- Internships
- Investment in employee learning and development

While Renergen is not a signatory to the United Nation's Global Compact (UNGC), it has adopted the 10 principles and monitors compliance against these principles in the areas of human rights, labour, anti-corruption and the environment.

In terms of monitoring our performance as a responsible corporate citizen, no instances requiring action were raised or identified during the year under review through our Whistle-blowing hotline, through Whistle Blowers (which is a member of the Ethics Institute of South Africa), an independent service provider operates Renergen's whistle-blowers' facility to enable employees and other stakeholders to report, confidentially and anonymously, any unethical or risky behaviour.

On behalf of the Committee, I would like to express my appreciation to my Committee members for their efforts and contributions during the year, as well as to management, the auditors and the user community for their ongoing support.

## INSURANCE

The Audit, Risk and IT Committee monitors insurance coverage at Renergen and regularly reviews a summary of the coverage. Directors and officers enjoy the benefit of liability insurance funded by the Group to cover instances where they could be held personally liable to the Group in cases of negligence, default or a breach of duty or trust.

The cover excludes liability resulting from criminal, reckless or fraudulent behaviour. The level of cover is reviewed annually to ensure that it is appropriate.

## COMPLIANCE

We ensure compliance with all legislation and regulations applicable to our businesses.

These include the Companies Act, JSE Listings Requirements and the recommendations set out in King Report.

Tetra4 operates in a highly regulated sector. In this regard Renergen submits regular reports as required by the following regulators:

- Petroleum Agency SA (PASA), in respect of the exploration rights, production rights and social and labour report
- The National Energy Regulator (NERSA) in relation to storage license and trading license

All operations comply with the required legislation including:

- Mine Health and Safety Act 29 of 1996
- Occupational Health and Safety Act of 1993
- Hazardous Substances Act 1973
- Mineral and Petroleum Resources Development Act (MPRDA)
- National Environmental Management Act of 1988

## LITIGATION STATEMENT

In terms of the JSE Limited Listings Requirements, the Directors note that they are not aware of any legal or arbitration proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 months, a material effect on the Group's financial position.

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2018

# GENERAL INFORMATION

RENERGEN LIMITED

**Country of incorporation and domicile**
South Africa

**Company registration number**
2014/195093/06

**JSE Share code**
REN

**JSE ISIN**
ZAE000202610

**Registered office**
First Floor, 1 Bompas Road, Dunkeld West, 2196

**Nature of business and principal activities**
Energy company, focused on alternative and renewable energy sectors in South Africa

The Company is listed on the JSE Alternative Exchange (AltX)

**Directors**
Stefano Marani
Fulu Ravele
Nick Mitchell
Brett Kimber
Mbali Swana
Luigi Matteucci
Bane Maleke

**Auditors**
Grant Thornton Johannesburg
Chartered Accountants (SA)
Registered Auditors
A South African member of Grant Thornton International Limited

**Company secretary**
Acorim Proprietary Limited

**Transfer secretaries**
Computershare Investor Services Proprietary Limited

**Designated adviser**
PSG Capital

**Level of assurance**
These financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008

**Preparer**
The financial statements were prepared under the supervision of Fulu Ravele CA(SA) Chief Financial Officer

# DIRECTORS' RESPONSIBILITIES AND APPROVAL

The Directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Group for the year ended 28 February 2018 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 financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards 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 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 endeavors to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behavior 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 financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Group will continue as a going concern, which contemplates the realisation of assets and satisfaction of liabilities in the normal course of business for the foreseeable future. The Group's ability to achieve profitability is dependent on the capital spend of proceeds raised from the currently underway capital raise. The Directors have reviewed the Group's forecasts for the next twelve months and is satisfied with the Group's ability to continue as a going concern.

The Group intends to raise sufficient capital from both local and international investors. The Group has finalised its capital needs and has started with a formal process to raise capital from investors. Raising this capital will satisfy the major remaining Industrial Development Corporation conditions precedent which required the Group to raise R145 million to unlock the R218 million debt facility. If the Group is unsuccessful with the intended capital raise it would result in there being material uncertainty in the Group's ability to continue as a going concern, but Management is confident that the Group will be in a position to raise enough capital and draw on the IDC loan by the end of the first half of the 2019 financial year and the Group will continue to operate as a going concern.

The external auditors are responsible for independently auditing and reporting on the financial statements. The financial statements have been examined by the Group's external auditors and their report is presented on pages 72 to 75.

The financial statements set out on pages 80 to 85, which have been prepared on the going concern basis and the Directors' report on pages 76 to 79, were approved by the Board of Directors on 27 June 2018 and were signed on their behalf by:

**Mbali Swana**

**Luigi Matteucci**

# AUDIT, RISK AND IT COMMITTEE REPORT

## INTRODUCTION

The Audit, Risk and IT Committee (the Audit Committee) is an independent statutory Committee appointed by Renergen's shareholders. In terms of section 94) of the Companies Act 71 of 2008, as amended (the Companies Act), and the principles of good governance, shareholders annually appoint certain independent Directors as members of the Audit Committee to fulfil the statutory duties as prescribed by the Companies Act.

In addition, Renergen's Board of Directors (the Board) delegates specific duties to the Audit Committee. This report considers these statutory and delegated duties as well as the Audit Committee's responsibilities in terms of the JSE Listings Requirements and the King IV Code on Corporate Governance, 2016 (King IV).

## TERMS OF REFERENCE

The Audit Committee has adopted formal terms of reference which are reviewed and updated on an annual basis as necessary by both the Committee and the Board. The Committee is satisfied that it has discharged its duties in accordance with its terms of reference.

## COMPOSITION AND GOVERNANCE

During the year under review the Audit Committee comprised of the following Independent Non-executive Directors:

| NAME | QUALIFICATION |
|---|---|
| **Mbali Swana (chairperson)** | Bas (UCT), BArch (UCT), Pr Arch (SA), MIAT (SA) |
| **Luigi Matteucci** | B.com (Wits) CTA (Wits) CA (SA) |
| **Bane Maleke** | MBA (Dalhousie University Canada), Ph. D Strategic Management (University of Bath UK) |

For details of the qualifications, expertise and experience of the members of the Audit Committee, refer to page 29 of the Integrated Annual Report.

Members of the Audit Committee satisfy the requirements to serve as members of an Audit Committee, as provided for in section 94 of the Companies Act, and collectively have adequate knowledge and experience to carry out their duties.

The Chief Executive Officer (CEO), the Chief Financial Officer (CFO), the Chief Operating Officer (COO) and representatives of the external auditors are invited to attend all Audit Committee meetings. The chairperson of the Audit Committee has regular contact with Management to discuss relevant matters directly. The external auditors have direct access to the Audit Committee, including closed sessions without management, on any matter that they regard as relevant to the fulfilment of the Audit Committee's responsibilities.

Three Audit Committee meetings were held during the year under review, aligned with the key reporting and regulatory timelines. The meetings' key focus areas were:

- The financial performance and position of the Group
- The solvency and liquidity position of the Group
- Renergen's interim results for the six months to 31 August 2017 and the SENS announcements
- The external audit plan
- Financial year end results and the SENS announcements
- Significant and unusual accounting transactions
- The external auditor's report
- JSE correspondence and the Audit Committee's responses thereto
- Renergen's risk register and the responses associated with each risk
- The adequacy of the Risk Management Policy, charter and plan and the risk tolerance and risk appetite statements. Certain recommendations were made by the Audit Committee in this regard which have been adopted by Management
- The insurance cover in place to protect the Group's assets
- Risks associated with business continuity planning
- Whistleblowing policies and procedures

The chairperson of the Audit Committee reports to the Board on its activities and the matters discussed at each meeting, highlighting any key items that the

# AUDIT, RISK AND IT COMMITTEE REPORT

Committee believes require action and providing recommendations for their resolution.

The performance of the Audit Committee is reviewed annually by the Board. The latest review concluded that the Audit Committee operates effectively and successfully discharged its responsibilities and duties.

## ROLES AND RESPONSIBILITIES

The Audit Committee's primary objective is to assist the Board with its responsibilities for, inter alia:

- Oversight of financial and internal controls
- Oversight and review of integrity of financial reporting
- Oversight and review of the external audit process
- Oversight of any non-audit services and approval of the policy in regard thereto
- Oversight and review of Renergen's financial function
- Management of risk
- Governance of information technology and the effectiveness of Renergen's information systems
- Legislative and regulatory compliance
- Oversight of the policies and procedures for the prevention and detection of fraud

## FINANCIAL AND INTERNAL CONTROLS

The Group has established and maintains internal controls and procedures, which are reviewed on a regular basis. These are designed to manage significant control deficiencies raised by Management or the external auditors and to provide reasonable assurance against the possibility of any failures.

The Audit Committee is satisfied that Renergen has optimised the assurance coverage obtained from Management and external assurance providers, in accordance with an approved combined assurance model. The Committee is also satisfied that the combined assurance model and related systems and procedures are effective in enabling an effective internal control environment and supporting the integrity of internal and external reports.

Based on its continuous review of the design, implementation and effectiveness of Renergen's systems of internal financial controls, and on reports made by the external auditors on the results of their audit and management reports, the Audit Committee is satisfied that Renergen's system of internal financial controls is effective and forms a basis for the preparation of reliable financial statements. No findings have come to the attention of the Audit Committee to indicate that any material breakdown in internal controls occurred during the past financial year.

## FINANCIAL REPORTING

The Audit Committee receives regular reports from the CFO regarding the financial performance of the Group, details of budgets, forecasts, long-term plans and capital expenditures, financial reporting controls and processes, and the adequacy and reliability of management information used during the financial reporting process.

During the year under review correspondence was received from the JSE in respect of its proactive monitoring of Renergen's Annual Financial Statements for the financial year ended 28 February 2017. The Audit Committee was actively involved in reviewing the queries raised by the JSE and responding thereto. Following the conclusion of this process the Audit Committee is satisfied that the JSE's queries were adequately addressed and, where necessary, appropriate steps have been taken to address the findings.

The Audit Committee reviewed the audited Annual Financial Statements for the year ended 28 February 2018 and, following an assessment, considers that the financial reporting process and controls that led to the compilation of the Annual Financial Statements is effective. No significant matters were identified by the Committee relating to the Annual Financial Statements and the Committee submits that they present a balanced view of the Group's performance for the year under review. The Audit Committee is therefore of the view that the annual financial report complies in all material respects with the statutory requirements of the various regulations governing disclosure and reporting of the consolidated Annual Financial Statements and that the consolidated financial statements comply in all material respects with IFRS, the SAICA Financial Reporting Guides issued

by the Accounting Practices Committee and Financial Reporting Pronouncements issued by the Financial Reporting Standards Council, as well as the requirements of the Companies Act and the JSE Listing Requirements.

The Audit Committee recommended that the Annual Financial Statements and the financial information included in the integrated annual report be approved by the Board.

## EXTERNAL AUDIT

The Audit Committee is responsible for the appointment, compensation and oversight of the external auditors for the Group, namely Grant Thornton.

Grant Thornton has been the Group's external auditor for four years. At the Annual General Meeting held on 29 September 2017, Grant Thornton was reappointed as the independent external auditor for the financial year ended 28 February 2018. The individual registered auditor responsible for the audit for the financial year ended 28 February 2018 was Mr. J Barradas. As Grant Thornton is required to rotate the audit partner responsible for the Group audit every five years, the current lead audit partner will be required to change from financial year 2020 onwards.

The Audit Committee is also responsible for determining the independence of the external auditor. The Audit Committee is satisfied that Grant Thornton is independent of Renergen, taking into consideration the prescripts of section 94(8) of the Companies Act and the rules of the Independent Regulatory Board for Auditors.

The Audit Committee approved the engagement letter, the audit plan and the audit fees for the financial year ended 28 February 2018, and monitored progress against the approved plan. Following the statutory audit, the auditor's report provided the Audit Committee with the necessary assurance in respect of Renergen's risk management processes, internal control environment and IT governance.

A formal procedure has been adopted to govern the process whereby the external auditor may be considered for non-audit services and the extent of these services is closely monitored by the Audit Committee.

The Audit Committee has satisfied itself that both Grant Thornton and Mr. J Barradas are accredited in terms of the JSE Listings Requirements and are independent from Renergen. As such the Audit Committee recommended to the Board that Grant Thornton be reappointed as the Group's external auditor for the financial year ending 28 February 2019, with Mr. J Barradas as the individual registered auditor.

The Audit Committee has reviewed sections 3, 8, 13, 15 and 22 and schedule 8 of the JSE Listing Requirements and confirm that based on the amended requirements for the JSE-accreditation of Auditors, effective 15 October 2017, we were satisfied that:

(i) The audit firm has met all the criteria stipulated in the requirements, including that the audit regulator has completed a firm-wide independent quality control (ISQC 1) inspection on the audit firm during its previous inspection cycle

(ii) The auditors have provided to the Audit Committee, the required IRBA inspection decision letters, findings report and the proposed remedial action to address the findings, both at the audit firm and the individual auditor levels

(iii) Both the audit firm and the individual auditor understand their roles and have the competence, expertise, experience and skills required to discharge their specific audit and financial reporting responsibilities

The Directors will propose the reappointment of Grant Thornton at the Annual General Meeting to be held on 28 September 2018. Details can be found in the notice of the Annual General Meeting that accompanies the Integrated Annual Report.

## EVALUATION OF THE CFO AND THE FINANCE FUNCTION

The Audit Committee evaluated the expertise and performance of the CFO during the period ended February 2018 and is satisfied that the CFO has the appropriate expertise and experience to carry out her duties as the CFO of the Group. The expertise, experience and adequacy of the resources making up the finance function were also considered, and the Committee is satisfied that these are appropriate.

# AUDIT, RISK AND IT COMMITTEE REPORT

## RISK MANAGEMENT

The Audit Committee discusses with Management the Group's policies with respect to risk assessment and risk management, including the guidelines and policies that govern Management's assessment and management of risk, and is responsible for the following:

- Reviewing the effectiveness of risk management policies and strategies in place for recommendation to the Board for final approval
- Reviewing the adequacy of the risk management charter, policy and plan for recommendation to the Board for final approval
- Approving the Group's risk identification and assessment methodologies
- Reviewing the parameters of the Group's risk/reward strategy, in terms of the risk appetite and tolerance relative to reward
- Ensuring that risks are quantified where practicable
- Reviewing and approving the risks identified on a qualitative basis, according to probability and seriousness
- Reviewing the effectiveness and efficiency of systems within the Group and receiving assurance that material risks are identified, and the appropriate risk management processes are in place, including the formulation and subsequent updating of appropriate Company policies
- Reviewing the appropriateness of resources directed towards areas of high risk
- Regularly receiving a register of the Group's key risks and potential material risk exposures
- Reporting to the Board any material changes and/or divergence to the risk profile of the Group
- Reviewing the implementation of operational and corporate risk management plans
- Reviewing the insurance and other risk transfer arrangements and considering whether appropriate coverage is in place
- Reviewing the business contingency planning process within the Group and receiving assurance that material risks are identified and that appropriate contingency plans are in place
- Where necessary recommending actions for improvement on risk management plans for the Group
- Reviewing the Group's sustainability risk on a regular basis
- Annually reviewing the risk management charter for recommendation to the Board for final approval

The Audit Committee is satisfied with the effectiveness of its oversight of the governance of risk in the Group. A detailed report on risk, as recommended in King IV, is contained on page 36 and 37.

## INFORMATION AND TECHNOLOGY GOVERNANCE

The Audit Committee is responsible for IT governance on behalf of the Board and receives reports from management in this regard at each Committee meeting. During the year under review the Audit Committee considered and approved a technology and information governance framework to manage information and technology as well as to identify any associated risks.

The Audit Committee also oversaw the implementation of Isometrix during the year under review which allows for the identification, control and monitoring of risks across the Group.

## COMPLIANCE GOVERNANCE

The Audit Committee is responsible for Renergen's compliance with applicable laws, rules, codes and standards. All of the laws, codes and standards applicable to Renergen have been identified the responsibility for implementing compliance has been delegated to management.

## GOING CONCERN

The Audit Committee has reviewed a documented assessment, including key assumptions prepared by Management, of the going concern status of the Group. The Board's statement on the going concern status of the Group, which is supported by the Audit Committee, appears on page 79.

# GROUP SECRETARY CERTIFICATION

In our capacity as Company Secretary, we hereby confirm, in terms of section 88(2)(e) of the Companies Act, 2008 (Act No.71 of 2008), as amended (the Act), that for the 12-month period ended 28 February 2018, the Group has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Act and that all such returns are true, correct and up to date.

Acorim

**Acorim Proprietary Limited**
Company Secretary

27 June 2018

# INDEPENDENT AUDITOR'S REPORT

## REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

### OPINION

We have audited the consolidated and separate financial statements of Renergen Limited (the Group and Company) set out on pages 80 to 122 which comprise the consolidated and separate statements of financial position as at 28 February 2018, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Renergen Limited as at 28 February 2018, 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 and the requirements of the Companies Act of South Africa.

### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa.

