

RENERGEN LIMITED

Incorporated in the Republic of South Africa

(Registration number: 2014/195093/06)

JSE Share code: REN

A2X Share code: REN

ISIN: ZAE000202610

LEI: 378900B1512179F35A69

Australian Business Number (ABN): 93 998 352 675

ASX Share code: RLT

("Renergen" or "the Company" or "the Group")

**AUSTRALIAN STOCK EXCHANGE APPENDIX 4E - PRELIMINARY FINAL REPORT**

Reporting Period

Year ended 28 February 2022 (2022)

Previous Period

Year ended 28 February 2021 (2021)

RESULTS ANNOUNCEMENT TO THE MARKET

	2022	2021	Change
	Rm	Rm	%
Revenue	2.6	1.9	36.8%
Loss after tax attributable to ordinary shareholders	33.8	42.6	-20.7%
Total comprehensive loss attributable to ordinary shareholders	33.8	42.6	-20.7%
			Change
	Cents	Cents	%
Basic and diluted loss per share	27.73	36.29	-23.6%

- Higher energy prices combined with the improvement in COVID-19 lockdown restrictions in South Africa during the year under review relative to the prior comparative period had a positive impact on the Group's revenue which increased by 36.8% or R0.7 million. Tetra4 Proprietary Limited ("Tetra4") is the only subsidiary of Renergen.
- The loss after tax attributable to ordinary shareholders and the total comprehensive loss attributable to ordinary shareholders decreased by 20.7% or R8.8 million mainly as a result of the following:
 - An increase in other operating income by R2.8 million primarily driven by net foreign exchange gains;
 - An improvement in the operating cost base by R6.8 million mainly due to lower consulting fees, lower employee costs and the absence of net foreign exchange losses during the year, offset by increases in listing costs due to shares issued during the year, legal and professional fees and other costs;
 - A deferred tax credit of R0.4 million and an improvement in net finance costs by R0.1 million; offset by
 - An increase in share-based payments expenses by R1.3 million following the award of share options to employees pursuant to the new Share Appreciation Rights Plan approved in July 2021.
- The Group is in the final stages of commissioning the Virginia Gas Project which is expected to become operational imminently.

	2022 Cents	2021 Cents	Change %
Tangible net asset value per share	106.74	80.21	33.1%

	R'000	R'000	Change %
Total assets	1 164.7	780.4	49.2%

- The increase in the Group's tangible net asset value per share is attributable to an increase in net tangible assets by R38.0 million for the year under review driven primarily by additional investments in property, plant and equipment ("PPE"), increases in the deferred tax asset, working capital and restricted cash and a decrease in lease liabilities, offset by increases in borrowings and provisions and the cash utilisation for the year. The tangible net asset value per share was further impacted by an increase of 6.4 million in the issued share capital.
- The Group made a final drawdown of R112.1 million (US\$7.5 million) on the loan facility from the US International Development Finance Corporation ("DFC") in September 2021 and acquired a new loan from the Industrial Development Corporation ("IDC") of R160.7 million in December 2021, of which R158.8 million was drawn down at year end. Part of these proceeds were utilised to fund the investments in the Group's PPE and intangible assets.

PRELIMINARY FINAL FINANCIAL STATEMENTS

Please refer to pages 7 to 31 of this report wherein the following are provided:

- Condensed consolidated statement of profit or loss and other comprehensive income for the year ended 28 February 2022;
- Condensed consolidated statement of financial position as at 28 February 2022;
- Condensed consolidated statement of changes in equity for the year ended 28 February 2022;
- Condensed consolidated statement of cash flows for the year ended 28 February 2022; and
- Notes to the condensed consolidated financial statements.

The condensed consolidated financial statements presented have not been audited or subject to a review by the external auditors. The audit of the Group's financial statements for the year ended 28 February 2022 is currently ongoing.

Shareholders on the South African register should note that this announcement does not meet the JSE reporting requirements as the financial information presented herein is neither reviewed, nor audited and that this announcement is released in accordance with the requirements of the ASX Listing Rules. The Company expects to publish its audited financial results for the year ended 28 February 2022 on or about 19 May 2022.

OTHER DISCLOSURE REQUIREMENTS

Dividend or distribution reinvestment plans

Renergen did not declare dividends during the year ended 28 February 2022 (2021: nil).

Entities over which control has been gained or lost during the year

There was no acquisition or loss of controlling interest during the year ended 28 February 2022.

Details of associates and joint ventures

The Group does not have associates or joint ventures.

Additional Appendix 4E disclosure requirements and commentary on significant features of the operating performance, results of segments, trends in performance and other factors affecting the results for the period are contained in the financial report accompanying this announcement.

RESULTS COMMENTARY

The financial year ended 28 February 2022 has been a challenging yet very exciting one for the Group. Having faced significant headwinds during the construction period in relation to several significant but distinct challenges highlighted below:

- Impacts of the COVID-19 pandemic resulted in forced lockdowns, global shipping and supply chain delays
- Nationwide strike action with workers affiliated to the National Union of Metalworkers of SA (NUMSA) in the steel and engineering industry during the 3rd quarter resulted in disruption of equipment and services required during construction
- An extreme weather pattern known as La Niña has hit the country since December 2021 and has resulted in above average rainfall which has resulted in further construction delays on site

Despite these extenuating circumstances the team has shown enormous maturity, resilience, and dedication to find solutions to mitigate these challenges and reduce the impact on the overall progress of the Virginia Gas Project. The speed at which the leadership team has rallied the employees, contractors, and other stakeholders is a true testament to their capability, culture and passion we are building across the Group operations. The transition from largely a project company to an operational focused company is well underway and we believe we are ready to take the next step in our exciting journey.

Key highlights for the year under review include:

- 5 out of 6 drilling successes from our exploration campaign
- The securing of a pre-paid forward sell agreement with Argonon Helium who will issue helium backed tokens known as ArgHe's
- Completion of the third and final disbursement of the USDFC facility
- Completion and drawdown of the IDC facility
- Securing of Several Phase 1 LNG offtake agreements
- Significant increase in our proven reserves
- Completion of the Phase 2 Front End Engineering Design study
- Securing of several phase 2 helium offtake agreements
- Production and operation of the first CRYO-VACC™

Phase 1

The conclusion of two strategic contracts for the offtake and supply of LNG to Consol Glass Proprietary Limited and Ceramic Industries Proprietary Limited, a subsidiary of Italtile Limited, has signalled the confidence from key players within the South African Industrial Sector in our ability to deliver a high-quality and reliable product to market. These agreements equate to 60% of our planned phase 1 production with the remaining 40% is destined for the logistics markets in a dual fuel application for the heavy trucking sector.

The Group made the third and final drawdown against the USDFC loan facility to fund the ongoing construction of the Phase 1 LNG/LHe plant. The Group also secured a facility with the IDC and completed the draw down to finance the virtual pipeline infrastructure including trucks, trailers, and downstream dispensing equipment.

The construction of the Virginia Gas Plant is ongoing with hot commissioning having commenced post the year under review. We anticipate the start-up of the plant soon and are now taking every opportunity to double check and review before finally turning the plant on.

Phase 2

The global helium market has been dealt several debilitating blows recently further exacerbating a short supply in an already tight market. The helium market growth is expected to be driven by the growing demand from the healthcare, technology, and aerospace industry sectors. These are important factors that will continue to shape and manage how the Group continues to develop the next phase of the Virginia Gas Project.

The increase in our proven reserves has paved the way for the expansion of the Virginia Gas Project into a proposed phase 2 development. The FEED study supporting this development concept was completed in parallel and has resulted in us receiving Class 3 estimate sufficient to meet stringent requirements of credit committees for debt funding institutions and preparing suitable budgets to begin approaching potential equity and debt providers.

The securing of several helium offtake agreements has resulted in approximately 65% of the planned phase 2 production already contracted under long-term take or pay contracts ranging from 10 to 15 years in length. The contracts are all US Dollar dominated and increase annually at US CPI. The Group is strategically not looking to sell any additional helium under this type of arrangement and will look to place the balance into the spot market to enjoy the upside potential in the commodity movement. As alluded to earlier the helium market has faced several supply challenges and disruptions and the spot market has increased exponentially in the last six months.

Cryovations

The COVID-19 vaccination response programs started with much enthusiasm during the year under review but quickly tapered off during the 3rd Quarter. We completed the manufacturing and assembly during the 2nd and 3rd quarters of 2021 for the efficient transportation and storage of cold biologics for extended periods during transit which resulted in a mismatched timing opportunity. The waning support for ongoing vaccination has impacted the rollout and scale of the opportunity locally within South Africa. We believe the product has enormous potential and are exploring several modifications that will improve the overall concept and operational performance to enhance its appeal for the more niche Biologics and Gene-Therapy market internationally. These companies currently face substantial challenges in their cold-chain logistics which Cryo-Vacc™ is ideally placed to assist with solving these challenges.

Financial Review

The Group's revenue increased by R0.7 million due to higher energy prices and fewer COVID-19 lockdown restrictions experienced in the current financial year relative to the prior year.

The Group's other operating income increased by R2.8 million primarily due to an increase in the net foreign exchange gains by R3.6 million.

The Group's other operating expenses declined by R6.8 million primarily due to a decrease in the net foreign exchange losses by R8.9 million. The Group's other operating expenses are disclosed in note 13.

Share-based payments expenses increased by R1.3 million primarily due to the issuing of share options under the Equity-settled Share Appreciation Rights Plan (SAR Plan) approved by shareholders in July 2021. The current year expense includes share options granted to executive directors, senior management, and general employees of the Group. The Group's share-based payments are disclosed in note 9.

During the current year of construction, an additional R260.7 million was spent mainly on the completion of the Virginia Gas Plant design classified as assets under construction within property, plant and equipment ("PPE"). The Group also capitalised exploration expenditure totalling R32.1 million and development costs for Cryo-Vacc™ vaccine storage units amounting to R10.9 million under intangible assets. The Group's PPE and intangible assets are disclosed in notes 2 and 3.

Further investment in our non-current assets was funded by proceeds from the issue of shares for R113.1 million, a third draw-down of R112.1 million (US\$7.5 million) on the DFC loan facility and a R158.8 million drawdown on the IDC loan facility which was entered into on 17 December 2021. The increase in the loan facilities resulted in an increase in total borrowings by R288.5 million. The Group's borrowings are disclosed in note 10.

Restricted cash resources of the Group held in the Debt Service Reserve Account increased by R19.0 million in line with the terms of the DFC loan agreement which require Tetra4 at any given date to reserve in a US\$ denominated bank account the sum of all obligations required to be made to the DFC within the next 6 months.