The IRBA Code is consistent with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (Parts A and B). 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 Note 41 in the consolidated financial statements, which indicates that the Group incurred a net loss of R40.6 million during the year ended 28 February 2018. The Group currently does not have the cash reserves to finance its operations and business objectives for the next 12 months if the capital raise is not successful. As stated in Note 41, these events or conditions, along with other matters as set forth in Note 41, 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 consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Material Uncertainty Related to Going Concern" section, we have determined the matter described below to be the key audit matters to be communicated in our report. The key audit matter relates to the consolidated financial statements. We have determined that there are no key audit matters in respect of the separate financial statements.

| KEY AUDIT MATTER | HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER |
|---|---|
| **VALUATION AND IMPAIRMENT TESTING OF MINERAL RIGHTS** | |
| As disclosed in note 4 to the consolidated financial statements, the Group has mineral rights disclosed as intangible assets with carrying values of R65.8 million (2017: R 65.6 million). In terms of IAS 36 Impairment of Assets, management is required to perform an impairment test on intangible assets at least annually, and identify indicators of impairment, if any.<br><br>We have determined this is a key audit matter due to the judgement required by management in preparing the valuation model to satisfy the impairment test. The use of an expert is required to calculate the amount of resources available as well as forecasting future cash flows and applying appropriate discount rates. This inherently involves a high degree of estimation and judgement being applied by management. | In considering the appropriateness of management's judgement used in the valuation models, we performed the following audit procedures:<br>• Assessed appropriateness of capitalisation of costs in terms of IFRS 6<br>• Reviewed the recoverability of the mineral right by assessing the experts of MHA Petroleum Consultants LLC's value-in-use calculation<br>• Recalculated the amortisation charge for the period based on the units of utilisation over the total estimated resources available<br>• Verified the additions made during the period<br>• Obtained an analysis of estimated future expenditure included in the amortisation base<br>• Analytically reviewed each income stream on a month on month and year on year basis to evaluate the completeness of each revenue stream<br>• Reviewed the work of the experts and compared to methods and assumptions of those used in the preceding period in order to ensure consistency<br><br>We furthermore considered the appropriateness and completeness of disclosure provided in this regard. |

## OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the Integrated Annual Report, which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate 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 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, 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 FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies

# INDEPENDENT AUDITOR'S REPORT

## REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Act of South Africa, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 (ISAs) 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate 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 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 and the Company'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 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 the Company to cease to continue as a going concern
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate 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 entities or business activities within the Group to express an opinion on the consolidated 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 period 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.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Grant Thornton Johannesburg Partnership has been the auditor of Renergen Limited for four years.

Grant Thornton.

**Grant Thornton**

Registered Auditors
Practice Number: 903485E

**J Barradas**
Partner
Registered Auditor
Chartered Accountant (SA)

27 June 2018

@Grant Thornton
Wanderers Office Park
52 Corlett Drive
Illovo, Johannesburg
2196

# DIRECTORS' REPORT

The Directors have pleasure in submitting their report on the financial statements of Renergen Limited and the Group for the year ended 28 February 2018.

## 1. NATURE OF BUSINESS

An energy group focused on alternative and renewable energy sectors in South Africa and sub-Saharan Africa. The Company is listed on the JSE Alternative Exchange (AltX).

## 2. REVIEW OF FINANCIAL RESULTS AND ACTIVITIES

The separate and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008 as amended, the JSE Listings Requirements, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the financial reporting pronouncements as issued by the Financial Reporting Standards Council. The Group adopted new accounting standards during the current year which were not in effected in the prior year, refer to accounting policy note 2. Other than the accounting policies mentioned above, all other policies have been applied consistently compared to the prior year.

**Operational Review**

In another productive year, the team has yet again delivered on furthering the Virginia Gas Project with the following main achievements:

- Conclusion of the IDC debt package for the Virginia Gas Project
- Achieving an environmental authorization to commence construction
- Update of reserve report, including defined helium reserves of significant proportions
- Announcement of LNG off-take agreement
- Completion of front end engineering and design for the pipeline and liquefiers
- Improvement of the business model from CNG to LNG, thus lowering transport cost and increasing marketing footprint

RENERGEN AND THE IDC ANNOUNCE TERM FUNDING OF R218 MILLION FOR TETRA4 VIRGINIA GAS PROJECT

On 24 May 2017, Renergen and the Industrial Development Corporation (IDC) announced funding of R218 million to develop the pipeline and associated installations, compression station and the potential power and steam plant at Renergen subsidiary Tetra4's Virginia Gas Project.

VIRGINIA

The CNG plant has been operating at optimal capacity with positive results. Gas has been supplied to the Megabus operations for several months and not only have customers been pleased with the improvement in the quality of the commute, but the operator has begun to experience savings on the fuel cost.

EVANDER

We continue to enjoy good prospects on this field, and are proceeding with the necessary steps to bring this field into production.

CÔTE D'IVOIRE HYDRO

Côte d'Ivoire Hydro, a hydroelectric project managed by Mega Power Renewables (a subsidiary of Renergen) in Côte d'Ivoire (in the west of the African continent), reached a critical point where management had to take a decision on whether to continue to fund it or write off the investment to date. The studies have shown that the tariff required to deliver reasonable investment returns to Renergen are above the norm, and Renergen would benefit more from deploying that investment to developing Tetra4's Evander gas field as well as bringing a second operation online. Management has decided not to continue funding the Ivory Coast hydroelectric projects further and will concentrate exclusively on the South African natural gas market for the time being.

**Financial Review**

Total loss of the Group was R40.6 million (28 February 2017: R18.7 million) after taxation of R 2.4 million (28 February 2017: R6.2 million).

Major investing activities were:

- R9.6 million spent on plant, machinery and equipment on engineering of Tetra4's Virginia operating plant expansion
- R2.8 million on a financial business system as well as integrated health, safety and environmental quality software system

The feasibility and pre-feasibility studies of the hydroelectric project in Côte d'Ivoire, were funded by Renergen. Renergen has funded all costs incurred to date in the form of a loan to Mega Power Renewables. The hydroelectric project of R12.2 million has been impaired as no economic benefits are expected to be recovered.

## 3. STATED CAPITAL

The Group increased its number of shares issued to 81 035 123 from 78 412 605 shares issued in prior year.

Refer to note 14 of the financial statements for details of the movement in authorised and issued share capital.

## 4. DIVIDENDS

No dividends were declared or paid to shareholders during the year.

## 5. DIRECTORATE

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

| DIRECTORS | OFFICE | DESIGNATION | CHANGES |
|---|---|---|---|
| **Stefano Marani** | Chief Executive Officer | Executive | Appointed 20 November 2014 |
| **Fulu Ravele** | Chief Financial Officer | Executive | Appointed 25 November 2015 |
| **Nick Mitchell** | Chief Operating Officer | Executive | Appointed 25 November 2015 |
| **Brett Kimber** | Chairperson | Independent Non-executive | Appointed 17 June 2015 |
| **Mbali Swana** | Deputy chairperson | Independent Non-executive | Appointed 16 February 2015 |
| **Luigi Matteucci** | | Independent Non-executive | Appointed 03 May 2016 |
| **Bane Maleke** | | Independent Non-executive | Appointed 07 December 2016 |

# DIRECTORS' REPORT

## 6. DIRECTORS' INTERESTS IN SHARES

| | DIRECTORS | | | | | |
|---|---|---|---|---|---|---|
| | **28 February 2018** | | | 28 February 2017 | | |
| | **Direct %** | **Indirect %** | **Total %** | **Direct %** | **Indirect %** | **Total %** |
| **EXECUTIVE DIRECTORS** | | | | | | |
| **Stefano Marani** | 0.32 | 10.73 | 11.05 | 0.33 | 11.09 | 11.42 |
| **Nick Mitchell** | - | 10.61 | 10.61 | - | 11.26 | 11.26 |
| | **0.32** | **21.34** | **21.66** | **0.33** | **22.35** | **22.68** |

**Non-executive Directors did not hold shares in the Group for the year ended 28 February 2018.**

The register of interests of Directors and others in shares of the Group is available to the shareholder on request.

Nick Mitchell disposed of 230 000 of his indirect shareholding in June 2017. This resulted in his indirect shareholding being diluted from 11.26% at 28 February 2017 to 10.61% as at 28 February 2018.

The overall executive Directors' indirect interest as at 28 February 2018 decreased to 21.34% from 22.35%.

Fulu Ravele (executive director) was granted shares in October 2017 as part of the Bonus Share Plan approved by shareholders on 29 September 2017. The vesting period at grant date was 36 months. These shares will only vest in 33 months and have not been included in the director's interest in shares above.

There were no other changes to Directors' interest between 28 February 2018 and the date of signature of this report other than those mentioned above.

## 7. INTERESTS IN SUBSIDIARIES, ASSOCIATES AND JOINT ARRANGEMENTS

Details of material interests in subsidiary companies are presented in the financial statements in note 5. The interest of the Group in the losses of its subsidiaries for the period ended 28 February 2018 are as follows:

| | SUBSIDIARIES | |
|---|---|---|
| Figures in Rand thousands | **28 February 2018** | 28 February 2017 |
| Tetra4 (Pty) Ltd losses after income tax | 29 209 | 18 097 |
| Mega Power Renewables losses before income tax | - | - |

Mega Power Renewables was disposed of before year end.

## 8. EVENTS AFTER THE REPORTING PERIOD

Additional stated capital of R10 million was raised in March 2018. Management continue to raise funding to facilitate the development of renewable and alternative energy projects.

As per the SENS announcement dated 07 March 2018, MHA Petroleum Consultants LLC released an independent Reserve and Resources Evaluation Report on Tetra4's gas reserves. The Report indicated that Tetra4's Total Proven and probable gas reserves are valued at R8.4 billion compared to R6.6 billion in 2017.

As per the SENS announcement dated 21 May 2018 Renergen and AB-INBEV, through their respective subsidiaries Tetra4 (Pty) Ltd and The South African Breweries Proprietary Limited (SAB), concluded off-take agreements for the provision of natural gas by Tetra4 to SAB to use in displacing diesel use in trucks.

The Directors are not aware of any other material event which occurred after the reporting period and up to the date of this report.

## 9. GOING CONCERN

The Consolidated and Separate Financial Statements have been prepared assuming the Group will continue as a going concern, which contemplates the realisation of assets and satisfaction of liabilities in the normal course of business for the foreseeable future. The Group's ability to achieve profitability is dependent on the capital spend of proceeds raised from the currently underway capital raise. The Directors have reviewed the Group's forecasts for the next twelve months and is satisfied with the Group's ability to continue as a going concern.

The Group intends to raise sufficient capital from both local and international investors. The Group has finalised its capital needs and has started with a formal process to raise capital from investors. Raising this capital will satisfy the major remaining Industrial Development Corporation conditions precedent which required the Group to raise R145 million to unlock the R218 million debt facility. If the Group is unsuccessful with the intended capital raise it would result in there being material uncertainty in the Group's ability to continue as a going concern, but Management is confident that the Group will be in a position to raise enough capital and draw on the IDC loan by the end of the first half of the 2019 financial year and the Group will continue to operate as a going concern.

## 10. AUDITORS

Grant Thornton Johannesburg Partnership will continue in office as auditors.


**Business address:**
Wanderers Office Park,
52 Corlett Drive
Illovo, Johannesburg
2196

# STATEMENT OF FINANCIAL POSITION

| Figures in Rand thousands | Notes | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | **28 February 2018** | 28 February 2017 | **28 February 2018** | 28 February 2017 |
| **ASSETS** | | | | | |
| **Non-Current Assets** | | | | | |
| Property Plant and Equipment | 3 | 32 615 | 21 756 | 4 604 | 1 156 |
| Intangible Assets | 4 | 65 838 | 76 555 | 14 | 14 |
| Deferred tax asset | 7 | 8 671 | 6 234 | 1 447 | 2 364 |
| Investments in Subsidiaries | 5 | - | - | 594 528 | 594 579 |
| Loans to Group companies | 8 | - | - | 135 071 | - |
| Restricted Cash | 13 | 1 632 | - | - | - |
| **Total Non-Current Assets** | | **108 756** | **104 545** | **735 664** | **598 113** |
| **Current Assets** | | | | | |
| Other financial assets | 9 | - | - | 5 500 | 5 500 |
| Loans to Group companies | 8 | - | - | - | 112 388 |
| Trade and other receivables | 11 | 2 459 | 8 933 | 548 | 2 812 |
| Cash and cash equivalents | 12 | 3 037 | 11 299 | 2 651 | 10 720 |
| **Total Current Assets** | | **5 496** | **20 232** | **8 699** | **131 420** |
| **Total Assets** | | **114 252** | **124 777** | **744 363** | **729 533** |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity** | | | | | |
| Stated capital | 14 | 161 065 | 137 585 | 759 464 | 735 984 |
| Accumulated loss | | (80 231) | (42 551) | (19 464) | (8 072) |
| Foreign Currency Translation Reserve | 30 | - | 3 389 | - | - |
| Share-Based Payment Reserve | 21 | 114 | - | 114 | - |
| **Equity attributable to Parent** | | **80 948** | **98 423** | **740 114** | **727 912** |
| Equity attributable to Non-controlling interests | | (12 285) | (9 262) | - | - |
| **Total Equity** | | **68 663** | **89 161** | **740 114** | **727 912** |
| **LIABILITIES** | | | | | |
| **Non-Current Liabilities** | | | | | |
| Financial Liability | 15 | 30 545 | 27 013 | - | - |
| Finance lease obligation* | 35 | 511 | 137 | 511 | 137 |
| Provisions | 16 | 3 100 | 3 100 | - | - |
| **Total Non-Current Liabilities** | | **34 156** | **30 250** | **511** | **137** |

| Figures in Rand thousands | Notes | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | **28 February 2018** | 28 February 2017 | **28 February 2018** | 28 February 2017 |
| **Current Liabilities** | | | | | |
| Trade and other payables | 18 | 11 167 | 5 284 | 3 472 | 1 402 |
| Finance lease obligation* | 35 | 266 | 82 | 266 | 82 |
| **Total Current Liabilities** | | **11 433** | **5 366** | **3 738** | **1 484** |
| **TOTAL LIABILITIES** | | **45 589** | **35 616** | **4 249** | **1 621** |
| **TOTAL EQUITY AND LIABILITIES** | | **114 252** | **124 777** | **744 363** | **729 533** |
| **Net asset value per share (cents)** | | **84.73** | **113.71** | | |
| **Tangible net asset value per share(cents)** | | **3.49** | ** **8.13** | | |

* Finance lease of R219 was included in trade and other payables in prior year results. This has been separately disclosed.

** Refer to note 26.

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| Figures in Rand thousands | Notes | **28 February 2018** | 28 February 2017 | **28 February 2018** | 28 February 2017 |
| Revenue | 19 | 2 885 | 1 722 | 8 600 | 5 098 |
| Cost of sales | 20 | (3 483) | (2 127) | - | - |
| **Gross loss** | | **(598)** | **(405)** | **8 600** | **5 098** |
| Other income | | 59 | 375 | 597 | 433 |
| Share-Based payments | 21 | (114) | - | - | - |
| Impairment loss | 27 | (12 245) | (3) | (7 512) | - |
| Operating Expenses | 22 | (31 912) | (22 986) | (12 567) | (9 736) |
| Profit/(loss) on disposal of business | 38 | 4 708 | - | (30) | - |
| **Operating Loss** | | **(40 102)** | **(23 019)** | **(10 912)** | **(4 205)** |
| Interest Income | 23 | 632 | 1 287 | 471 | 1 284 |
| Interest expense | 24 | (35) | (8) | (35) | (8) |
| Imputed interest expense | 25 | (3 532) | (3 156) | - | - |
| **Loss before tax** | | **(43 037)** | **(24 896)** | **(10 476)** | **(2 929)** |
| Taxation | 28 | 2 436 | 6 234 | (916) | 2 364 |
| **Total Loss after tax** | | **(40 601)** | **(18 662)** | **(11 392)** | **(565)** |
| **OTHER COMPREHENSIVE INCOME/(LOSS) ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS** | | | | | |
| Foreign currency translation gain | 30 | 1 348 | 3 389 | - | - |
| Foreign currency reserve realised on disposal of business- transfer to other comprehensive income | 30 | (4 737) | - | - | - |
| **Other comprehensive (Loss)/Profit** | | **(3 389)** | **3 389** | **-** | **-** |
| **Total comprehensive loss for the period** | | **(43 990)** | **(15 273)** | **(11 392)** | **(565)** |
| **LOSS ATTRIBUTABLE TO:** | | | | | |
| Owners of the parent | | (37 680) | (17 221) | (11 392) | (565) |
| Non-controlling interest | | (2 921) | (1 441) | - | - |
| | | **(40 601)** | **(18 662)** | **(11 392)** | **(565)** |
| **TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:** | | | | | |
| Owners of the parent | | (41 069) | (13 832) | (11 392) | (565) |
| Non-controlling interest | | (2 921) | (1 441) | - | - |
| | | **(43 990)** | **(15 273)** | **(11 392)** | **(565)** |
| **LOSS PER ORDINARY SHARE** | | | | | |
| Basic loss per ordinary share (cents) | 31 | **(47.10)** | **(22.19)** | | |
| Diluted loss per ordinary share (cents) | 31 | **(47.05)** | **(22.19)** | | |