Unrestricted cash resources of the Group decreased by R35.8 million. The Group's cash flows arising from operating, investing, and financing activities are fully set out in the Statement of Cash Flows.

The net asset value of the Group increased by R79.9 million impacted mainly by additional investments in PPE and intangible assets and offset by debt and the losses for the year.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The Condensed Consolidated Statement of Financial Position of the Group as at 28 February 2022 is set out below:

R'000	Notes	2022	2021
ASSETS			
Non-current assets		1 008 317	625 576
Property, plant and equipment	2	807 027	475 558
Intangible assets	3	154 023	112 155
Deferred taxation	4	43 529	34 976
Restricted cash	5	3 738	2 887
Current assets		156 377	154 786
Trade and other receivables	6	27 032	7 769
Restricted cash	5	34 257	16 139
Cash and cash equivalents	7	95 088	130 878
TOTAL ASSETS		1 164 694	780 362
EQUITY AND LIABILITIES			
Equity		286 312	206 408
Share capital	8	563 878	453 078
Share-based payments reserve	9	11 354	8 500
Revaluation reserve		598	598
Accumulated loss		(289 518)	(255 768)
LIABILITIES			
Non-Current Liabilities		803 949	541 476
Borrowings	10	773 056	534 293
Lease liabilities		1 407	3 183
Provisions	11	29 486	4 000
Current Liabilities		74 433	32 478
Borrowings	10	49 784	-
Provisions	11	1 272	2 180

Lease liabilities	1 775	3 007
Trade and other payables	21 602	27 291
TOTAL LIABILITIES	878 382	573 954
TOTAL EQUITY AND LIABILITIES	1 164 694	780 362

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

The Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income of the Group for the 12-month period ended 28 February 2022 is set out below:

R'000	Notes	2022	2021
Revenue	12	2 637	1 925
Cost of sales		(3 412)	(2 842)
Gross loss		(775)	(917)
Other operating income		3 736	911
Share-based payments expense	9	(3 115)	(1 798)
Other operating expenses	13	(38 207)	(44 969)
Operating loss		(38 361)	(46 773)
Interest income		275	672
Interest expense and imputed interest		(4 217)	(4 691)
Loss before taxation		(42 303)	(50 792)
Taxation	4	8 553	8 172
LOSS FOR THE YEAR		(33 750)	(42 620)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(33 750)	(42 620)
Loss attributable to:			
Owners of the Company		(33 750)	(42 620)
LOSS FOR THE YEAR		(33 750)	(42 620)
Total comprehensive loss attributable to:			
Owners of the Company		(33 750)	(42 620)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(33 750)	(42 620)
Loss per ordinary share			
Basic and diluted loss per share (cents)	15	(27.73)	(36.29)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

The Condensed Consolidated Statement of Changes in Equity of the Group for the 12- month period ended 28 February 2022 is set out below:

R'000	Share capital	Share-based payments reserve	Revaluation reserve	Accumulated loss	Total equity attributable to equity holders of the Company
BALANCE AT 1 MARCH 2020	452 254	7 526	598	(213 148)	247 230
Loss for the year	-	-	-	(42 620)	(42 620)
Total comprehensive loss for the year	-	-	-	(42 620)	(42 620)
Issue of shares	824	(824)	-	-	-
Share-based payments expense	-	1 798	-	-	1 798
BALANCE AT 28 FEBRUARY 2021	453 078	8 500	598	(255 768)	206 408
Loss for the year	-	-	-	(33 750)	(33 750)
Total comprehensive loss for the year	-	-	-	(33 750)	(33 750)
Issue of shares	113 376	(261)	-	-	113 115
Share issue costs	(2 576)	-	-	-	(2 576)
Share-based payments expense	-	3 115	-	-	3 115
BALANCE AT 28 FEBRUARY 2022	563 878	11 354	598	(289 518)	286 312
Notes	8	9			

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

The Condensed Consolidated Statement of Cash Flows of the Group for the 12- month period ended 28 February 2022 is set out below:

R'000	Notes	2022	2021
Cash flows used in operating activities		(79 175)	(24 486)
Cash used in operations	14	(78 941)	(24 580)
Interest received		275	672
Interest paid		(509)	(578)
Cash flows used in investing activities		(306 956)	(196 338)
Investment in property, plant and equipment	2	(260 723)	(163 079)
Investment of intangible assets	3	(46 233)	(23 207)
Purchase of options		-	(16 197)
Proceeds on exercise of options		-	6 145
Cash flows from financing activities		347 227	213 758
Proceeds from share issue	8	113 115	-
Share issue costs	8	(2 576)	-
Proceeds from borrowings	10	270 989	216 282
Repayment of borrowings	10	(31 293)	-
Right-of-use – lease payments		(3 008)	(2 524)
TOTAL CASH MOVEMENT FOR THE YEAR		(38 904)	(7 066)
Cash and cash equivalents at the beginning of the year	7	130 878	140 972
Effects of exchange rate changes on cash and cash equivalents		3 114	(3 028)
TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7	95 088	130 878

NOTES TO THE CONDENSED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

1. Basis of preparation

The consolidated annual financial statements for the year ended 28 February 2022 have been prepared in accordance with the framework concepts, the recognition and measurement criteria of International Financial Reporting Standards (IFRS) and in accordance with and containing the information required by the International Accounting Standard 34: Interim Financial Reporting (IAS 34) as issued by the International Accounting Standards Board (IASB), Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the ASX Listing Rules and the requirements of the South African Companies Act of 2008, as amended. The consolidated annual financial statements have been prepared on the historical cost basis except for land that is carried at a revalued amount and financial instruments that are carried at fair value. Significant accounting policies applied in the preparation of the consolidated annual financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements. Amendments to accounting standards and new accounting pronouncements which came into effect for the first time during the financial year did not have a material impact on the Group.