# STATEMENT OF CHANGES IN EQUITY

| | GROUP | | | | | | |
|---|---|---|---|---|---|---|---|
| Figures in Rand thousands | Share Capital | Accumulated Loss | Foreign currency translation reserve | Share-Based payment reserve | Total Parent Equity | Non-controlling interest | Total Equity |
| **Balance at 01 March 2016** | **124 158** | **(25 330)** | **-** | **-** | **98 828** | **(7 923)** | **90 905** |
| Issue of shares | 13 482 | - | - | - | 13 482 | - | 13 482 |
| Share issue costs | (55) | - | - | - | (55) | - | (55) |
| Total Loss for the period | | (17 221) | - | - | (17 221) | (1 441) | (18 662) |
| Other Comprehensive income | - | - | 3 389 | - | 3 389 | - | 3 389 |
| Non-controlling interest at acquisition of Mega Power Renewables | - | - | - | - | - | 102 | 102 |
| **Balance at 01 March 2017** | **137 585** | **(42 551)** | **3 389** | **-** | **98 423** | **(9 262)** | **89 161** |
| Issue of shares | 26 000 | - | - | - | 26 000 | - | 26 000 |
| Share issue costs | (2 520) | - | - | - | (2 520) | - | (2 520) |
| Share-Based payment | - | - | - | 114 | 114 | - | 114 |
| Total Loss for the period | - | (37 680) | - | - | (37 680) | (2 921) | (40 601) |
| Other Comprehensive income | - | - | 1 348 | - | 1 348 | - | 1 348 |
| Foreign currency reserve realised on disposal of business- transfer to other comprehensive income | - | - | (4 737) | - | (4 737) | - | (4 737) |
| Non-controlling interest at disposal – Mega Power Renewables | - | - | - | - | - | (102) | (102) |
| **Balance at 28 February 2018** | **161 065** | **(80 231)** | **-** | **114** | **80 948** | **(12 285)** | **68 663** |
| Notes | 14 | | 30 | 21 | | | |

# STATEMENT OF CHANGES IN EQUITY

| | COMPANY | | | |
|---|---|---|---|---|
| Figures in Rand thousands | **Share Capital** | **Accumulated Loss** | **Share-Based payment reserve** | **Total Parent Equity** |
| **Balance at 01 March 2016** | **722 557** | **(7 507)** | **-** | **715 050** |
| Issue of shares | 13 482 | - | | 13 482 |
| Share issue costs | (55) | - | | (55) |
| Total comprehensive Loss for the period | - | (565) | | (565) |
| **Balance at 01 March 2017** | **735 984** | **(8 072)** | **-** | **727 912** |
| Issue of shares | 26 000 | - | - | 26 000 |
| Share issue costs | (2 520) | - | - | (2 520) |
| Total comprehensive Loss for the period | - | (11 392) | - | (11 392) |
| Share-Based payment | - | - | 114 | 114 |
| **Balance at 28 February 2018** | **759 464** | **(19 464)** | **114** | **740 114** |
| Notes | 14 | | 21 | |

# STATEMENT OF CASHFLOWS

| Figures in Rand thousands | Notes | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | **28 February 2018** | 28 February 2017 | **28 February 2018** | 28 February 2017 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Cash used in operations | 32 | (19 036) | (24 414) | 1 506 | (1 810) |
| Interest Income | 23 | 632 | 1 287 | 471 | 1 284 |
| Interest expense | 24 | (35) | (8) | (35) | (8) |
| **Net cash (outflows)/inflows from operating activities** | | **(18 439)** | **(23 135)** | **1 942** | **(534)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Purchase of property, plant and equipment | 3 | (13 662) | (16 469) | (3 858) | (1 403) |
| Net proceeds on sale of assets | | - | 15 | - | - |
| Purchase of intangible asset | 4 | (199) | (4 260) | - | (14) |
| Loans granted to subsidiaries | 10 | - | - | (30 191) | (41 598) |
| **Net cash outflows from investing activities** | | **(13 861)** | **(20 714)** | **(34 049)** | **(43 015)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Net Proceeds on share issue | 14 | 23 480 | 13 427 | 23 480 | 13 427 |
| Finance lease capital re-payments | 33 | (210) | - | (210) | - |
| Finance lease proceeds | 33 | 768 | - | 768 | - |
| **Net cash inflows from financing activities** | | **24 038** | **13 427** | **24 038** | **13 427** |
| **Total cash movement for the period** | | (8 262) | (30 422) | (8 069) | (30 122) |
| Cash at the beginning of the period | | 11 299 | 41 721 | 10 720 | 40 842 |
| **Total cash at the end of the period** | | **3 037** | **11 299** | **2 651** | **10 720** |

# ACCOUNTING POLICIES

## 1. PRESENTATION OF FINANCIAL STATEMENTS

The separate and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008 as amended, the JSE Listings Requirements, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the financial reporting pronouncements as issued by the Financial Reporting Standards Council. The Group adopted new accounting standards during the current year which were not in effected in the prior year, refer to accounting policy note 2. Other than the accounting policies mentioned above, all other policies have been applied consistently compared to the prior year.

### 1.1 CONSOLIDATION

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Group and all investees which are controlled by the Group.

The results of subsidiaries are included in the consolidated financial statements from the effective date of acquisition to the effective date of disposal.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the Group's interest therein and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

**Business combinations**

The Group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity. The excess of the consideration transferred over the fair value of the Group's share of the identifiable net assets of the subsidiary acquired is recorded as goodwill. If the consideration transferred is less than the Group's share of the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income. All intergroup transactions, balances and unrealised gains and losses on transactions between entities of the Group have been eliminated. When necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

### 1.2 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic

benefits are consumed by the Group. Construction assets are not depreciated as they are not ready and available for the use intended by management. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term.

The useful lives of items of property, plant and equipment have been assessed as follows:

| ITEM | DEPRECIATION METHOD | AVERAGE USEFUL LIFE |
|---|---|---|
| Computer software | Straight line | 10 years |
| Furniture and fittings | Straight line | 6 years |
| IT equipment | Straight line | 3 years |
| Assets under Construction | Not applicable | Not applicable |
| Motor vehicles | Straight line | 5 years |
| Office equipment | Straight line | 6 years |
| Plant and machinery | Straight line | 10 years |
| Leasehold improvements- Furniture and fittings | Straight line | 6 years |
| Leasehold improvements-Office equipment | Straight line | 6 years |
| Finance - Motor vehicle | Straight line | 5 years |

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

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

## 1.3 AREAS OF SIGNIFICANT JUDGEMENTS

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

**Loans and receivables**

The Group assesses its loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

# ACCOUNTING POLICIES

The impairment for loans and receivables is calculated on a subsidiary basis, based on historical loss ratios, and other indicators present at the reporting date that correlate with defaults on the subsidiary. These annual loss ratios are applied to loan balances in the subsidiary.

**Impairment testing**

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

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. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by several factors.

**Useful lives of depreciable assets**

Management reviews its estimate of the useful lives and residual values of depreciable assets and intangible assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence or depleting gas reserve volumes that may change the utility of certain assets.

## 1.4 AREAS OF ESTIMATES

**Taxation**

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognises the net future tax benefit related to deferred tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred tax assets requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

## 1.5 INTANGIBLE ASSETS

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- It is technically feasible to complete the asset so that it will be available for use or sale
- There is an intention to complete and use or sell it
- There is an ability to use or sell it
- It will generate probable future economic benefits
- There are available technical, financial and other resources to complete the development and to use or sell the asset
- The expenditure attributable to the asset during its development can be measured reliably
- Intangible assets are carried at cost less any accumulated amortisation and any impairment losses

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortised over its pattern of use. All assets with finite useful life are assessed for impairment annually.

| Item | Amortisation |
|---|---|
| Exploration and development costs | Pattern of use (units) |
| Molopo project mineral rights | Pattern of use (units) |
| Domain names | Indefinite useful lives |

## 1.6 FINANCIAL INSTRUMENTS

**Initial recognition and measurement**

Financial instruments are recognised initially when the Group becomes a party to the contractual provisions of the instruments.

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

**Subsequent measurement**

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities of greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are initially recognised at fair value including originating fees and transaction costs, and subsequently measured at amortised cost using the effective interest method less provision for impairment. Loans and receivables include trade receivables, amounts owed by associates, amounts owed by joint ventures, accrued income and cash and cash equivalents.

# ACCOUNTING POLICIES

**a. Trade and receivables**

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced using an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

**b. Cash and cash equivalents**

In the consolidated statement of financial position cash and cash equivalents includes cash in hand.

**c. Restricted Cash**

The Group has cash deposits in call accounts that have been ring-fenced. These cash deposits are used for environmental rehabilitation. This cash is not treated as cash and cash equivalent.

**d. Other financial assets**

Other financial assets held at amortised cost include a loan to minority shareholders held as a current asset. The loan is held at cost and is repayable on demand.

**Financial Liabilities**

Financial liabilities held at amortised cost include trade payables, accruals, other payables and borrowings.

**e. Trade and other payables**

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

**f. Other financial liabilities**

Other financial liabilities are recognised initially at fair value, net of transaction costs, and are subsequently stated at amortised cost and include accrued interest and prepaid interest. Other financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months from the balance sheet date.

## 1.7 SHARE-BASED PAYMENTS

**Long-term employee benefits – Bonus Shares**

The Group operates an equity-settled compensation plan where the Governance, Ethics and Transformation, Social, Compensation Committee makes an award of forfeitable shares to the executive Directors, prescribed officers, senior management and key employees of the Group. These are referred to as Bonus Shares. The number of Bonus Shares awarded depends on the individual's

annual cash bonus that has been deferred. The Bonus Shares vest after three years' service from grant date. This is the only vesting condition pertaining to the Bonus Shares. No other vesting conditions exist. The terms and conditions of the Bonus shares, after vesting are the same as those traded publicly.

The fair-value of the equity-settled instruments is measured by reference to the fair value of the equity instrument granted. Fair value is based on a 30-day volume weighted average market price of the equity-settled instruments granted. The grant date fair value of the equity-settled instruments is recognised as an employee benefit expense over the vesting period, with a corresponding increase in the share-based payment reserve.

## 1.8 REVENUE

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the amount of revenue can be reliably measured.

Revenue arising from Compressed Natural Gas (CNG) sales is recognised at the fair value of the consideration received or receivable, once the significant risks and rewards of ownership have passed to the buyer. These criteria are typically met when the CNG is delivered to the customer. The price of CNG is determined by market diesel price forces.

Monthly pricing is based on the monthly average diesel price less agreed discounts in the month of settlement.

The determination of management fees revenue requires management to assess the costs incurred by head office on behalf of its subsidiaries.

## 1.9 COST OF SALES

Cost of sales entails the costs of conversion which are costs directly related to production. These costs include plant depreciation and maintenance and salaries of plant staff.

## 1.10 TAX

**Current tax assets and liabilities**

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

**Deferred tax assets and liabilities**

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

# ACCOUNTING POLICIES

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

**Tax expenses**

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- A transaction or event which is recognised, in the same or a different period, to other comprehensive income
- A business combination

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

## 1.11 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability. This liability is not discounted but included in trade and other payables.

## 1.12 PROVISIONS AND CONTINGENCIES

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.

**a. Environmental Rehabilitation Provision**

Long-term environmental obligations are based on the Group's environmental management plans, in compliance with applicable environmental and regulatory requirements. The estimated costs of rehabilitation are reviewed annually and adjusted as appropriate for changes in legislation, technology or other circumstances. Cost estimates are not reduced by the potential proceeds from the sale of assets or from plant clean up at closure. Changes in estimates are capitalised or reversed against the relevant asset to the extent that it meets the definition of dismantling and removing the item and restoring the site on which it is located. Costs that relate to an existing condition caused by past operations and do not have a future economic benefit are recognised in profit or loss.

The Group's operations are required by law to undertake rehabilitation work as part of their ongoing operations. The Group makes contributions into environmental rehabilitation obligation funds (refer to note 13) and holds guarantees to fund the estimated costs.

**b. Royalty Provision**

The Mineral and Petroleum Resource Royalty Act 2008 (Royalty Act) imposes a royalty on refined mineral resources that have undergone a comprehensive level of beneficiation such as smelting and refining as defined in Schedule 1 of the Royalty payable to the State. The royalty in respect of refined minerals is calculated by dividing earnings before interest and taxes (EBIT) by the product of 12.5 times gross revenue calculated as a percentage, plus an additional 0.5%. EBIT refers to taxable mining income (with certain exceptions such as no deduction for interest payable and foreign exchange losses) before assessed losses but after capital expenditure.

The natural gas is compressed, scrubbed and dried in the compressor, the compressor is considered as the "refinery" and thus, the royalty is calculated based on the condition of the gas at the inlet of the compressor. The provision for royalties is included in trade and other payables

## 1.13 SEGMENT INFORMATION

An operating segment is a component of the Group that engages in business activities which may earn revenues and incur expenses and whose operating results are regularly reviewed by the Group's chief operating decision maker (Renergen Limited's Chief Executive Officer) to allocate resources and assess performance and for which discrete financial information is available. Refer to Note 5.

The Group has the following reportable segments:

**Corporate Head Office**

Corporate head office is a segment where all investment decisions are made. Renergen Limited is investment holding company focused on investing in prospective green projects.

**Tetra4 (Pty) Ltd**

Tetra4 explores, develops and sells compressed natural gas to the South African market.

**Mega Power Renewables**

Mega Power Renewables is in Côte d'Ivoire. The segment is managing the development of a hydroelectric project. Its functional currency is Euros. Closing balances of assets and liabilities have been translated at the closing Euro/ZAR exchange rate as at year end. This entity was sold on 23 February 2018.

## 1.14 FOREIGN CURRENCY TRANSLATION

**Functional and Presentation Currency**

All items in the financial statements of the Group's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Group's consolidated financial statements are presented in South African Rand, which is Renergen's functional currency and the Group's presentation currency.

**Transactions and balances**

Foreign currency income and expenses are translated into the functional currency using the spot rate on transaction date and assets and liabilities are translated at the closing rate of the relevant month. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at closing rates, are recognised in the statement of comprehensive income.

# ACCOUNTING POLICIES

**Foreign Operations**

The results and the financial position of the Group subsidiary that has a functional currency that is different from the presentation currency of the Group are translated into the presentation currency as follows:

a. Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position

b. Income and expenses for each statement of comprehensive income presented are translated at the average exchange rates for the period presented

c. All resulting translation differences are recognised in other comprehensive income and presented as a separate component of equity in the foreign currency translation reserve (FCTR)

On consolidation, exchange rate differences arising from the translation of the net investment in foreign operations are also taken to the FCTR. The Group's net investment in a foreign operation is equal to the equity investment plus all monetary items that are receivable from or payable to the foreign operation, for which settlement is neither planned nor likely to occur in the foreseeable future.

When a foreign operation is disposed of or sold, and the Group loses control, joint control or significant influence over the foreign operation, all related exchange rate differences recognised in other comprehensive income and accumulated in equity in the FCTR are reclassified from equity to the statement of comprehensive income as part of the profit or loss on the sale of the operation.

Fair value adjustments arising on the acquisition of a foreign subsidiary are treated as assets and liabilities of the foreign subsidiary and are translated at the closing rate.

The key exchange rates to the South Africa Rands used in preparing the consolidated financial statements were as follows:

| | **28 February 2018** | 28 February 2017 |
|---|---|---|
| **AVERAGE RATE** | | |
| Euro | 14.3057 | 13.8108 |

## 2. NEW STANDARDS AND INTERPRETATIONS

### 2.1 NEW STANDARDS AND INTERPRETATIONS THAT BECAME EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

**a. Amendments to IAS 7 Statement of Cash Flows**

The amendments require entities to disclose information about changes in financing liabilities. The effect of the amendments were not material to the Group.

### 2.2 NEW STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE IN THE CURRENT YEAR

**a. IFRS 9 Financial Instruments**

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurements of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition,

and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal, are measured at FVTOCI. All other debt and equity investments are measured at fair value at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in profit or loss
- Regarding the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effect of the changes of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in fair value of a financial liability designated as at fair value through profit or loss is presented in profit or loss
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognised

The effective date of the standard is for years beginning on or after 1 January 2018.

The Company and Group expect to adopt the standard for the first time in the 2019 financial statements. It is unlikely that the standard will have a material impact on the Group's financial statements.

**b. IFRIC 22 Foreign Currency Transactions and Advance Consideration**

IFRIC 22 clarifies the accounting for transactions that include receipt or payment of advance consideration in foreign currency.

The effective date of the standard is for years beginning on or after 1 January 2018.

The Company and Group expect to adopt the standard for the first time in the 2019 financial statements. It is unlikely that the standard will have a material impact on the Group's financial statements.

**c. IFRS 2 Share-Based payments**

Classification and measurements of share-based payment transactions.

# ACCOUNTING POLICIES

The amendments clarify three main areas:

- The effects of vesting conditions on measurement of a cash-settled share-based payment transaction
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled

The effective date of the standard is for years beginning on or after 1 January 2018.

The Company and Group expect to adopt the standard for the first time in the 2019 financial statements. It is unlikely that the standard will have a material impact on the Group's financial statements.

**d. IFRS 15 Revenue from Contracts with Customers**

IFRS 15 supersedes IAS 11 Construction Contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the Construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation

IFRS 15 also includes extensive new disclosure requirements. The effective date of the standard is for years beginning on or after 1 January 2018.

The Group expects to adopt the standard for the first time during the year ended February 2019. Each contract will be reviewed to ensure that specific requirements of IFRS 15 are clearly identifiable and can be assessed on an ongoing basis to enable appropriate accounting treatment of revenue generated. A disclosure checklist has been devised based on the requirements of IFRS 15 to ensure sufficient disclosure of information.

The Group is on track to implement the standard during the year ending 28 February 2019.

The Group performed an assessment on current revenue based on the existing customer against the new standard requirements. This assisted in identifying gaps in the wording of a customer contract to ensure ease of interpretation and application of the new accounting standards. These gaps are being addressed and will be effected in new contracts with customers entered into from the 2019 financial year.

During the twelve-month period ending 28 February 2019, the Group will be reporting its revenue based on the adoption of IFRS 15.

Face to face training and guidance material has been provided by the external IFRS advisor to assist in evaluating the impact of IFRS 15 on all revenue generated by the Group.

**e. IFRS 16 Leases**

IFRS 16 replaces the previous lease standard IAS 17 Leases and related interpretations. IFRS 16 has one model for lessees which will result in almost all leases being recognised on balance sheet as the distinction between operating and finance leases is removed. The only exceptions are short-term and low-value leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset).

The effective date of the standard is for years beginning on or after 1 January 2019.

The Company and Group expects to adopt the standard for the first time in the 2019 financial statements. It is unlikely that the standard will have a material impact on the Group's financial statement.

# NOTES TO FINANCIAL STATEMENTS

## 3. PROPERTY PLANT AND EQUIPMENT

| Figures in Rand thousands | GROUP | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 28 February 2018 | | | | 28 February 2017 | | | |
| | Cost | Accumulated Depreciation | Accumulated Impairment | Carrying Value | Cost | Accumulated Depreciation | Accumulated Impairment | Carrying Value |
| Computer software | 2 933 | (231) | (3) | 2 699 | 95 | (83) | (3) | 9 |
| Furniture and fixtures | 751 | (197) | - | 554 | 577 | (90) | - | 487 |
| IT equipment | 248 | (123) | - | 125 | 163 | (53) | - | 110 |
| Assets Under Construction | 10 090 | - | - | 10 090 | 506 | - | - | 506 |
| Motor vehicles | 2 086 | (1 098) | - | 988 | 2 086 | (771) | - | 1 315 |
| Office equipment | 134 | (63) | - | 71 | 134 | (47) | - | 87 |
| Plant and machinery | 20 335 | (3 625) | - | 16 710 | 20 305 | (1 640) | - | 18 665 |
| **Leasehold improvements:** | | | | | | | | |
| Furniture and fixtures | 567 | (77) | - | 490 | 300 | (14) | - | 286 |
| Office Equipment | 146 | (35) | - | 111 | 110 | (13) | - | 97 |
| Finance Lease Motor vehicle | 857 | (80) | - | 777 | 210 | (16) | - | 194 |
| **Total** | **38 147** | **(5 529)** | **(3)** | **32 615** | **24 486** | **(2 727)** | **(3)** | **21 756** |

| Figures in Rand thousands | GROUP | | | | | | |
|---|---|---|---|---|---|---|---|
| | Reconciliation 28 February 2018 | | | | | | |
| | Opening balance | Additions | Transfers | Depreciation | Impairment | Disposals | Closing balance |
| Computer software | 9 | 2 839 | - | (149) | - | - | 2 699 |
| Furniture and fixtures | 487 | 173 | - | (106) | - | - | 554 |
| IT equipment | 110 | 85 | - | (70) | - | - | 125 |
| Assets Under Construction | 506 | 9 584 | - | - | - | - | 10 090 |
| Motor vehicles | 1 315 | - | - | (327) | - | - | 988 |
| Office equipment | 87 | 1 | - | (17) | - | - | 71 |
| Plant and machinery | 18 665 | 30 | - | (1 985) | - | - | 16 710 |
| **Leasehold improvements:** | | | | | | | |
| Furniture and fixtures | 286 | 268 | - | (64) | - | - | 490 |
| Office Equipment | 97 | 36 | - | (22) | - | - | 111 |
| Finance Lease Motor vehicle | 194 | 646 | - | (63) | - | - | 777 |
| **Total** | **21 756** | **13 662** | **-** | **(2 803)** | **-** | **-** | **32 615** |

## GROUP

| Figures in Rand thousands | Reconciliation 28 February 2017 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Opening balance** | **Additions** | **Transfers** | **Deprecia-tion** | **Impair-ment** | **Disposals** | **Closing balance** |
| Computer software | 14 | 1 | - | (3) | (3) | - | 9 |
| Furniture and fixtures | 9 | 569 | - | (84) | - | (7) | 487 |
| IT equipment | 68 | 86 | | (44) | - | | 110 |
| Assets Under Construction | 1 238 | 5 201 | (5 933) | - | - | - | 506 |
| Motor vehicles | 797 | 834 | - | (316) | - | - | 1 315 |
| Office equipment | 40 | 94 | - | (24) | - | (23) | 87 |
| Plant and machinery | 4 979 | 9 064 | 5 933 | (1 311) | - | - | 18 665 |
| **Leasehold improvements:** | | | | | | | |
| Furniture and fixtures | - | 300 | - | (14) | - | - | 286 |
| Office Equipment | - | 110 | - | (13) | - | - | 97 |
| Finance Lease Motor vehicle | - | 210 | - | (16) | - | - | 194 |
| **Total** | **7 145** | **16 469** | **-** | **(1 825)** | **(3)** | **(30)** | **21 756** |

## COMPANY

| Figures in Rand thousands | **28 February 2018** | | | 28 February 2017 | | |
|---|---|---|---|---|---|---|
| | **Cost** | **Accumulated Depreciation** | **Carrying Value** | **Cost** | **Accumulat-ed Depreci-ation** | **Carrying Value** |
| Computer software | 2 748 | (138) | 2 610 | 4 | (1) | 3 |
| Furniture and fixtures | 705 | (180) | 525 | 540 | (78) | 462 |
| IT equipment | 38 | (17) | 21 | 37 | (7) | 30 |
| Office equipment | 95 | (25) | 70 | 94 | (10) | 84 |
| **Leasehold improvements:** | | | | | | |
| Furniture and fixtures | 567 | (77) | 490 | 300 | (14) | 286 |
| Office Equipment | 146 | (35) | 111 | 110 | (13) | 97 |
| Finance Lease Motor vehicle | 857 | (80) | 777 | 210 | (16) | 194 |
| **Total** | **5 156** | **(552)** | **4 604** | **1 295** | **(139)** | **1 156** |

# NOTES TO FINANCIAL STATEMENTS

| Figures in Rand thousands | COMPANY | | | | |
|---|---|---|---|---|---|
| | Reconciliation 28 February 2018 | | | | |
| | Opening balance | Additions | Disposal | Depreciation | Closing balance |
| Computer software | 3 | 2 744 | - | (137) | 2 610 |
| Furniture and fixtures | 462 | 164 | - | (101) | 525 |
| Office Equipment | 84 | - | - | (14) | 70 |
| IT equipment | 30 | - | - | (9) | 21 |
| **Leasehold improvements:** | | | | | |
| Furniture and fixtures | 286 | 268 | - | (64) | 490 |
| Office Equipment | 97 | 36 | - | (22) | 111 |
| Finance Lease Motor vehicle | 194 | 646 | - | (63) | 777 |
| **Total** | **1 156** | **3 858** | **-** | **(410)** | **4 604** |

| Figures in Rand thousands | COMPANY | | | | |
|---|---|---|---|---|---|
| | Reconciliation 28 February 2017 | | | | |
| | Opening balance | Additions | Disposal | Depreciation | Closing balance |
| Computer software | 4 | - | - | (1) | 3 |
| Furniture and fixtures | - | 540 | - | (78) | 462 |
| Office Equipment | - | 94 | - | (10) | 84 |
| IT equipment | - | 37 | - | (7) | 30 |
| **Leasehold improvements:** | | | | | |
| Furniture and fixtures | - | 300 | - | (14) | 286 |
| Office Equipment | - | 110 | - | (13) | 97 |
| Finance Lease Motor vehicle | - | 210 | - | (16) | 194 |
| **Total** | **4** | **1 291** | **-** | **(139)** | **1 156** |

## 4. INTANGIBLE ASSETS

| Figures in Rand thousands | GROUP | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **28 February 2018** | | | | 28 February 2017 | | | |
| | **Cost** | **Accumulated Amortisation** | **Accumulated Impairment** | **Carrying Value** | **Cost** | **Accumulated Amortisation** | **Accumulated Impairment** | **Carrying Value** |
| Exploration and development costs | 9 250 | (32) | - | 9 218 | 9 051 | (13) | - | 9 038 |
| Molopo project mineral rights | 56 579 | - | - | 56 579 | 56 579 | - | - | 56 579 |
| Domain | 41 | - | - | 41 | 41 | - | - | 41 |
| Côte d'Ivoire Hydroelectric project | 12 245 | - | (12 245) | - | 10 897 | - | - | 10 897 |
| **Total** | **78 115** | **(32)** | **(12 245)** | **65 838** | **75 568** | **(13)** | **-** | **76 555** |

| Figures in Rand thousands | GROUP | | | | | |
|---|---|---|---|---|---|---|
| | **Reconciliation 28 February 2018** | | | | | |
| | **Opening balance** | **Additions** | **Foreign exchange gains** | **Amortisation** | **Impairment** | **Closing balance** |
| Exploration and development costs | 9 038 | 199 | - | (19) | - | 9 218 |
| Molopo project mineral rights | 56 579 | - | - | - | - | 56 579 |
| Domain | 41 | - | - | - | - | 41 |
| Côte d'Ivoire Hydroelectric project | 10 897 | - | 1 348 | - | (12 245) | - |
| **Total** | **76 555** | **199** | **1 348** | **(19)** | **(12 245)** | **65 838** |

| Figures in Rand thousands | GROUP | | | | | |
|---|---|---|---|---|---|---|
| | Reconciliation 28 February 2017 | | | | | |
| | **Opening balance** | **Additions** | **Foreign exchange gains** | **Amortisation** | **Impairment** | **Closing balance** |
| Exploration and development costs | 5 270 | 3 781 | - | (13) | - | 9 038 |
| Molopo project mineral rights | 56 234 | 345 | - | - | - | 56 579 |
| Domain | - | 41 | - | - | - | 41 |
| Côte d'Ivoire Hydroelectric project | - | 10 897 | - | - | - | 10 897 |
| **Total** | **61 504** | **15 064** | **-** | **(13)** | **-** | **76 555** |

# NOTES TO FINANCIAL STATEMENTS

**Exploration and development costs**

These are costs incurred in the exploration and development of natural gas reserves. Tetra4 (Pty) Ltd explores and develops natural gas in its exploration and production rights areas. Amortisation commenced upon start of production. Intangible mineral rights are amortised based on the pattern of use.

**Molopo Mineral Rights**

The Group holds production and exploration rights through Tetra4 (Pty) Ltd, bearing reference 12/4/07 over land in the magisterial districts of Ventersburg, Welkom and Odendaalrus in the province of the Free State.

The carrying amount of R56.6 million of the assets, Exploration and Development costs and Molopo Project Mineral Rights, will be recovered through value in use, as determined through the units of production and life of the mine. There was minimal production done on the Molopo Project for the year ended 28 February 2018. The production levels of the gas reserves were immaterial and thus no amortisation was raised.

**Domain**

The Group purchased domains on which its websites are hosted.

**Côte d'Ivoire Hydroelectric project**

Mega Power Renewables had the right to develop a hydroelectric scheme in Côte d'Ivoire. The feasibility and pre-feasibility studies of the project are funded by shareholders of the managing company, Mega Power Renewables. Renergen has funded all costs incurred to date in the form of a loan to Mega Power Renewables. As at 30 September 2017 no economic benefits are expected to be recovered on this asset, thus the asset was fully impaired. The conditions that resulted in the impairment of the asset did not improve and as at 23 February 2018 Mega Power Renewables was disposed of.

## IMPAIRMENT TESTING

**Impairment - Exploration and development costs**

The exploration and development costs require annual testing of impairment. The carrying value of the asset is still deemed recoverable thus there was no indication of impairment.

**Impairment - Molopo Project Mineral Rights**

Intangible assets not yet ready for use are tested for impairment annually. The recoverable amount was determined based on the value in use calculation based on the expected cashflows from the remaining useful lives of the exploration and production rights.

MHA Petroleum Consultants LLC prepared gas reserve estimates for the Group signed off on 7 March 2018. Net reserve volumes of total Proved Plus Probable Reserves measured at 127,34BCF. Reserve volumes have been reported on a group net basis.

MHA Petroleum Consultants LLC report indicates a net present value of R8.4 billion representing 2P proven and probable gas reserves at 15% discount. The recoverable amount of Tetra4's gas reserves exceed the carrying value of the Mineral rights.

**Impairment - Domain Name**

The domain has an indefinite useful life. The asset is tested for impairment annually and no impairment was required as the recoverable amount (based on value in use) is higher than the carrying amount.

**Impairment - Côte d'Ivoire Hydroelectric project**

The recoverable amount was determined based on expected cashflows resulting from the project. Expected cashflows were determined based on studies which have, to date, shown that the tariff required to deliver reasonable investment returns to Renergen are above the norm. Management believed that Renergen would benefit more from deploying that investment to developing Tetra4's gas fields. For this reason, management has decided not to continue funding the Ivory Coast hydroelectric projects further. No economic benefits are expected to be recovered on this asset, thus the asset was fully impaired in the current period.

| | COMPANY | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Figures in Rand thousands | **28 February 2018** | | | | 28 February 2017 | | | |
| | **Cost** | **Accumulated Amortisation** | **Accumulated Impairment** | **Carrying Value** | **Cost** | **Accumulated Amortisation** | **Accumulated Impairment** | **Carrying Value** |
| Domain | 14 | - | - | 14 | 14 | - | - | 14 |
| **Total** | **14** | **-** | **-** | **14** | **14** | **-** | **-** | **14** |

| | COMPANY | | | | | |
|---|---|---|---|---|---|---|
| Figures in Rand thousands | **Reconciliation 28 February 2018** | | | Reconciliation 28 February 2017 | | |
| | **Opening balance** | **Additions** | **Closing balance** | **Opening balance** | **Additions** | **Closing balance** |
| Domain | 14 | - | 14 | - | 14 | 14 |
| **Total** | **14** | **-** | **14** | **-** | **14** | **14** |

## 5. INVESTMENT IN SUBSIDIARIES

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

| | COMPANY | | | |
|---|---|---|---|---|
| Figures in Rand Thousands | **Reconciliation 28 February 2018** | | Reconciliation 28 February 2017 | |
| | **% Holding** | **Carrying Value** | **% Holding** | **Carrying Value** |
| Tetra4 (Pty) Ltd | 90% | 594 414 | 90% | 594 414 |
| Share-Based payments | | 114 | | - |
| **Total Tetra4 (Pty) Ltd** | | 594 528 | | 594 414 |
| Windfall Resources | - | - | 100% | -* |
| Mega Power Renewables | - | - | 62% | 165** |

* Windfall Resources Limited was deregistered on 12 January 2018.

** Mega Power Renewables' carrying value is Rnil (February 2017: R165 154). On 23 February 2018 Renergen sold the investment in Mega Power Renewables refer note 38 for details on the disposal.

# NOTES TO FINANCIAL STATEMENTS

**Tetra4 (Pty) Ltd**

The year on year movement is due to share-based payments to be issued by Renergen to employees of Tetra4 (Pty) Ltd.

**Mega Power Renewables**

A company was registered to manage the Côte d'Ivoire (Ivory Coast) Hydroelectric scheme Project, Mega Power Renewables. In September 2016, Renergen Limited obtained effective control of Mega Power Renewables through the appointment of two thirds of Directors on Mega Powers Renewables' Board of Directors. The Board of Directors constitutes three Directors who each have one voting right. Renergen retained its shareholding of 62%, leaving non-controlling interest at 38%.

## 6. ANALYSIS PER REPORTABLE SEGMENT

The operating segments are reported in a manner consistent with the Group. Renergen Limited has three operating segments;

- **Corporate Head Office**

  Corporate head office is a segment where all investment decisions are made. Renergen Limited is the investment holding company focused on investing in prospective green projects

- **Tetra4 (Pty) Ltd**

  Tetra4 explores, develops and sells compressed natural gas to the South African market

- **Mega Power Renewables**

  Mega Power Renewables is in Côte d'Ivoire. This segment is managing the development of a hydroelectric project. Its functional currency is Euros. Closing balances of assets and liabilities have been translated at the closing Euro/ZAR exchange rate as at 23 February 2018. On 23 February 2018 Renergen sold their investment in Mega Power Renewables refer note 38 for details on the disposal

Analysis of reportable segments as at 28 February 2018 is set out below:

| | 28 February 2018 | | | | | |
|---|---|---|---|---|---|---|
| Figures in Rand thousands | **Corporate Head Office** | **Tetra4** | **Mega Power Renewables** | **Total** | **Consolidating Adjustments** | **Consolidated** |
| Revenue | 8 600 | 2 885 | - | 11 485 | (8 600) | 2 885 |
| External | | 2 885 | - | 2 885 | | 2 885 |
| Inter-segment | 8 600 | - | - | 8 600 | (8 600) | - |
| Loss after tax | (11 392) | (29 209) | - | (40 601) | - | (40 601) |
| **Total Assets** | **744 363** | **104 993** | **266** | **849 622** | **(735 370)** | **114 252** |
| **Total liabilities** | **4 249** | **176 525** | **-** | **180 774** | **(135 185)** | **45 589** |

| | 28 February 2017 | | | | | |
|---|---|---|---|---|---|---|
| Figures in Rand thousands | **Corporate Head Office** | **Tetra4** | **Mega Power Renewables** | **Total** | **Consolidating Adjustments** | **Consolidated** |
| Revenue | 5 098 | 1 722 | - | 6 820 | (5 098) | 1 722 |
| External | - | 1 722 | - | 1 722 | | 1 722 |
| Inter-segment | 5 098 | - | - | 5 098 | (5 098) | - |
| Loss for the period | (565) | (18 097) | - | (18 662) | - | (18 662) |
| **Total Assets** | **729 533** | **103 710** | **11 108** | **844 351** | **(719 574)** | **124 777** |
| **Total liabilities** | **1 621** | **146 035** | **7 508** | **155 164** | **(119 548)** | **35 616** |

## 7. DEFERRED TAXATION

| | **GROUP** | | **COMPANY** | |
|---|---|---|---|---|
| Figures in Rand thousands | **28 February 2018** | 28 February 2017 | **28 February 2018** | 28 February 2017 |
| Unused tax losses | 13 350 | 13 339 | 1 447 | 2 364 |
| **Deferred tax asset** | **13 350** | **13 339** | **1 447** | **2 364** |
| Intangibles assets | - | 1 737 | - | - |
| Plant and machinery | 4 679 | 5 368 | - | - |
| **Deferred tax liability** | **4 679** | **7 105** | **1 447** | **2 364** |
| **Net deferred tax assets** | **8 671** | **6 234** | **1 447** | **2 364** |

Renergen and its subsidiaries operate under the same tax authority. As at 28 February 2018, the Group's estimated tax losses were R205 million (28 February 2017: R177 million), these tax losses do not expire unless the tax entity concerned ceases to operate for a period longer than a year. These are available to be offset against future taxable profits. Net deferred taxation asset of R8.7 million has been recognised due to the predictability of future profit streams. Estimated revenue growth rate of 12%, growth rates costs were estimated at CPI of at 5.81%, South African Tax rate of 28% was utilised in calculating the deferred tax assets raised on probable future taxable profits.