These consolidated annual financial statements have been prepared on a going concern basis. The consolidated annual financial statements are presented in South African Rand which is the Company's functional and presentation currency. All monetary information is rounded to the nearest thousand (R'000), except where otherwise stated.

2. Property, plant and equipment

R'000	2022			2021		
	Cost or valuation	Accumulated depreciation	Net book value	Cost or valuation	Accumulated depreciation	Net book value
Assets under construction	785 460	-	785 460	451 576	-	451 576
Right-of-use asset – head office building	2 243	(1 590)	653	2 243	-	2 243
Land – at revalued amount	3 473	-	3 473	3 473	-	3 473
Plant and machinery	22 928	(11 345)	11 583	20 714	(9 451)	11 263
Furniture and fixtures	1 024	(691)	333	1 206	(679)	527
Motor vehicles	2 152	(1 962)	190	2 095	(2 051)	44
Office equipment	171	(108)	63	208	(132)	76
IT equipment	910	(581)	329	541	(438)	103
Right-of-use assets - motor vehicle	4 526	(1 462)	3 064	4 526	(547)	3 979
Office building	2 065	(476)	1 589	2 065	(270)	1 795
Lease hold improvements:						
Office equipment	142	(128)	14	152	(110)	42
Furniture and fixtures	885	(609)	276	887	(450)	437
TOTAL	825 979	(18 952)	807 027	489 686	(14 128)	475 558

2. Property, plant and equipment (continued)

¹ - Impacted by an immaterial adjustment to correct the over-depreciation of motor vehicles in the prior comparative period.

² - Rehabilitation costs transferred from exploration and evaluation assets within intangible assets (see note 3).

2022 R'000	At 1 March 2021	Reclassi- fication from intangible assets²	Environ- mental rehabilita- -tion costs³	Additions	Depreciation	At 28 February 2022
Assets under construction	451 576	4 000	26 758	303 126	-	785 460
Right-of-use asset – head office building	2 243	-	-	-	(1 590)	653
Land – at revalued amount	3 473	-	-	-	-	3 473
Plant and machinery	11 263	-	-	2 248	(1 928)	11 583
Furniture and fixtures	527	-	-	21	(215)	333
Motor vehicles ¹	44	-	-	24	122	190
Office equipment	76	-	-	41	(54)	63
IT equipment	103	-	-	406	(180)	329
Right-of-use assets - motor vehicle	3 979	-	-	-	(915)	3 064
Office building	1 795	-	-	-	(206)	1 589
Lease hold improvements:						
Office equipment	42	-	-	-	(28)	14
Furniture and fixtures	437	-	-	-	(161)	276
TOTAL	475 558	4 000	26 758	305 866	(5 155)	807 027

³ - Current year rehabilitation costs as outlined in note 11.

2. Property, plant and equipment (continued)

Pledge of assets

Tetra4 concluded finance agreements with the Development Finance Corporation (DFC) on 20 August 2019 and the Industrial Development Corporation (IDC) on 17 December 2021 (see note 10). All assets under construction and the land are held as security for the debt under these agreements. Pledged assets under construction and land have a carrying amount of R788.9 million as at 28 February 2022 (2021: R455.0 million), representing 100% (2021: 100%) of each of these asset categories.

Additions and borrowing costs

Additions include unrealised foreign exchange differences (attributable to the DFC loan) and interest capitalised as part of borrowing costs in line with the Group's policy, and non-cash additions to right-of-use assets. These costs and exchange differences were capitalised within assets under construction. The Group's borrowings are disclosed in note 10.

A reconciliation of additions to exclude the impact of capitalised borrowing costs, foreign exchange differences and non-cash additions to right-of-use assets is provided below:

Capital commitments

R'000	2022	2021
Additions as shown above	305 866	131 061
Capitalised borrowing costs attributable to the DFC loan (note 10)	(31 293)	-
Unrealised foreign exchange (losses)/gains attributable to the DFC loan (note 10)	(10 619)	37 284
Capitalised borrowing costs attributable to the IDC loan (note 10)	(3 231)	-
Non-cash additions to right-of-use assets	-	(5 266)
Additions as reflected in the cash flow statement	260 723	163 079

Capital commitments attributable to assets under construction are disclosed in note 16.

3. Intangible assets

R'000	2022			2021		
	Cost	Accumulated Amortisation	Net book value	Cost	Accumulated Amortisation	Net book value
Exploration and development costs	137 161	(32)	137 129	109 026	(32)	108 994
Computer software	4 184	(804)	3 380	3 303	(439)	2 864
Development costs – Cryo-Vacc™	10 948	-	10 948	-	-	-
Development costs – Helium Tokens System	2 048	-	2 048	-	-	-
Other intangible assets	518	-	518	297	-	297
TOTAL	154 859	(836)	154 023	112 626	(471)	112 155

2022 R'000	At 1 March 2021	Reclassi- fication to property, plant and equipment¹	Addi- tions	Amorti- sation	At 28 February 2022
Exploration and development costs	108 994	(4 000)	32 135	-	137 129
Computer software	2 864	-	881	(365)	3 380
Development costs – Cryo-Vacc™	-	-	10 948	-	10 948
Development costs – Helium Tokens System	-	-	2 048	-	2 048
Other intangible assets	297	-	221	-	518
TOTAL	112 155	(4 000)	46 233	(365)	154 023

¹ - Transfer of rehabilitation costs to assets under construction within property, plant and equipment (note 2).