The Group considered Tetra4's operating cashflows over the next ten years (2019 to 2029). At present Tetra4 is in the enviable position that the current flow rates from the pilot site would enable us to increase production several times from current levels without any intervention. We have several customers in a competitive situation looking to secure this last off-take in the run-up to Liquified Natural Gas (LNG) becoming available in the 2020 financial year. It is likely that Tetra4 will generate sufficient revenue to generate a small monthly profit during the construction phase. Once the pipeline reticulating all the wells is complete, the level of production will see revenue significantly exceeding costs, and thus from 2020, Tetra4 should be in a gross profit generating position owing to our low upstream cost of production and the high cost of energy in South Africa. Being a first mover in a premium product such as LNG also means that we can command better prices that would otherwise be available to gas suppliers. Tetra4 should be in a position to generate taxable profits from the 2025 financial year.

# NOTES TO FINANCIAL STATEMENTS

## 8. LOANS TO GROUP COMPANIES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| Figures in Rand thousands | **28 February 2018** | 28 February 2017 | **28 February 2018** | 28 February 2017 |
| Tetra4 | - | - | 135 071 | 104 880 |
| Mega Power Renewables | - | - | - | 7 508 |
| **Total** | **-** | **-** | **135 071** | **112 388** |

Renergen invests in the development of renewable energy projects. Renergen took a decision to subordinate the loans in the current year.

Management took a decision to not continue to fund the Mega Power Renewables project. The studies to date have shown that the tariff required to deliver reasonable investment returns to Renergen are above the norm, for this reason it was decided to not continue with the Mega Power Renewables project. This has resulted in the Group writing off the loan.

## 9. OTHER FINANCIAL ASSETS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| Figures in Rand thousands | **28 February 2018** | 28 February 2017 | **28 February 2018** | 28 February 2017 |
| Current assets | | | | |
| Loans and receivables | - | - | 5 500 | 5 500 |
| **Total** | **-** | **-** | **5 500** | **5 500** |

## 10. FINANCIAL ASSETS BY CATEGORY

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| Figures in Rand thousands | **28 February 2018** | 28 February 2017 | **28 February 2018** | 28 February 2017 |
| **LOANS AND RECEIVABLES** | | | | |
| Cash and cash equivalents | 3 037 | 11 299 | 2 651 | 10 720 |
| Restricted cash | 1 632 | - | - | - |
| Trade and other receivables | 719 | 1 183 | 136 | 173 |
| Loans to Group companies | - | - | 135 071 | 112 388 |
| Other financial assets | - | - | 5 500 | 5 500 |
| **Total** | **5 388** | **12 482** | **143 358** | **128 781** |

## 11. TRADE AND OTHER RECEIVABLES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| Figures in Rand thousands | **28 February 2018** | 28 February 2017 | **28 February 2018** | 28 February 2017 |
| Deposits | 214 | 214 | - | - |
| Other receivables | 505 | 969 | 136 | 173 |
| Prepayments | 1 403 | 6 338 | 412 | 2 631 |
| Vat added tax receivable | 337 | 1 412 | - | 8 |
| **Total** | **2 459** | **8 933** | **548** | **2 812** |

## 12. CASH AND CASH EQUIVALENTS

The accounting policies for financial instruments have been applied to the line items below:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **28 February 2018** | 28 February 2017 | **28 February 2018** | 28 February 2017 |
| Bank | 3 037 | 11 299 | 2 651 | 10 720 |
| | **3 037** | **11 299** | **2 651** | **10 720** |

## 13. RESTRICTED CASH

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **28 February 2018** | 28 February 2017 | **28 February 2018** | 28 February 2017 |
| **CASH IN DEMAND DEPOSIT ACCOUNT** | | | | |
| Environmental Rehabilitation guarantee cash | 1 632 | - | - | - |
| | **1 632** | **-** | **-** | **-** |

The Group has exploration rights over land in Evander (Mpumalanga) and in Virginia (Free state). The Group has had to provide for its environmental management programme associated with the exploration activities for the rehabilitation and management of negative environmental impacts associated with the exploration activities. The Group has a rehabilitation provision of R3.1 million, refer to note 16. The cash portion of this guarantee is invested in a call account and has been ringfenced for the use towards environmental rehabilitation. Due to this restriction the use of the cash is restricted and it is classified as a non-current asset.

# NOTES TO FINANCIAL STATEMENTS

## 14. STATED CAPITAL

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **28 February 2018** | 28 February 2017 | **28 February 2018** | 28 February 2017 |
| **AUTHORISED** | | | | |
| 500 000 000 no par value shares | **500 000** | **100 000** | **500 000** | **100 000** |

The shareholders approved an increase in authorised stated capital from 100 million to 500 million on 29 September 2017.

| | | | | |
|---|---|---|---|---|
| **RECONCILIATION OF NUMBER OF SHARES ISSUED** | | | | |
| Opening balance | 78 413 | 77 376 | 78 413 | 77 376 |
| Issue of shares – ordinary shares | 2 622 | 1 037 | 2 622 | 1 037 |
| | **81 035** | **78 413** | **81 035** | **78 413** |
| **RECONCILIATION OF ISSUED STATED CAPITAL** | | | | - |
| Opening balance | 137 585 | 124 158 | 735 984 | 722 557 |
| Issue of shares – ordinary shares issued for cash | 26 000 | 13 482 | 26 000 | 13 482 |
| Share issue costs | (2 520) | (55) | (2 520) | (55) |
| **Total issued stated capital** | **161 065** | **137 585** | **759 464** | **735 984** |

## 15. FINANCIAL LIABILITIES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| Figures in Rand thousands | **28 February 2018** | 28 February 2017 | **28 February 2018** | 28 February 2017 |
| **Held at amortised cost** | | | | |
| Molopo Energy Limited | 30 545 | 27 013 | - | - |
| **Total** | **30 545** | **27 013** | **-** | **-** |

**Molopo Energy Limited**

Tetra4 (Pty) Ltd entered into a R50 million loan agreement on 01 May 2013. This loan was part of the conditions of the sale of shares in Tetra4 (Pty) Ltd from Molopo Energy Limited to Windfall Energy (Pty) Ltd. The loan agreement is for the period from inception of the loan on 01 May 2013 until 31 December 2022. During this period, the loan is unsecured and interest free. The loan can only be repaid when Molopo South Africa declares a dividend and 36% of distributable profits must be repaid before a dividend is declared. In the event that by 31 December 2022 the loan is not repaid, the loan shall bear interest at prime overdraft plus 2% and will have no repayment terms. Shareholders loans can only be repaid after the loans from Molopo Energy Limited have been settled.

The loan is discounted to present value for the period that it is interest free at a discount rate which is equal to the prime lending rate plus 2% which at 28 February 2018 is 12.25% (prime lending rate of 10.25% plus 2%). The imputed interest expense (refer note 25) is included in profit and loss. The fair value of the loan amount outstanding at 28 February 2018 amounts to R30.5 million.

## 16. PROVISIONS

| | RECONCILIATION | | | | | |
|---|---|---|---|---|---|---|
| | **28 February 2018** | | | 28 February 2017 | | |
| | **Opening balance** | **Additions** | **Closing balance** | **Opening balance** | **Additions** | **Closing balance** |
| Environmental rehabilitation | 3 100 | - | 3 100 | 2 755 | 345 | 3 100 |
| **Total** | **3 100** | **-** | **3 100** | **2 755** | **345** | **3 100** |

**Environmental Rehabilitation Provision**

The Group has production and rights, bearing reference 12/4/07 over land in the magisterial districts of Ventersburg, Welkom and Odendaalrus in the province of the Free State. The Group has no provisions.

The Group has had to provide R3.1 million as part of its Environmental Management Programme associated with the exploration activities for the rehabilitation and management of negative environmental impacts associated with the production activities.

The Group has guarantees in place to the value of R3.1 million with the Petroleum Agency of South Africa (PASA) The amount is allocated for:

- Final rehabilitation of 16 well sites
- Monitoring and maintenance of such rehabilitated pipeline routes

## 17. FINANCIAL LIABILITIES BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| Figures in Rand thousands | **28 February 2018** | 28 February 2017 | **28 February 2018** | 28 February 2017 |
| **HELD AT AMORTISED COST** | | | | |
| Other financial liabilities | 30 545 | 27 013 | - | - |
| Finance Lease | 777 | - | 777 | - |
| Trade and other payables | 10 261 | 5 192 | 3 166 | 1 598 |
| **Total** | **41 583** | **32 205** | **3 943** | **1 598** |

# NOTES TO FINANCIAL STATEMENTS

## 18. TRADE AND OTHER PAYABLES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| Figures in Rand thousands | **28 February 2018** | 28 February 2017 | **28 February 2018** | 28 February 2017 |
| Trade payables* | 9 651 | 4 090 | 2 290 | 896 |
| Accrued expenses | 610 | 503 | 876 | 503 |
| Accrued leave | 906 | 311 | 306 | 23 |
| Loans payable | - | 599 | - | 199 |
| **Total** | **11 167** | **5 503*** | **3 472** | **1 621*** |

* Finance lease obligation of R219 was included in trade and other payables for the 2017 financial year end. The prior year trade and other payables has been adjusted to exclude finance lease.

## 19. REVENUE

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| Figures in Rand thousands | **28 February 2018** | 28 February 2017 | **28 February 2018** | 28 February 2017 |
| Sale of CNG | 2 885 | 1 722 | - | - |
| Management fees | - | - | 8 600 | 5 098 |
| **Total** | **2 885** | **1 722** | **8 600** | **5 098** |

## 20. COST OF SALES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| Figures in Rand thousands | **28 February 2018** | 28 February 2017 | **28 February 2018** | 28 February 2017 |
| Cost of Compressed Natural Gas purchased | - | (406) | - | - |
| Compressed Natural Gas Production costs | (3 483) | (1 721) | - | - |
| **Total** | **(3 483)** | **(2 127)** | **-** | **-** |

Production costs entails, depreciation costs of plant and equipment used in the production process, machinery maintenance costs and labor costs.

## 21. SHARE-BASED PAYMENTS

Renergen granted shares to senior management and executive Directors after the approval of a Bonus Share Plan by shareholders on 29 September 2017. The Bonus Share Plan, did not exist in the prior year.

The share-based payment arrangement is described below:

| | BONUS SHARE PLAN | |
|---|---|---|
| | **Number of shares** | **Vesting conditions** |
| **Grant date/Employees entitled** | | |
| **SHARES GRANTED TO EXECUTIVE DIRECTORS** | | |
| Fulu Ravele | 58 734 | 36 months of service from grant date (05 October 2017) |
| **SHARES GRANTED TO SENIOR MANAGEMENT** | | |
| Robert Katzke | 21 914 | 36 months of service from grant date (05 October 2017) |
| **Total number of bonus shares granted** | **80 648** | |
| Fair value per share at grant date | 10.22 | |
| Total fair value of shares granted (figure in Rand Thousands) | 824 | |

The estimated fair value of the shares at grant date of R10.22 was calculated based on 30-day volume weighted average price.

| | EFFECT ON FINANCIAL STATEMENTS | |
|---|---|---|
| Figures in Rand thousands | **28 February 2018** | 28 February 2017 |
| **FINANCIAL EFFECT OF SHARE-BASED PAYMENT TRANSACTIONS ON STATEMENT OF PROFIT OR LOSS** | | |
| Share-Based payment expense included in loss | 114 | - |
| **FINANCIAL EFFECT OF SHARE-BASED PAYMENT TRANSACTIONS ON STATEMENT OF FINANCIAL POSITION** | | |
| Increase in Share-Based Payment equity reserves | 114 | - |

## 22. OPERATING EXPENSES

| Figures in Rand thousands | **28 February 2018** | 28 February 2017 |
|---|---|---|
| Consulting and advisory fees | 12 177 | 5 169 |
| Depreciation* | 803 | 1 022 |
| Directors fees | 1 339 | 1 276 |
| Employee costs** | 9 500 | 6 509 |
| Operating lease | 964 | - |
| Other Operating costs | 7 129 | 9 010 |
| | **31 912** | **22 986** |

* Depreciation of plant and machinery amounting to R2 million (28 February 2017: R0,86 million), is included in cost of sales. The operating plant became fully operational in September 2017, resulting in 5 months' worth of depreciation being included in cost of sales.

** Employee costs relating to manufacturing is included in cost of sales.

# NOTES TO FINANCIAL STATEMENTS

## 23. INTEREST INCOME

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| Figures in Rand thousands | **28 February 2018** | 28 February 2017 | **28 February 2018** | 28 February 2017 |
| Bank interest Income | 632 | 1 287 | 471 | 1 284 |

## 24. INTEREST EXPENSE

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| Figures in Rand thousands | **28 February 2018** | 28 February 2017 | **28 February 2018** | 28 February 2017 |
| Interest expense | 35 | 8 | 35 | 8 |

## 25. IMPUTED INTEREST EXPENSE

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| Figures in Rand thousands | **28 February 2018** | 28 February 2017 | **28 February 2018** | 28 February 2017 |
| Imputed interest expense | (3 532) | (3 156) | - | - |

This relates to the unwinding of the loan from Molopo Energy Limited. The loan has been discounted to present value for the period that it is interest free at a discount rate which is equal to the prime lending rate plus 2% which at year end is 12.25% (prime lending rate of 10.25% plus 2). Refer to note 15.

## 26. CORRECTION OF ERROR

The following errors were noted in the financial results for comparatives. These were not considered qualitatively material and thus comparatives were not restated.

- Intangible assets as at 28 February 2017 of R76.6 million incorrectly included a ring- fenced cash reserves of R1.1 million Molopo Mineral Rights. This amount should have been treated as restricted cash in non-current assets. The R1.1 million has been included in the restricted cash balance in 28 February 2018. Cash reserves are administered by Lombard Insurance on behalf of the Group and are invested in an-interest bearing account
- Tangible net asset value per share was incorrectly calculated at 8.13 cents per share. This should have been 16.07 cents per share
- As part of the JSE's proactive monitoring process of company financial statements, an error in the 29 February 2016 financial statements was noted. The total operating expenses of R18.3 million as recognised for the period ended 29 February 2016, incorrectly included operating expenses relating to the period prior to the "accounting" acquisition of Renergen Limited by Tetra4 (Pty) Ltd of R5.5 million. Operating expenses should have been recognised at R12.5 million and not R18.3 million as per the financial statements. The impact of the correction decreases the operating loss to R14 million from R19.5 million, further decreasing the total loss and total comprehensive loss to R14 million from

R19.5 million. The impact of the change in total loss and comprehensive loss on changes the basic and diluted loss per share to 24.26 cents from 36.53 cents and headline loss per share changes to 24.26 cents from 36.53 cents.

## 27. IMPAIRMENT LOSS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| Figures in Rand thousands | **28 February 2018** | 28 February 2017 | **28 February 2018** | 28 February 2017 |
| Impairment of non-financial assets | | | | |
| Impairment of intangible assets | 12 245 | - | - | - |
| Impairment of property, plant and equipment | - | 3 | - | - |
| Impairment of loan receivable | - | - | 7 512 | - |
| **Total impairment** | **12 245** | **3** | **7 512** | |

**Impairment of an Intangible as asset in Mega Power Renewable**

During the year ended 28 February 2018, the intangible asset in Mega Power Renewables (a subsidiary of Renergen Ltd) was impaired. Management had to take a decision on whether to continue to fund it or write off the investment. The studies to date have shown that the tariff required to deliver reasonable investment returns to Renergen are above the norm and believe Renergen would benefit more from deploying that investment to developing Tetra4's Evander gas field as well as bringing a second operation online. For this reason, management has decided not to continue funding the Ivory Coast hydroelectric projects further and will concentrate exclusively on the South African natural gas market for the time being. The recoverable amount is nil.