Impairment of exploration and development costs

A Reserve and Resource Evaluation Report (“Evaluation Report”) was completed as at 1 September 2021 by Sproule Incorporated (“Sproule”), an independent sub-surface consultancy based in Calgary, Canada. The evaluation is both a geologic and an economic update, based on technical and economic data supplied by Tetra4. Material changes to this Evaluation Report compared to the last one completed in 2019 are the inclusion of the 5 newly completed wells, the initial flow testing of two wells with new “slant completions”, a more detailed sub-surface geologic model, updated capital expenditure and operating costs, updated currency exchange rates, new gas sales agreements and an updated field development plan.

The independent Reserve and Resource estimates and associated economics contained in the Evaluation Report are prepared in accordance with the Society of Petroleum Engineers (SPE) Petroleum Resources Management (PRMS) guidance. Proved Plus Probable Helium and Methane Reserves (“2P Gas Reserves”) measured at 420.5 BCF (billion cubic feet) as at 1 September 2021 (2019: 142.4 BCF) with a net present value of R31.0 billion (2019: R9.8 billion).

The net present value above equates to the recoverable amount and was determined using value-in-use calculations where future estimated cash flows attributable to the 2P Gas Reserves were discounted at 15% (2019: 15%). In order to determine whether the Group’s exploration and evaluation assets were impaired as at 28 February 2022 the carrying amount of these assets of R137.1 million (2021: R109.0 million) was compared to the recoverable amount of R31.0 billion (2021: R9.8 billion) which resulted in no impairment charge being recognised for the year under review (2021: Nil).

Management concluded that the impairment assessment is not sensitive to a change in the recoverable amount or other factors due to the available headroom of R30.9 billion (2021: R9.7 billion), being the difference between the carrying amount of exploration and evaluation assets of R137.1 million (2021: R109.0 million) and their recoverable amount of R31.0 billion (2021: R9.8 billion).

Development costs – Cryo-Vacc™

Development costs comprise expenditure incurred during the internal development of Cryo-Vacc™ vaccine storage units. No amortisation was recognised during the year as the storage units have not yet been brought into use. Development costs include costs that meet the criteria required by IFRS and are directly attributable

to the development of the storage units. At 28 February 2022 the development costs are not impaired based on an assessment performed by management.

Development costs – Helium Tokens System

Development costs comprise expenditure incurred during the internal development of the helium tokens system. Once fully developed, these tokens will be traded and will allow holders to purchase helium from Tetra4. No amortisation was recognised during the year as the tokens have not yet been brought into use. Development costs include costs that meet the criteria required by IFRS and are directly attributable to the development of the tokens. At 28 February 2022 the development costs are not impaired based on an assessment performed by management.

4. Deferred taxation

R'000	At 1 March 2021	Recognised in profit or loss	At 28 February 2022	Deferred tax asset	Deferred tax liability
Property, plant and equipment	(65 976)	(36 843)	(102 819)	-	(102 819)
Intangible assets	(13 290)	(6 443)	(19 733)	-	(19 733)
Leases	-	(146)	(146)	-	(146)
Provisions	2 990	6 968	9 958	9 958	-
Unutilised tax losses	111 252	45 017	156 269	156 269	-
TOTAL	34 976	8 553	43 529	166 227	(122 698)

The losses incurred by the Group are mainly attributable to its subsidiary, Tetra4. Tetra4 is in the process of constructing the Virginia Gas Plant and conducting exploration activities. Its revenues have therefore been minimal to date. The Virginia Gas Plant is expected to become operational imminently.

As at 28 February 2022 the Group's estimated tax losses were R964.6 million (2021: R603.0 million). These tax losses do not expire unless the tax entity concerned ceases to operate for a period longer than a year. The tax losses are available to be offset against future taxable profits. For tax years ending on or after 31 March 2023, companies with assessed losses will be entitled to set off a maximum of 80% of their assessed losses (subject to a minimum of R1.0 million) against taxable income in a specific year. A Group net deferred taxation asset of R43.5 million (2021: R35.0 million) has been recognised as it is estimated that future profits will be available against which the assessed losses can be utilised.

It is the policy of the Group to recognise deferred tax on part of its tax losses. Unused tax losses for which no deferred tax has been recognised total R385.9 million as at 28 February 2022 (2021: R334.8 million).

Change in tax rate

On 24 February 2021, a reduction in the corporate tax rate from 28% to 27% for years of assessment commencing 1 April 2022 was announced. This impacts the measurement of deferred tax assets and liabilities which must be measured at the tax rates that are expected to apply to the period in which the underlying asset or liability is realised or settled. The impact on the Group of this change in the future tax rate is not material.

5. Restricted cash

R'000	2022	2021
Non-current		
Environmental rehabilitation guarantee cash	3 738	2 887
Current		
Debt Service Reserve Account (DSRA)	34 257	16 139
TOTAL	37 995	19 026

DSRA

As part of the terms of the DFC finance agreement (see note 10) Tetra4 is required at any given date, to reserve in a US dollar denominated bank account the sum of all payments of principal, interest and fees required to be made to the DFC within the next 6 months. Should Tetra4 default on any payments due and payable, the DFC reserves the right to fund the settlement of amounts due from this bank account. The bank account is restricted and all interest earned accrues to Tetra4. This interest is recorded in interest income on the Statement of Profit or Loss and Other Comprehensive Income. The Debt Service Reserve Account is held as security for the DFC loan (see note 10).

6. Trade and other receivables

R'000	2022	2021
Financial instruments at amortised cost		
Trade receivables	565	2 312
Other receivables	927	138
	1 492	2 450
Non-financial instruments		
Value-added tax	25 529	5 139
Prepayments	11	180
	25 540	5 319
Total trade and other receivables	27 032	7 769

Current year other receivables primarily comprise amounts due for shares issued in February 2022. Due to banking delays the funds were received immediately after the year end. Prior year other receivables comprised bursary repayments receivable.

The increase in value-added tax (VAT) receivable is attributable to the recovery of VAT on the importation of equipment for the Virginia Gas Plant. There was an increase in the importation of equipment in the current year relative to the prior year, as the construction of Phase 1 of the plant nears completion.

Trade receivables are generally on 30 day terms and are not interest bearing. At 28 February 2022, the Group is subjected to significant concentration risk as it only has one customer.

The Group applies a simplified approach of recognising lifetime expected credit losses for trade receivables as these items do not have a significant financing component. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience, adjusted as appropriate for current observable data. Current observable data includes market conditions, macroeconomic factors and known data about the financial position of the customer. Expected credit losses attributable to trade receivables were assessed as immaterial as at 28 February 2022 (2021: RNil).

7. Cash and cash equivalents

Cash and cash equivalents consist of:

R'000	2022	2021
Cash at banks and on hand	36 714	24 219
Short-term deposits	58 374	106 659
TOTAL	95 088	130 878

Cash at banks earns interest at floating rates. Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Included in cash at banks and on hand is R2.2 million (2021: nil) denominated in Australian Dollars. There are no amounts denominated in US Dollars at 28 February 2022 (2021: R17.2 million).

8. Share capital

	2022	2021
Authorised number of shares	'000	'000
500 000 000 no par value shares	500 000	500 000
Reconciliation of number of shares issued:		
Balance at 1 March	117 508	117 427
Issue of shares – ordinary shares issued for cash	6 400	-
Issue of shares – share incentive scheme, non-cash	26	81
BALANCE AT 28 FEBRUARY	123 934	117 508
Reconciliation of issued stated capital:	R'000	R'000
Balance at 1 March	453 078	452 254
Issue of shares	113 376	824
Issue of shares – ordinary shares issued for cash	113 115	-
Issue of shares – share incentive scheme, non-cash	261	824
Share issue costs	(2 576)	-
BALANCE AT 28 FEBRUARY	563 878	453 078

Shares issued for cash during the year under review comprise:

Nature	Date	Number of shares issued '000	Issue price Rand	Value of shares issued R'000
Issue of Chess Depositary Interests on the Australian Stock Exchange ¹	25 June 2021	2 474	18.24	45 129
Issue of shares on the Johannesburg Stock Exchange ¹	25 June 2021	3 178	19.10	60 709
Exercise of options ²	Various	748	9.73	7 277
Total		6 400		113 115

¹ - Shares were issued to numerous parties consisting of existing and new domestic and international institutions and sophisticated investors.

² - Issue price represents the average exercise price of the options exercised during the year.

9. Equity-settled share-based payments

Bonus share scheme

Shares were granted to executive directors, senior management and general employees on 6 July 2018, 17 May 2019, 1 March 2020 and 1 July 2021 pursuant to the Bonus Share Scheme approved by shareholders in September 2017. All shares vest after 3 years of employment with the Group and there are no other vesting conditions. Shares granted to participants which have not yet vested lapse if the director or employee leaves the Group. Shares granted to an executive director, senior management and general employees on 6 July 2018 vested on 6 July 2021.

	2022			2021		
	Number of shares granted ('000)	Fair value per share at grant date	Value of shares at grant date (R'000)	Number of shares granted ('000)	Fair value of shares at grant date	Value of shares at grant date (R'000)
Reconciliation of bonus shares granted:						
At 1 March	433		4 864	277		2 479
Granted during the year	145	22.78	3,325	252	13.55	3 411
Executive Directors	106	22.78	2,425	195	13.55	2 648
Senior management	20	22.78	457	53	13.55	715
General employees	19	22.78	443	4	13.55	48
Vested during the year	(27)	9.90	(261)	(81)	10.22	(824)
Executive Directors	(10)	9.90	(97)	(59)	10.22	(600)
Senior management	(7)	9.90	(67)	(22)	10.22	(224)
General employees	(10)	9.90	(97)	-	-	-
Lapsed during the year	(65)	12.15	(790)	(15)	13.34	(202)
Senior management	(61)	11.59	(707)	(11)	13.55	(147)
General employees	(4)	22.78	(83)	(4)	12.81	(55)
AT 28 FEBRUARY	486		7 138	433		4 864

The fair value per share on grant date relates to the 30 day volume weighted average price per share on the JSE on the grant date (VWAP).