**Impairment of computer software in Renergen Head Office**

During the year ended 28 February 2017, software in Renergen Ltd was fully impaired as a result of changes in technology.

# NOTES TO FINANCIAL STATEMENTS

## 28. TAXATION

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| Figures in Rand thousands | **28 February 2018** | 28 February 2017 | **28 February 2018** | 28 February 2017 |
| **Accounting loss** | **(43 037)** | **(24 896)** | **(10 476)** | **(2 929)** |
| Tax at applicable rate of 28% | 12 051 | 6 971 | 2 933 | 820 |
| **Adjustments** | | | | |
| Non-deductible permanent differences | (11 415) | (908) | (7 729) | (28) |
| Deductible expenses | 21 | - | 21 | - |
| Non-taxable income | 392 | 48 | - | 46 |
| Assessed losses carried forward | 1 387 | 123 | 3 859 | 1 526 |
| **Taxation** | 2 436 | 6 234 | (916) | 2 364 |

The Group total unused tax losses amount to R205 million (2017:R177 million).

## 29. AUDITOR'S REMUNERATION

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| Figures in Rand thousands | **28 February 2018** | 28 February 2017 | **28 February 2018** | 28 February 2017 |
| **Fees** | 388 | 357 | 188 | 175 |

## 30. FOREIGN TRANSLATION RESERVE

Other comprehensive income entails translation differences that arise from the foreign investment. Mega Power Renewables is a foreign subsidiary of Renergen Limited has Euros as its functional currency and South African Rands as reporting currency The breakdown of other comprehensive income is shown below:

| | **28 February 2018** | 28 February 2017 |
|---|---|---|
| Foreign currency translation opening carrying value | 3 389 | - |
| Current year movement in translation | 1 348 | 3 389 |
| **Closing balance on reserves** | **4 737** | **3 389** |
| Transferred through profit and loss | (4 737) | - |
| **Closing balance on reserves** | **-** | **3 389** |

Mega Power Renewables, a foreign investment, was disposed of in the current year. Upon disposal, all related exchange rate differences recognised in other comprehensive income and accumulated in equity in the FCTR were reclassified from equity to the statement of comprehensive income as part of the profit or loss on the sale of the operation.

## 31. LOSS PER SHARE

| Figures in Rand thousands | **28 February 2018** | 28 February 2017 |
|---|---|---|
| **BASIC LOSS** | | |
| Loss from continuing operations attributable to equity owners of the parent | (37 680) | (17 221) |
| Weighted average number of shares | 80 002 | 77 611 |
| **Basic loss per share (cents)** | **(47.10)** | **(22.19)** |
| **RECONCILIATION OF DILUTED LOSS** | | |
| Basic loss | (37 680) | (17 221) |
| **Diluted loss** | **(37 680)** | **(17 221)** |
| Weighted average number of shares | 80 002 | 77 611 |
| Shares issuable on share-based payment (note 21) | 81 | - |
| **Diluted weighted average number of shares** | **80 083** | **77 611** |
| **Diluted loss per share (cents)** | **(47.05)** | **(22.19)** |
| **RECONCILIATION OF BASIC LOSS TO HEADLINE LOSS** | | |
| Basic loss attributable to equity owners of parent | (37 680) | (17 221) |
| Profit on disposal of assets | - | (15) |
| Profit on disposal of business – Mega Power Renewables | (4 708) | - |
| Impairment of fixed assets | - | 3 |
| Impairment of intangible assets | 12 245 | - |
| Tax effects on disposal of fixed assets | - | 4 |
| **Headline loss** | **(30 143)** | **(17 229)** |
| **Headline loss per share (cents)** | **(37.68)** | **(22.20)** |
| **RECONCILIATION OF BASIC HEADLINE LOSS TO DILUTED HEADLINE LOSS** | | |
| Headline loss | (30 143) | (17 229) |
| **Diluted headline loss** | **(30 143)** | **(17 229)** |
| Diluted weighted average number of shares | 80 083 | 77 611 |
| **Diluted headline loss per share (cents)** | **(37.64)** | **(22.20)** |

# NOTES TO FINANCIAL STATEMENTS

## 32. CASH USED IN OPERATIONS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| Figures in Rand thousands | **28 February 2018** | 28 February 2017 | **28 February 2018** | 28 February 2017 |
| **Loss before tax** | **(43 037)** | **(24 896)** | **(10 476)** | **(2 929)** |
| **ADJUSTMENTS FOR:** | | | | |
| Depreciation | 2 803 | 1 828 | 410 | 142 |
| Amortisation | 19 | 13 | - | - |
| Impairment loss | 12 245 | 3 | 7 512 | 3 |
| Interest income | (632) | (1 287) | (471) | (1 284) |
| Interest expense | 35 | 8 | 35 | - |
| Imputed interest expense | 3 532 | 3 156 | - | - |
| Share-based payment | 114 | - | - | - |
| Loss on sale of assets | - | 15 | - | - |
| (Profit)/loss on sale of business – Mega Power Renewables | (4 708) | - | 30 | - |
| Allocation to restricted cash | (1 632) | - | - | - |
| Expected cash proceeds on disposal of Mega Power Renewables | 135 | - | 135 | - |
| **CHANGES IN WORKING CAPITAL** | | | | |
| Trade and other receivables | 6 473 | (5 051) | 2 262 | 2 812 |
| Trade and other receivables on disposal of Mega Power Renewables | (266) | - | - | - |
| Trade and other payables | 5 883 | 1 797 | 2 069 | (554) |
| **Total cash used in operations** | **(19 036)** | **(24 414)** | **1 506** | **(1 810)** |

## 33. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

| Figures in Rand thousands | 28 February 2018 | | | | | |
|---|---|---|---|---|---|---|
| | **Opening balance** | **Additions** | **Non-cash changes: Imputed interest expense** | **Interest expense** | **Finance lease capital re-payment** | **Closing balance** |
| Long term borrowings | 27 013 | - | 3 532 | - | | 30 545 |
| Finance Lease | 219* | 768 | - | (23) | (187) | 777 |
| **Total** | **27 232** | **768** | **3 532** | **(23)** | **(187)** | **31 322** |

* On 28 February 2017 this amount was included in Trade and other payables.

## 34. COMMITMENTS

### Contingent liabilities

There are no contingent liabilities in the Annual Financial Statements for 28 February 2018.

### Commitments

The Group entered into a new finance lease agreement. Leases are for a term of five years and the interest payable is linked to the prime rate. Refer to note 35. Operating lease commitments are detailed below.

### Operating leases

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| Figures in Rand thousands | **28 February 2018** | 28 February 2017 | **28 February 2018** | 28 February 2017 |
| **MINIMUM LEASE PAYMENTS** | | | | |
| Within 1 year | 1 273 | 757 | 1 273 | 757 |
| 2-5 year inclusive | 740 | 1 009 | 740 | 1 009 |
| Later than 5 years | - | - | - | - |
| **Total** | **2 013** | **1 766** | **2 013** | **1 766** |

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of three years and rentals escalate at an average rate of 8% per annum. No contingent rent is payable.

## 35. FINANCE LEASES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **28 February 2018** | 28 February 2017 | **28 February 2018** | 28 February 2017 |
| **FINANCE LEASE OBLIGATIONS** | | | | |
| **Minimum lease payments** | | | | |
| Within 1 year | 266 | 82 | 266 | 82 |
| 2-5 year inclusive | 511 | 137 | 511 | 137 |
| Later than 5 years | - | - | - | - |
| **Total** | **777** | **219** | **777** | **219** |
| Future finance charges | (127) | (29) | (127) | (29) |
| **Present value of minimum lease payments** | **650** | **190** | **650** | **190** |

The Group leases certain motor vehicles under finance lease. At the end of the lease term, the Group will take ownership of the motor vehicles. The carrying value of these motor vehicles as at 28 February 2018 is

# NOTES TO FINANCIAL STATEMENTS

R777 000. The average lease term is four years and the average effective borrowing rate is 10.5% (28 Feb 2017: 10.5%)

There were no breaches or defaults in contracts during the current or comparative period.

## 36. RELATED PARTIES

**Relationships**

| | |
|---|---|
| Subsidiaries | Tetra4 (Pty) Ltd<br>Windfall Resources<br>Mega Power Renewables |
| Shareholder with significant influence | CRT Investments (Pty) Ltd<br>MATC Investment Holdings (Pty) Ltd |
| Companies controlled by Director's | CRT (Pty) Ltd<br>MATC Investment Holdings (Pty) Ltd<br>Mega Power Renewables<br>Windfall Energy (Pty) Ltd |

Key Management Personnel: Executive Directors are key management personnel. Refer to the Directors report. There are no prescribed officers other than the Directors.

| Figures in Rand thousands | **28 February 2018** | 28 February 2017 |
|---|---|---|
| **Related party loan accounts** | | |
| Tetra4 (Pty) Ltd loan receivable | 135 071 | 104 880 |
| Windfall Energy (Pty) Ltd loan payable | - | (400) |
| | **135 071** | **104 480** |
| **RELATED PARTY TRANSACTIONS** | | |
| **Rent received from parties** | | |
| Tetra4 (Pty) Ltd | 595 | 80 |
| **Rent paid to related parties** | | |
| Renergen Limited | - | (40) |
| **Management fees received from related parties** | | |
| Tetra4 (Pty) Ltd | 8 600 | 5 098 |
| **Consulting fees paid to related parties** | | |
| Reginald Edmond Cooke* | - | *(680) |

* Reginald Edmond Cooke was an Executive Director by virtue of his consulting services to the Group's subsidiary, Tetra4. He did not earn any other remuneration or fees other than consulting fees in 28 February 2017.

## 37. DIRECTORS' EMOLUMENTS

| | EXECUTIVES | | | | | |
|---|---|---|---|---|---|---|
| Figures in Rand thousands | 28 February 2018 | | | 28 February 2017 | | |
| | Basic Salary | Bonus | Total | Basic Salary | Bonus | Total |
| Stefano Marani | 2 159 | 180 | 2 339 | 1 999 | 167 | 2 166 |
| Fulu Ravele* | 1 344 | 112 | 1 456 | 1 145 | 100 | 1 245 |
| Nick Mitchell | 2 072 | 173 | 2 245 | 1 931 | 160 | 2 091 |
| | **5 575** | **465** | **6 040** | **5 075** | **427** | **5 502** |

* The Group granted Fulu Ravele 58,734 bonus shares that vest after 36 months of service from grant date (05 October 2017), the shares had a fair value of R10.22 per share. R50 021 of the share-based payment expense was recognized in operating expenses at 28 February 2018.

| | NON-EXECUTIVES | | |
|---|---|---|---|
| Figures in Rand thousands | 28 February 2018 | | |
| | Directors Fees | Committee Fees | Total |
| Brett Kimber | 216 | 130 | 346 |
| Mbali Swana | 173 | 151 | 324 |
| Luigi Matteucci | 216 | 194 | 410 |
| Bane Maleke | 173 | 86 | 259 |
| | **778** | **561** | **1 339** |

| | NON-EXECUTIVES | | |
|---|---|---|---|
| Figures in Rand thousands | 28 February 2017 | | |
| | Directors Fees | Committee Fees | Total |
| Brett Kimber | 260 | 99 | 359 |
| Mbali Swana | 180 | 140 | 320 |
| Russell Broadhead | 129 | 44 | 173 |
| Reginald Edmond Cooke | 53 | 13 | 66 |
| Luigi Matteucci | 127 | 188 | 315 |
| Bane Maleke | 18 | 25 | 43 |
| | **767** | **509** | **1 276** |

# NOTES TO FINANCIAL STATEMENTS

## 38. SALE OF BUSINESS

In February 2018 Renergen disposed of their investment in Mega Power Renewables.

| Figures in Rand thousands | GROUP | COMPANY |
|---|---|---|
| Trade and other receivables | 266 | - |
| **Net asset value of Mega Power Renewables at disposal** | **266** | **-** |
| Non - controlling Interest | (102) | - |
| **Investment in Mega Power Renewables** | **164** | **164** |
| Reclassification of Foreign Currency Translation Reserve to income | (4 737) | - |
| Cash proceeds from sale | (135) | (135) |
| **Profit/(loss) on disposal of asset** | **4 708** | **(30)** |

There were no disposals or businesses or investments in the prior year.

## 39. RISK MANAGEMENT

### Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of financial liabilities (excluding derivative financial liabilities) disclosed in notes 15, and cash and cash equivalents disclosed in note 12, and equity as disclosed in the consolidated statement of financial position and note 14.

There are no externally imposed capital requirements.

### Financial risk management

The Group is exposed to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company and Group's financial performance. The principles for financial management are included in the Group's treasury policy and cover specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

### Liquidity risk

Management manages cash flow on a group basis through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared, and spending is monitored for compliance with internal targets.

| Figures in Rand thousands | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **28 February 2018** | 28 February 2017 | **28 February 2018** | 28 February 2017 |
| **OTHER FINANCIAL LIABILITIES** | | | | |
| Less than 1 year | - | - | - | - |
| Between 1 and 5 years | - | - | - | - |
| Over 5 years | 30 545 | 27 013 | - | - |
| **PROVISION** | | | | |
| Less than 1 year | - | - | - | - |
| Between 1 and 2 years | - | - | - | - |
| Between 2 and 5 years | - | - | - | - |
| Over 5 years | 3 100 | 3 100 | - | - |
| **TRADE AND OTHER PAYABLES** | | | | |
| Less than 1 year | 11 167 | 5 284 | 3 472 | 1 402 |
| Between 1 and 2 years | - | - | - | - |
| Between 2 and 5 years | - | - | - | - |
| Over 5 years | - | - | - | - |

### Interest rate risk

The Company and Group's operating cash flows are independent of changes in market interest rates. The Company and Group's interest rate risk arises from long-term debt. Debt issued at variable rates exposes the Company and Group to cash flow interest rate risk. The debt with variable interest rate is not repayable until December 2022. Refer to note 15. Interest bearing debt comprise 29% of the total equity, therefore the debt is repayable after 10 years or on declaration of dividends. Interest charge on the debt is only effective in December 2022.

No sensitivity analysis has been prepared as material liabilities are interest free.

### Credit risk

Credit risk is managed on a company and group basis as well as individual company basis. Credit risk consists mainly of cash deposits, cash equivalents, trade debtors and related party loans. The Company and Group only deposit cash with major banks with high-quality credit standing and limits exposure to any one counterparty. Trade receivables comprise a prepaid expense from regular suppliers of the Company and Group. Risk control assesses the credit quality of the supplier by considering its financial position, experience and other factors. The maximum credit risk the Company and Group are exposed to is the receivable balance on the trade receivables and related party loans as disclosed in note 10 and 36 respectively.

### Foreign exchange risk

The Company and Group procure some operating equipment and machinery internationally and is exposed to foreign exchange risk arising primarily with respect to ZAR, EUR and USD. Foreign exchange risk arises from future commercial transactions, liabilities and net investments in foreign operations. Management is of the view that only the ZAR poses a significant foreign exchange risk given its volatility against the USD. The Company and Group review its foreign currency exposure, including commitments on an ongoing basis.

No sensitivity analysis has been prepared as material assets were sourced locally in ZAR with no foreign currency risk.

## 40. EVENTS AFTER THE REPORTING PERIOD

Additional stated capital of R10 million was raised in March 2018. Management continue to raise funding to facilitate the development of renewable and alternative energy projects.

As per the SENS announcement dated 07 March 2018, MHA Petroleum Consultants LLC released an independent Reserve and Resources Evaluation Report on Tetra4's gas reserves. The Report indicated that Tetra4's Total Proven and probable gas reserves are valued at R8.4 billion compared to R6.6 billion in 2017.

As per the SENS announcement dated 21 May 2018 Renergen and AB-INBEV, through their respective subsidiaries Tetra4 (Pty) Ltd and The South African Breweries Proprietary Limited (SAB), concluded off-take agreements for the provision of natural gas by Tetra4 to SAB to use in displacing diesel use in trucks.

The Directors are not aware of any other material event which occurred after the reporting period and up to the date of this report.

## 41. GOING CONCERN

The Consolidated and Separate Financial Statements has been prepared assuming the Group will continue as a going concern, which contemplates the realisation of assets and satisfaction of liabilities in the normal course of business for the foreseeable future. The Group's ability to achieve profitability is dependent on the capital spend of proceeds raised from the currently underway capital raise. The Directors have reviewed the Group's forecasts for the next twelve months and is satisfied with the Group's ability to continue as a going concern.

The Group intends to raise sufficient capital from both local and international investors. The Group has finalised its capital needs and has started with a formal process to raise capital from investors. Raising this capital will satisfy the major remaining Industrial Development Corporation conditions precedent which required the Group to raise R145 million to unlock the R218 million debt facility. If the Group is unsuccessful with the intended capital raise it would result in there being material uncertainty in the Group's ability to continue as a going concern, but Management is confident that the Group will be in a position to raise enough capital and draw on the IDC loan by the end of the first half of the 2019 financial year and the Group will continue to operate as a going concern.

# SHAREHOLDER INFORMATION

# ANALYSIS OF SHAREHOLDERS

| | NO. OF SHAREHOLDINGS | % | NO. OF SHARES | % |
|---|---|---|---|---|
| **SHAREHOLDER SPREAD** | | | | |
| 1 - 1 000 shares | 235 | 49.79 | 52 539 | 0.06 |
| 1 001 - 10 000 shares | 114 | 24.15 | 453 876 | 0.56 |
| 10 001 - 100 000 shares | 66 | 13.98 | 2 625 745 | 3.24 |
| 100 001 - 1 000 000 shares | 47 | 9.96 | 12 792 253 | 15.79 |
| 1 000 001 shares and over | 10 | 2.12 | 65 110 710 | 80.35 |
| **Totals** | **472** | **100.00** | **81 035 123** | **100.00** |
| **DISTRIBUTION OF SHAREHOLDERS** | | | | |
| Banks/Brokers | 5 | 1.06 | 1 506 717 | 1.86 |
| Close Corporations | 3 | 0.64 | 21 500 | 0.03 |
| Endowment Funds | 2 | 0.42 | 140 050 | 0.17 |
| Individuals | 364 | 77.12 | 5 934 231 | 7.32 |
| Insurance Companies | 8 | 1.69 | 1 855 774 | 2.29 |
| Investment Company | 1 | 0.21 | 16 224 | 0.02 |
| Medical Schemes | 3 | 0.64 | 540 797 | 0.67 |
| Mutual Funds | 18 | 3.81 | 4 695 998 | 5.80 |
| Other Corporations | 6 | 1.27 | 22 290 | 0.03 |
| Private Companies | 18 | 3.81 | 52 469 535 | 64.75 |
| Retirement Funds | 32 | 6.78 | 13 555 893 | 16.73 |
| Trusts | 12 | 2.54 | 276 114 | 0.34 |
| **Totals** | **472** | **100.00** | **81 035 123** | **100.00** |
| **PUBLIC/NON - PUBLIC SHAREHOLDERS** | | | | |
| **Non-Public Shareholders** | **6** | **1.27** | **52 301 234** | **64.54** |
| Directors and Associates | 3 | 0.64 | 17 553 078 | 21.66 |
| Strategic Holder more than 10% | 3 | 0.64 | 34 748 156 | 42.88 |
| **Public Shareholders** | **466** | **98.73** | **28 733 889** | **35.46** |
| **Totals** | **472** | **100.00** | **81 035 123** | **100.00** |
| **BENEFICIAL SHAREHOLDERS HOLDING 3% OR MORE** | | | | |
| Tamryn Investment Holding (Pty) Ltd | | | 34 748 156 | 42.88 |
| MATC Investments (Pty) Ltd | | | 8 697 139 | 10.73 |
| CRT Investments (Pty) Ltd | | | 8 597 139 | 10.61 |
| Government Employees Pension Fund | | | 7 665 108 | 9.46 |
| **Totals** | | | **59 707 542** | **73.68** |
| **INSTITUTIONAL SHAREHOLDERS HOLDING 3% OR MORE** | | | | |
| Mazi Capital | | | 9 625 050 | 11.88 |
| Mergence Investment Managers | | | 8 117 838 | 10.02 |
| **Totals** | | | **17 742 888** | **21.90** |

# NOTES TO ANNUAL GENERAL MEETING

**Renergen Limited**

Incorporated in the Republic of South Africa
(Registration number: 2014/195093/06)
(Share code: REN ISIN: ZAE000202610)
(Renergen or the Company)

## NOTICE OF ANNUAL GENERAL MEETING FOR THE YEAR ENDED 28 FEBRUARY 2018

In terms of section 59(1) of the Companies Act No.71 of 2008 (the Companies Act), as amended, notice is hereby given that the Annual General Meeting (AGM) of the shareholders of Renergen will be held at 10:00 on Friday, 28 September 2018, at 1st Floor, No.1 Bompas Road, Dunkeld West, Johannesburg, for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions set out hereafter.

## RECORD DATES

In terms of section 62(3)(a), read together with section 59 of the Companies Act, the following dates apply to the AGM:

| | 2018 |
|---|---|
| **Record date for determining those shareholders entitled to receive this notice** | Friday, 22 June |
| **Last day to trade in order to be eligible to participate in and vote at the AGM** | Tuesday, 18 September |
| **Record date (for voting purposes at the AGM)** | Friday, 21 September |

## ACTION BY SHAREHOLDERS

Shareholders entitled to attend and vote at the AGM may appoint one or more proxies to attend, speak and vote thereat in their stead. A proxy need not be a shareholder of Renergen. A form of proxy which provides instructions for its completion is hereby inserted. Completion of a form of proxy will not preclude such shareholder from attending and voting (in preference to that shareholder's proxy) at the AGM.

Proxy forms must be completed by certificated shareholders or "own name" registered dematerialised shareholders who wish to be represented at the AGM.

Dematerialised shareholders (not with "own name" registration) must notify their Central Securities Depository Participant (CSDP) or broker of their intention to attend the AGM in order for such CSDP or broker to be able to issue them with the necessary letter of representation to enable them to attend the AGM, or, alternatively, should the dematerialised shareholder not wish to attend the AGM, they should provide their CSDP or broker with their voting instructions.

Forms of proxy must reach the Company's transfer secretaries, Computershare Investor Services Proprietary Limited, at Rosebank Towers, 15 Biermann Avenue, Rosebank 2196, to be received by them by no later than 10:00 on Wednesday, 26 September 2018 (or 48 (forty-eight) hours before any adjournments of the AGM which date, if necessary, will be notified on SENS). Thereafter, forms of proxy may be delivered to the chairperson of the AGM, at the AGM, before voting on a particular resolution commences.

AGM participants may be required to provide identification to the reasonable satisfaction of the chairperson of the AGM. An official identification document issued by the South African Department of Home Affairs, a driving license or a valid passport will be accepted as sufficient identification.

Shareholders who have any doubt as to what action they are required to take in respect of the following resolutions, should consult their CSDP, broker, banker, attorney, accountant or other professional adviser immediately.

On a poll, ordinary shareholders will have one vote in respect of each share held.

## ELECTRONIC PARTICIPATION

In terms of section 61(10) of the Companies Act, every shareholders' meeting of a public company must be reasonably accessible within South Africa for electronic participation by shareholders. Therefore, shareholders, or their proxies, may participate in a meeting by way of a teleconference call if they wish to do so. In this event:

- Written notice to participate via electronic communication must be sent to the Company Secretary, Acorim Proprietary Limited, at 2nd floor, North Block, Hyde Park Office Tower, Corner of 6th Road and Jan Smuts Avenue, Sandton, Johannesburg, to be received by no later than 11:00 on Wednesday, 26 September 2018
- A pin number and dial-in details for the conference call will be provided
- Shareholders will be billed separately by their own telephone service providers for the teleconference call to participate in the AGM; and
- Valid identification will be required:
  a. If the shareholder is an individual, a certified copy of their identity document and/or passport
  b. If the shareholder is not an individual, a certified copy of a resolution by the relevant entity and a certified copy of the identity documents and/or passports of the persons who passed the relevant resolution, specifying the name of the individual that is authorised to represent the relevant entity at the AGM by way of teleconference call
  c. A valid email address and/or facsimile number

# AGENDA

## PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The Company's summarised consolidated financial statements (as approved by the Board of Directors (the Board)) for the year ended 28 February 2018 have been distributed and accompany this notice of AGM (refer to page 80 to 85) as required and will be presented to shareholders at the AGM together with the reports of the Directors and the Audit, Risk and IT Committee.

The Letter to shareholders accompanying this notice of AGM contains details of where copies of the Integrated Annual Report and Annual Financial Statements are available.

## REPORT FROM GOVERNANCE, ETHICS, TRANSFORMATION, SOCIAL AND COMPENSATION COMMITTEE

In accordance with Regulation 43(5)(c) of the Companies Act, the chairperson of the Governance, Ethics, Transformation, Social and Compensation Committee or, in his absence, any member of the Committee, will present the Committee's report to shareholders at the AGM.

## ORDINARY RESOLUTIONS

To consider and, if deemed fit, to pass, with or without modification, all of the ordinary resolutions relating to the business set out below. Unless otherwise indicated, in order for each ordinary resolution to be adopted the support of more than 50% of the voting rights exercised on the resolutions by shareholders, present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution, is required.

### ORDINARY RESOLUTION NUMBER 1: RE-ELECTION OF DIRECTOR

M Swana will retire at the AGM in accordance with Renergen's memorandum of incorporation (MOI) and, being eligible, offers himself for re-election.

Resolved that the re-election of M Swana, as an Independent Non-executive Director who, in terms of Article 5.1 of the Company's MOI retires by rotation at this AGM, but being eligible to do so, offers himself for re-election, is hereby confirmed with effect from 28 September 2018.

*Rationale: Renergen's MOI and, to the extent applicable, the Companies Act require that one third of Renergen's Non-executive Directors rotate at the AGM and can be eligible for re-election.*

M Swana's abbreviated curriculum vitae appears on page 29 of the Integrated Annual Report to which this notice is attached.

# NOTES TO ANNUAL GENERAL MEETING

## ORDINARY RESOLUTION NUMBER 2: ELECTION OF CHAIRPERSON AND MEMBERS OF THE AUDIT, RISK AND IT COMMITTEE

To consider and, if deemed fit, elect the following Independent Non-executive Directors as members of Renergen's Audit, Risk and IT Committee, with effect from the end of this AGM. Subject to ordinary resolution number 1 being approved, shareholders elect, by way of a separate vote, each of the following:

### Ordinary resolution number 2.1

Resolved that M Swana be and is hereby elected as a member and the chairperson of Renergen's Audit, Risk and IT Committee.

### Ordinary resolution number 2.2

Resolved that L Matteucci be and is hereby elected as a member of Renergen's Audit, Risk and IT Committee.

### Ordinary resolution number 2.3

Resolved that B Maleke be and is hereby elected as a member of Renergen's Audit, Risk and IT Committee.

*Rationale: In terms of the Companies Act Renergen, as a public company, must appoint an Audit Committee and the members of such Audit Committee must be appointed or reappointed, as the case may be, at each AGM of Renergen.*

An abbreviated curriculum vitae in respect of each member of the Audit, Risk and IT Committee appears on page 28 and 29 of the Integrated Annual Report to which this notice is attached.

## ORDINARY RESOLUTION NUMBER 3: REAPPOINTMENT OF EXTERNAL AUDITOR

Resolved that Grant Thornton be reappointed, on the recommendation of the current Audit, Risk and IT Committee, as independent registered auditors of Renergen. The individual designated registered auditor who will undertake the audit during the financial year ending 28 February 2019 is J. Barradas.

At Renergen's Audit, Risk and IT Committee meeting held on 18 May 2018, the Committee considered the independence of Grant Thornton and has satisfied itself in terms thereof.

*Rationale: in terms of the Companies Act Renergen, as a public company, must have its financial results audited and such an auditor must be appointed or reappointed each year at Renergen's AGM.*

## ORDINARY RESOLUTION NUMBER 4: GENERAL AUTHORITY TO ISSUE SHARES FOR CASH

Resolved that, subject to the Companies Act and the Johannesburg Stock Exchange Limited Listings Requirements (JSE Listings Requirements), the Board be and is hereby given a general authority to allot and issue the unissued ordinary shares in the capital of Renergen (or options to subscribe for, or securities that are convertible into such ordinary shares) as an issue for cash as and when suitable situations arise, and on such terms and conditions as they deem fit, subject to the following:

- The authority shall be valid until the date of the next Renergen AGM, provided that it shall not extend beyond 15 months from the date of this AGM
- Issues in terms of this authority will not, in any financial year, in aggregate, exceed 50% of the number of ordinary shares in Renergen' issued share capital as at the date of this notice of AGM (50% amounts to 41 152 548 shares) and in the event of a sub-division or consolidation of issued equity securities, this authority must be adjusted accordingly to represent the same allocation ratio
- The shares, which are the subject of the issue for cash, must be of a class already in issue or, where this is not the case, must be limited to such equity securities or rights that are convertible into a class already in issue
- The shares must be issued only to public shareholders (as defined in the JSE Listings Requirements) and not to related parties
- The maximum discount at which such shares may be issued is 10% of the weighted average traded price of Renergen shares over the 30 business days prior to the date that the price of the issue is agreed between Renergen and the party subscribing for the securities
- Upon any issue of shares for cash which, on a cumulative basis within the validity period of this general authority, constitute 5% or more of the number of shares of the class in issue as at the date of this AGM, Renergen shall by way of an announcement on Stock Exchange News Service (SENS), give full details thereof in compliance with the JSE Listings Requirements

This resolution and the restrictions contained herein do not apply to any pro rata rights offered to shareholders. In terms of the JSE Listings Requirements, this resolution requires more than 75% of the voting rights in favour thereof to be adopted.

*Rationale: subject to Renergen's MOI, the requirements of the Companies Act and the JSE Listings Requirements, the Board requires authority from shareholders to issue ordinary shares for cash in Renergen. Once granted, the general authority allows the Board, from time to time and when appropriate, to issue ordinary shares as may be required, inter alia, in terms of capital-raising exercises, and to maintain a healthy capital adequacy ratio.*

### ORDINARY RESOLUTION NUMBER 5: ADVISORY ENDORSEMENT OF REMUNERATION POLICY AND IMPLEMENTATION REPORT

#### Ordinary resolution number 5.1

Resolved that Renergen's Remuneration Policy and payment of remuneration for services as Directors of Renergen, as set out on page 52 of the Integrated Annual Report, be and is hereby endorsed, by way of a non-binding advisory vote for the period 28 February 2018 to 28 February 2019, on the same basis as set out in the audited Annual Financial Statements, escalated as being reasonable by Renergen's Governance, Ethics, Transformation, Social and Compensation Committee.

#### Ordinary resolution number 5.2

Resolved that the Remuneration Implementation Report, as set out on page 56 of the Integrated Annual Report, be and is hereby endorsed by way of a non-binding advisory vote.

Note: Failure to pass these resolutions will not have legal consequences relating to existing arrangements. However, the Board will take the outcome of the vote into consideration when assessing Renergen's Remuneration Policy.

*Rationale: King IV requires companies to table their Remuneration Policy and implementation report each year to shareholders for separate non-binding advisory votes at the AGM.*

## SPECIAL RESOLUTIONS

To consider and, if deemed fit, to pass, with or without modification, all of the special resolutions relating to the business set out below. More than 75% of the voting rights exercised on each individual resolution must be exercised in favour of these resolutions.

### SPECIAL RESOLUTION NUMBER 1: NON-EXECUTIVE DIRECTORS' REMUNERATION

Resolved that, in terms of the provisions of sections 66(9) of the Companies Act, the annual remuneration payable to the Non-executive Directors of the Company for their services as Directors of the Company for the financial year ending 28 February 2019, be and is hereby approved as follows:

| TYPE OF FEE | FEE FOR THE YEAR ENDED 28 FEBRUARY 2018 R | FEE FOR THE YEAR ENDED 28 FEBRUARY 2019 R |
|---|---|---|
| **ANNUAL RETAINER** | | |
| **Board** | | |
| Chairperson | R172 800.00 | R172 800.00 |
| Member | R86 400.00 | R86 400.00 |
| **Committees** | | |
| Chairperson | R86 400.00 | R86 400.00 |
| Member | R43 200.00 | R43 200.00 |
| **PER MEETING FEES** | | |
| **Board** | | |
| Chairperson | R21 600.00 | R21 600.00 |
| Member | R21 600.00 | R21 600.00 |
| **Committees** | | |
| Chairperson | R21 600.00 | R21 600.00 |
| Member | R21 600.00 | R21 600.00 |
| **AD HOC TELECONFERENCE FEES** | | |
| **Board** | | |
| Chairperson | - | R4 000.00 |
| Member | - | R4 000.00 |
| **Committees** | | |
| Chairperson | - | R4 000.00 |
| Member | - | R4 000.00 |

# NOTES TO ANNUAL GENERAL MEETING

*Rationale: The Companies Act requires that Directors' fees be authorised by shareholders by way of a special resolution. The passing of this special resolution will have the effect of approving the remuneration of each of the Directors of Renergen for the year ending 28 February 2019, in accordance with section 66(9) of the Companies Act.*

**SPECIAL RESOLUTION NUMBER 2: GENERAL AUTHORITY TO REPURCHASE SECURITIES**

Resolved that an acquisition by Renergen and/or any subsidiary of Renergen is hereby authorised, by way of a general authority, from time to time, to repurchase any of the shares issued by Renergen, upon such terms and conditions and in such amounts as the Board may from time to time determine, but subject to the provisions of sections 46 and 48 of the Companies Act, the MOI of Renergen and/or the subsidiary company and the JSE Listings Requirements, which may be amended from time to time, and provided that acquisitions by Renergen of its own shares may not, in the aggregate, exceed in any one financial year 20% of its issued share capital of that class of shares acquired from the date of the grant of this general approval, and in respect of any subsidiary, such acquisition of Renergen shares may not exceed 10%, provided that:

- The repurchase of securities will be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between Renergen and the counterparty (reported trades are prohibited)
- This general authority shall be valid only until the next AGM or for 15 months from the date of this resolution, whichever period is shorter
- Repurchases may not be made at a price greater than 10% above the weighted average of the market value for the securities for the 5 business days immediately preceding the date on which the transaction is effected
- At any point in time, Renergen may only appoint one agent to effect any repurchase on its behalf
- Neither Renergen nor its subsidiaries may repurchase securities during a prohibited period, as defined in the JSE Listings Requirements, unless a repurchase programme is in place in terms of which the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of which programme have been submitted to the JSE in writing prior to the commencement of the prohibited period. Renergen will instruct an independent third party, which makes its investment decisions in relation to the Renergen' securities independently of, and uninfluenced by, Renergen, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE
- The Board authorises the repurchase and has resolved that Renergen has satisfied the solvency and liquidity test as defined in the Companies Act, and that there have been no material changes to the financial position of Renergen
- An announcement will be published on SENS as soon as Renergen, or any of its subsidiary companies, have acquired securities constituting, on a cumulative basis, 3% of the number of securities in issue and for each 3% in aggregate of the initial number acquired thereafter

Although there is no immediate intention to effect a repurchase of Renergen securities, the Board would utilise this general authority to repurchase securities as and when suitable opportunities present themselves, which opportunities may require expeditious and immediate action.