Share options granted or exercised during the year

Equity-settled Share Appreciation Rights Plan

On 17 December 2021, 9.9 million share options were granted to executive directors, senior management and general employees of the Group as follows:

- 1.3 million share options with a strike price of R37.50 which vest over a 2 year period;
- 2.1 million share options with a strike price of R50.00 which vest over a 3 year period;
- 2.9 million share options with a strike price of R62.50 which vest over a 4 year period; and
- 3.6 million share options with a strike price of R75.00 which vest over a 5 year period.

The above share options were granted pursuant to the Equity-settled Share Appreciation Rights Plan approved by shareholders in July 2021. Awards will be subject to the fulfilment of both predetermined

Performance Condition(s) and continued employment, with Participants having 5 (five) years from the Award Date to achieve any or all Performance Conditions. Depending on the applicable job level and level of seniority of the employee, the Award may be divided into no more than 4 (four) separate portions, each of which will be linked to separate Performance Condition(s) and Performance Period(s) as follows:

Portion 1:

Performance Condition of delivering a share price of at least R75 per share – 2 year Performance Period

Portion 2:

Performance Condition of delivering a share price of at least R100 per share – 3 year Performance Period

Portion 3:

Performance Condition of delivering a share price of at least R125 per share – 4 year Performance Period

Portion 4:

Performance Condition of delivering a share price of at least R150 per share – 5 year Performance Period

	Number of share options granted '000	Fair value per share option at grant date Rand	Value of share options R'000	Weighted average exercise price Rand
Reconciliation of share options granted to date under the SAR Plan:				
Balance at 1 March 2021	-		-	-
Granted during the year				
Executives, senior management and general employees	9 956		15 479	61.10
Tier 1	1 344	4.64	6 236	37.50
Tier 2	2 067	2.20	4 547	50.00
Tier 3	2 906	1.14	3 313	62.50
Tier 4	3 639	0.38	1 383	75.00
Total share options awarded at 28 February 2022	9 956		15 479	61.10

Equity-settled Share Appreciation Rights Plan (continued)

The fair value at grant date of all share options awarded was determined using Monte Carlo Method. The significant inputs into the model are provided below

	Tier 1	Tier 2	Tier 3	Tier 4
Spot price	R30.14	R30.14	R30.14	R30.14
Volatility	52.6%	39.5%	32.9%	26.3%
Risk-free rate	5%	5%	5%	5%
Option life	2 years	3 years	4 years	5 years
Strike price	37.50	50.00	62.50	75.00
Dividend yield	0%	0%	0%	0%

Share options granted to the ASX lead advisor, corporate advisor and Non-executive Director

During the year under review the ASX lead advisor and corporate advisor exercised 0.3 million share options (at AUD0.80 or R10.33) and 0.4 million share options (at AUD0.80 or R9.23), respectively.

Reconciliation of share options granted to date to the ASX lead advisor, corporate advisor and Non-executive Director:	Number of share options granted ('000)	Fair value per share option at grant date Rand	Value of share options (R'000)	Weighted average exercise price (Rand) ¹
Balance at 1 March 2021	5,549		6,342	10.37
Granted during the year	250		52	10.59
Non-executive Director	250	0.21	52	10.59
Exercised during the year	(748)		(1,025)	9.73
ASX lead advisor	(338)	1.03	(348)	10.33
Corporate advisor	(410)	1.65	(677)	9.23
Total share options awarded to date	5,051		5,369	8.92
Exercisable at 28 February	5,051		5,369	8.92

¹ - Exercise prices are denominated in Australian Dollars and have been translated into South African Rand at the prevailing exchange rate at each year end date or on the date that the share options were exercised.

Reconciliation of the share-based payments reserve

R'000	2022	2021
Balance at the beginning of the year	8 500	7 526
Bonus share scheme - share-based payments expense for Renergen participants charged to profit or loss	-	1 007
Executive Directors	-	921
Senior management	-	86
Bonus share scheme - share-based payments expense for Tetra4 participants	2 086	791
Executive Directors	1 609	463
Senior management	252	310
General employees	225	18
Share options - share-based payments expense charged to profit or loss	1 362	52
Tetra4 Executives, senior management and general employees	1 310	-
Non-executive Director	52	52
Shares which lapsed during the year	(333)	(52)
Vested shares issued during the year	(261)	(824)
Balance at the end of the year	11 354	8 500

10. Borrowings

R'000	2022	2021
Non-current liabilities at amortised cost	773 056	534 293
Molopo Energy Limited (Molopo)	46 761	43 053
US International Development Finance Corporation (DFC)	564 220	491 240
Industrial Development Corporation (IDC)	162 075	-
Current liabilities at amortised cost	49 784	-
DFC	49 784	-
Total	822 840	534 293

The movement in borrowings for the year under review is as follows:

R'000	At 1 March 2021	Additions	Interest ¹	Non-cash movements: foreign exchange losses ²	Repayments ³	At 28 February 2022
Molopo	43 053	-	3 708	-	-	46 761
DFC	491 240	112 145	31 293	10 619	(31 293)	614 004
IDC	-	158 844	3 231	-	-	162 075
Total	534 293	270 989	38 232	10 619	(31 293)	822 840

¹ Interest on the Molopo loan is non-cash imputed interest representing the unwinding of the discount applied on initial recognition of the loan. Interest on the DFC and IDC loans is cash in nature and is capitalised to assets under construction within property, plant and equipment (see note 2).

² Exchange differences are capitalised to assets under construction within property, plant and equipment (see note 2).