The Board undertakes that, after considering the maximum effect of securities which may be repurchased and the price at which the repurchases may take place pursuant to this general authority, for a period until the next AGM or 15 months (whichever is shorter), after the date of notice of this AGM:

- Renergen will be able to repay its debts in the ordinary course of business
- The consolidated assets of Renergen, fairly valued in accordance with International Financial Reporting Standards (IFRS) and on a basis consistent with Renergen's previous financial year, will exceed Renergen's consolidated liabilities
- Renergen's working capital, stated capital and reserves will be adequate for its ordinary business purpose
- A resolution by the Board will be passed that it has authorised the repurchase, that Renergen has passed the solvency and liquidity test and, since the test was performed, there have been no material changes to Renergen' financial position

The following additional information is provided in terms of the JSE Listings Requirements for purposes of this general authority:

- Major shareholders of Renergen – page 125 of the Integrated Annual Report
- Litigation Statement of Renergen – page 63 of the Integrated Report
- Share capital of Renergen – page 83 of the Integrated Annual Report

**Material changes**

There have been no material changes in the affairs or financial position of Renergen since its financial year-end and the date of this notice.

**Directors' responsibility statement**

The Directors, whose names are given on pages 28 and 29 of the Integrated Annual Report to which this notice is attached, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 2 and certify that, to the best of their knowledge and belief:

- There are no facts in relation to this special resolution number 2 that have been omitted which would make any statement in relation hereto false or misleading
- That all reasonable enquiries to ascertain such facts have been made
- That this special resolution number 2, together with the notice of AGM, contains all information required by law and the JSE Listings Requirements in relation hereto

*Rationale: the reason and effect of this special resolution number 2 is to grant Renergen's Board a general authority in terms of its MOI and the JSE Listings Requirements for the acquisition by Renergen of shares issued by it on the basis reflected in the special resolution*

**SPECIAL RESOLUTION NUMBER 3: FINANCIAL ASSISTANCE FOR SUBSCRIPTION OF SECURITIES**

Resolved that, in terms of section 44 of the Companies Act, the shareholders of Renergen hereby approve of Renergen providing, at any time and from time to time during the period of 2 years commencing on the date of this special resolution number 3, financial assistance by way of a loan, guarantee, the provision of security or otherwise, as contemplated in section 44 of the Companies Act, to any person for the purpose of, or in connection with, the subscription for any option, or any securities, issued or to be issued by Renergen, or a related or inter-related company, or for the purchase of any securities of Renergen, or a related or inter-related company, provided that:

- The Board, from time to time, determines (i) the specific recipient, or general category of potential recipients of such financial assistance; (ii) the form, nature and extent of such financial assistance; (iii) the terms and conditions under which such financial assistance is provided
- The Board may not authorise Renergen to provide any financial assistance pursuant to this special resolution number 3 unless the Board meets all of those requirements of section 44 of the Companies Act which it is required to meet in order to authorise Renergen to provide such financial assistance

*Rationale: the purpose of this special resolution number 3 is to grant the Board the authority to authorise Renergen to provide financial assistance to any person for the purpose of, or in connection with, the subscription for any option or securities issued or to be issued by Renergen or a related or inter-related company.*

**SPECIAL RESOLUTION NUMBER 4: FINANCIAL ASSISTANCE TO RELATED OR INTER-RELATED COMPANIES**

Resolved that shareholders hereby approve, in terms of section 45 of the Companies Act, of the provision by Renergen of direct or indirect financial assistance to any of its present or future subsidiaries.

Special resolution 4 is hereby approved provided that no such financial assistance may be provided at any time in terms of this authority after the expiry of 2 years from the date of the adoption of the special resolution and provided that:

- The recipient(s) of such financial assistance, the form, nature and extent of such financial assistance, and the terms and conditions under which such financial assistance is provided, are determined by the Board from time to time
- The Board may not authorise Renergen to provide any financial assistance pursuant to

# NOTES TO ANNUAL GENERAL MEETING

this special resolution unless the Board meets all the requirements set out in section 45 of the Companies Act, which it is required to meet in order to authorise Renergen to provide such financial assistance

- Such financial assistance to a recipient thereof is, in the opinion of the Board, required for the purpose of meeting all or any of such recipient's operating expenses (including capital expenditure), and/or funding the growth, expansion, reorganisation or restructuring of the businesses or operations of such recipient, and/or funding such recipient for any other purpose which, in the opinion of the Board, is directly or indirectly in the interests of Renergen

Section 45 of the Companies Act provides, inter alia, that any financial assistance to related or inter-related companies and corporations, including, inter alia, to subsidiaries of the Company, must be provided only pursuant to a special resolution of the shareholders, adopted within the previous 2 years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category, and the Board must be satisfied that:

d. Immediately after providing the financial assistance, Renergen will satisfy the solvency and liquidity test, as defined in section 4 of the Companies Act

e. The terms under which the financial assistance is proposed to be given are fair and reasonable to the Company

f. Any conditions or restrictions in respect of the granting of financial assistance set out in Renergen's MOI have been satisfied

As part of the ordinary conduct of the business of Renergen, where necessary, Renergen may provide guarantees and other support undertakings to third parties which enter into financial agreements with its subsidiaries and joint ventures in which Renergen and its shareholders have an interest.

In the circumstances and in order to, inter alia, ensure that Renergen and its subsidiaries, or other related and inter-related companies, continue to have access to financing for purposes of refinancing existing facilities and funding their corporate and working capital requirements, it is necessary to obtain approval of the shareholders as set out in this special resolution.

**Other business**

To transact such other business as may be transacted at an AGM or raised by shareholders with or without advance notice to Renergen.

**By order of the Board**

Acorim

**Acorim Proprietary Limited**

Company Secretary

27 June 2018
Johannesburg

# FORM OF PROXY

**Renergen Limited**

Incorporated in the Republic of South Africa
(Registration number: 2014/195093/06)
(Share code: REN ISIN: ZAE000202610)
(Renergen or the Company)

For use only by ordinary shareholders who:

1. Hold ordinary shares in certificated form (certificated ordinary shareholders); or
2. Have dematerialised their ordinary shares (dematerialised ordinary shareholders) and are registered with "own name" registration

at this Annual General Meeting (AGM) of shareholders of Renergen to be held at 10:00 on Friday, 28 September 2018, at 1st Floor, No.1 Bompas Road, Dunkeld West, Johannesburg, and any adjournment thereof.

Dematerialised ordinary shareholders holding ordinary shares other than with "own name" registration who wish to attend the AGM must inform their Central Securities Depository Participant (CSDP) or broker of their intention to attend the AGM and request their CSDP or broker to issue them with the relevant letter of representation to attend the AGM in person or by proxy and vote. If they do not wish to attend the AGM in person or by proxy, they must provide their CSDP or broker with their voting instructions in terms of the relevant custody agreement entered between them and the CSDP or broker. These ordinary shareholders must not use this form of proxy.

Name of beneficial shareholder:

Name of registered shareholder:

Address:

Telephone: work (  )  home (  )

Cell: (  )

being the holder/custodian of  ordinary shares in the Company, hereby appoint (see note):

1.  or failing him/her,

2.  or failing him/her,

3. the Chairperson of the meeting,

as my/our proxy to attend and act for me/us on my/our behalf at the AGM of Renergen convened for purpose of considering and, if deemed fit, passing, with or without modification, the ordinary and special resolutions to be proposed thereat (resolutions) and at each postponement or adjournment thereof and to vote for and/or against such resolutions, and/or abstain from voting, in respect of the ordinary shares in the issued share capital of Renergen registered in my/our name/s in accordance with the following instructions:

| | NUMBER OF ORDINARY SHARES | | |
|---|---|---|---|
| | FOR | AGAINST | ABSTAIN |
| 1. **Ordinary Resolution 1:** Re-election of M Swana as an Independent Non-executive Director | | | |
| 2. **Ordinary Resolution 2:** Election of chairperson and members of the Audit, Risk and IT Committee | | | |
| 2.1 Election of M Swana, subject to the passing of ordinary resolution number 1, as a member and chairperson of the Audit, Risk and IT Committee | | | |
| 2.2 Election of L Matteucci as a member of the Audit, Risk and IT Committee | | | |
| 2.3 Election of B Maleke as a member of the Audit, Risk and IT Committee | | | |
| 3. **Ordinary Resolution 3:** Reappointment of external auditor | | | |
| 4. **Ordinary Resolution 4:** General authority to issue shares for cash | | | |
| 5. **Ordinary Resolution 5:** Advisory endorsement of Remuneration Policy and remuneration report | | | |
| 5.1 Endorsement of Remuneration Policy | | | |
| 5.2 Endorsement of Remuneration Implementation Report | | | |
| 6. **Special Resolution 1:** Non-executive Directors' remuneration | | | |
| 7. **Special Resolution 2**: General authority to repurchase securities | | | |
| 8. **Special Resolution 3**: Financial assistance for subscription of securities | | | |
| 9. **Special Resolution 4:** Financial assistance to related or inter-related companies | | | |

Please indicate instructions to proxy in the space provided above by the insertion therein of the relevant number of votes exercisable.

A member entitled to attend and vote at the AGM may appoint one or more proxies to attend and act in his/her stead. A proxy so appointed need not be a shareholder of Renergen.

Signed at on 2018

Signature

Assisted by (if applicable)

# NOTES TO FORM OF PROXY

1. The form of proxy must only be completed by shareholders who hold shares in certificated form or who are recorded on the sub-register in electronic form in "own name".
2. All other beneficial owners who have dematerialised their shares through a CSDP or broker and wish to attend the AGM must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.
3. A shareholder entitled to attend and vote at the AGM may insert the name of a proxy or the names of two alternate proxies (none of whom need be a shareholder of the Company) of the shareholder's choice in the space provided, with or without deleting "the Chairperson of the meeting". The person whose name stands first on this form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those proxy(ies) whose names follow. Should this space be left blank, the proxy will be exercised by the Chairperson of the meeting.
4. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space provided. If an "X" has been inserted in one of the blocks to a particular resolution, it will indicate the voting of all the shares held by the shareholder concerned. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the AGM as he/she deems fit in respect of all the shareholders' votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.
5. A vote given in terms of an instrument of proxy shall be valid in relation to the AGM notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the ordinary shares in respect of which the proxy is given, unless notice as to any of the aforementioned matters shall or have been received by the transfer secretaries not less than 48 (forty-eight) hours before the commencement of the Annual General Meeting.
6. If a shareholder does not indicate on this form that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the AGM be proposed, such proxy shall be entitled to vote as he/she thinks fit.
7. The chairperson of the AGM may reject or accept any form of proxy which is completed and or received other than in compliance with these notes.
8. A shareholder's authorisation to the proxy, including the chairperson of the AGM, to vote on such shareholder's behalf shall be deemed to include the authority to vote on procedural matters at the AGM.
9. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
10. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the Company's transfer secretaries or waived by the chairperson of the AGM.
11. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the transfer secretaries of the Company.
12. Where there are joint holders of ordinary shares:
    - Any one holder may sign the form of proxy
    - The vote(s) of the senior ordinary shareholders (for that purpose seniority will be determined by the order in which the names of ordinary shareholders appear in the Company's register of ordinary shareholders) who tender a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s)
13. Forms of proxy should be lodged with or mailed to Computershare Investor Services Proprietary Limited:

# NOTES TO FORM OF PROXY

**Hand deliveries to:**

Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank
2196

**Postal deliveries to:**

Computershare Investor Services Proprietary Limited
PO Box 61051
Marshalltown
2107

to be received by no later than 10:00 on Wednesday, 26 September 2018 (or 48 (forty-eight) hours before any adjournment of the AGM which date, if necessary, will be notified on SENS).

14. A deletion of any printed matter and the completion of any blank space need not be signed or initialled. Any alteration or correction must be signed and not merely initialled.
15. Summary of the rights of a shareholder to be represented by proxy, as set out in section 58 of the Companies Act:
    - A proxy appointment must be in writing, dated and signed by the shareholder appointing a proxy, and, subject to the rights of a shareholder to revoke such appointment (as set out below), remains valid only until the end of the relevant shareholders' meeting
    - A proxy may delegate the proxy's authority to act on behalf of a shareholder to another person, subject to any restrictions set out in the instrument appointing the proxy
    - The appointment of a proxy is suspended at any time and to the extent that the shareholder who appointed such proxy chooses to act directly and in person in the exercise of any rights as a shareholder
    - The appointment of a proxy is revocable by the shareholder in question cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the Company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of:
        a. The date stated in the revocation instrument, if any; and
        b. The date on which the revocation instrument is delivered to the Company as required in the first sentence of this paragraph
    - If the instrument appointing the proxy or proxies has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the Company's Memorandum of Incorporation to be delivered by the Company to the shareholder, must be delivered by the Company to:
        a. The shareholder; or
        b. The proxy or proxies, if the shareholder has (i) directed the Company to do so in writing; and (ii) paid any reasonable fee charged by the Company for doing so

# CORPORATE **INFORMATION**

# DEFINITIONS

| | |
|---|---|
| AGM | Annual General Meeting |
| AltX | AltX is an alternative public equity exchange for small and medium-sized companies in South Africa operated in parallel with and wholly owned by the JSE Securities Exchange. |
| Balance of Payments (BOP) | The balance of payments is the record of all international financial transactions made by a country's resident |
| Bcf | Billion cubic feet |
| CEO | Chief Executive Office |
| CFO | Chief Financial Office |
| CH4 | Methane |
| CNG | Compressed Natural Gas |
| Company | Referes to Renergen only |
| COO | Chief Operating Office |
| EBIT | Earnings before interest and taxes |
| EIA | Environmental Impact Assessment |
| ERM | Enterprise Risk Management |
| ERP | Enterprise Resource Planning |
| ERP | Enterprise Resource Planning |
| Exco | Executive Committee |
| FCTR | Foreign currency translation reserve |
| FEED | Front End Engineering and Design |
| FVTOCI | Fair value through other comprehensive income |
| GETSC | Governance, Ethics, Transformation, Social and Compensation Committee |
| GJ | Gigajoules |
| Governing Body | Means the Board, as per King IV |
| GRI | Global Reporting Initiatives |
| Group | Refers to Renergen and its subsidiary, Tetra4 |
| HDSA | Historically Disadvantaged South Africans |
| He | Helium |
| IAS | International Accounting Standard |
| IDC | Industrial Development Corporation |
| IFRS | International Financial Reporting Standards |
| IIRC | International Integrated Reporting Council's International <IR> Framework |
| INED | Independent Non-executive Directors |

| | |
|---|---|
| IRBA | Independent Regulatory Board for Auditors |
| IT | Information technology |
| JSE | Johannesburg Stock Exchange |
| Kg | Kilograms |
| King IV | King IV Report on Corporate Governance for South Africa |
| LNG | Liquefied Natural Gas |
| LPG | Liquid Petroleum Gas |
| MRI | Magnetic Resonance Imaging |
| NED | Non-executive Directors |
| NG | Natural Gas |
| OECD | Organisation for Economic Co-operation and Development's |
| PASA | Petroleum Agency of South Africa |
| Probable | Probable Reserves, 50% Certainty of Commercial Extraction |
| Proven | Proved Reserves, 90% Certainty of Commercial Extraction |
| RoD | Record of Decision |
| ROI | Return on Investment |
| SAICA | The South African Institute of Chartered Accountants |
| SCF | Standard Cubic Feet |
| SENS | Stock Exchange News Service |
| SPAC | Special purpose acquisition company |
| Tetra4 | A subsidiary of Renergen |
| UNGC | United Nations Global Compact |
| US dollar | United States Dollar ($) |
| Windfall | Windfall Energy Proprietary Limited |

# CORPORATE INFORMATION

## RENERGEN LIMITED

Date of incorporation: 30 September 2014
Place of incorporation: South Africa

## COMPANY SECRETARY AND REGISTERED ADDRESS OF RENERGEN

**ACORIM PROPRIETARY LIMITED**

(Registration number 2014/195093/06)

1 Bompas Road
Dunkeld West
2196

Postnet Suite 610
Private Bag x10030
Randburg
2125

## DESIGNATED ADVISER

**PSG CAPITAL**

(Registration number 2006/015817/07)

2nd Floor, Bowmans Building
11 Alice Lane
Sandton
2196

PO Box 650957
Benmore
2010

## AUDITORS

**GRANT THORNTON**

(Practice number 903 485)

42 Wierda Road West
Wierda Valley
Sandton
2196

Private Bag X28
Benmore
2010

## ATTORNEYS

**NORTON ROSE FULBRIGHT SOUTH AFRICA INC**

10th floor, Norton Rose House
8 Riebeek Street
Cape Town
8001

Private Bag X10,
Roggerbaai
8012

## TRANSFER SECRETARIES

**COMPUTERSHARE INVESTOR SERVICES PROPRIETARY LIMITED**

(Registration number 2004/003647/07)

Rosebank Towers
15 Biermann Avenue
Rosebank

PO Box 61051
Marshalltown
2107

RENERGEN

FUTURE ENERGY, TODAY