³ Repayments of interest and fees attributable to the DFC loan in line with loan terms.

Molopo

Tetra4 entered into a R50.0 million loan agreement with Molopo on 1 May 2013. This loan was part of the conditions of the sale of shares in Tetra4 from Molopo to Windfall Energy Proprietary Limited. The loan agreement is for the period from inception of the loan on 1 May 2013 until 31 December 2022. During this period, the loan is unsecured and interest free. The loan can only be repaid when Tetra4 declares a dividend and utilising a maximum of 36% of the distributable profits in order to pay the dividend. If by 31 December 2022 the loan is not repaid, the loan shall bear interest at the prime lending rate plus 2% and will have no repayment terms. It is not expected that the loan will be repaid in the next 12 months given the unavailability of distributable profits based on Tetra4's most recent forecasts. As such, the loan has been classified as long term. The loan advanced to Tetra4 by Renergen can only be repaid after the loan from Molopo has 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 2.00% which at 28 February 2022 is 9.50% (prime lending rate of 7.50% plus 2.00%) (2021: 9.00%) The imputed interest expense is included in profit and loss. The fair value of the loan amount outstanding at 28 February 2022 amounts to R46.8 million (2021: R43.1 million).

DFC

Tetra4 entered into a US\$40.0 million finance agreement with DFC on 20 August 2019 ("Facility Agreement"). The first draw down of US\$20.0 million took place in September 2019, the second draw down of US\$12.5 million in June 2020 and the final drawdown of US\$7.5 million on 28 September 2021. Tetra4 shall repay the loan in equal quarterly instalments of US\$1.1 million (R16.6 million using the rate at 28 February 2022) on each payment date beginning on 1 August 2022 and ending on 15 August 2031. The loan is secured by a pledge of the Group's assets under construction, land and the Debt Service Reserve Account disclosed in notes 2 and 5.

Interest

The first drawdown of \$20.0 million attracts interest of 2.11% per annum. Interest on the second and final drawdowns is 1.49% and 1.24% per annum, respectively.

Interest is payable by Tetra4 to the DFC quarterly on 15 February, 15 May, 15 August and 15 February of each year (Repayment Dates) for the duration of the loan. This interest is capitalised to assets under construction within PPE in line with the Group policy. Interest paid during the year totalled US\$0.6 million (R9.7 million) (2021: US\$0.5 million (R9.0 million)).

Guaranty fee

A guaranty fee of 4% per annum is payable by Tetra4 to DFC on any outstanding loan balance. The guaranty fee is payable quarterly on the Repayment Dates. Tetra4 paid guaranty fees totalling US\$1.3 million (R21.0 million) during the year under review (2021: US\$1.1 million (R18.6 million)).

Commitment fees

A commitment fee of 0.5% per annum is payable by Tetra4 to the DFC on any undisbursed amounts under the Facility Agreement. Commitment fees are payable quarterly on the Repayment Dates. Tetra4 paid commitment fees totalling US\$2 500 (R38 250) during the year under review (2021: US\$0.04 million (R0.6 million)).

Facility fee

A once-off facility fee of US\$0.4 million (R4.8 million) was paid by Tetra4 to the DFC prior to its first drawdown on 26 September 2019.

Maintenance fee

An annual maintenance fee of US\$0.04 million is payable by Tetra4 to the DFC for the duration of the loan term and is payable on 15 November of each year, commencing on 15 November 2020. The maintenance fee covers administrative costs relating to the loan. Tetra4 paid US\$0.04 million (R0.5 million) during the year under review (2021: US\$0.04 million (R0.5 million)).

Debt covenants

The following debt covenants apply to the DFC loan:

- a) Tetra4 is required to maintain at all times i) a ratio of all interest-bearing Debt to EBITDA of not more than 3.0 to 1; (ii) a ratio of Current Assets to Current Liabilities of not less than 1 to 1; and (iii) a Reserve Tail Ratio of not less than 25%.
- b) Tetra4 is required to maintain at all times (i) a ratio of Cash Flow for the most recently completed four (4) consecutive full fiscal quarters, taken as a single accounting period, to Debt Service for the most recently completed four (4) consecutive full fiscal quarters, taken as a single accounting period, of not less than 1.30 to 1; and (ii) a ratio of Cash Flow for the most recently completed four (4) consecutive full fiscal quarters, taken as a single accounting period, to Debt Service for the next succeeding four (4) consecutive full fiscal quarters of not less than 1.3 to 1.
- c) Tetra4 is required to ensure that the Debt Service Reserve Account (note 5) is funded in the aggregate of all amounts due to the DFC within the next 6 months.

The covenants in a) and b) will apply 18 months after the completion of the construction of the Virginia Gas Plant. The Group has complied with the covenant under c) above for the year under review and believes that it will be able to comply with the covenants throughout the tenure of the loan.

“Reserve Tail Ratio” means for any calculation date, the quotient obtained by dividing (a) all of the Borrower’s remaining Proved Reserves as of such calculation date by (b) all of the Borrower’s Proved Reserves as of the date of this Agreement.

IDC

Tetra4 entered into a R160.7 million loan agreement with the IDC on 17 December 2021. An amount of R158.8 million was drawn down on 22 December 2021 and is repayable in 102 equal monthly payments commencing in July 2023. The loan terms include a 12-month interest capitalisation and an 18-month capital repayment moratorium. The loan accrues interest at the prime lending rate plus 3.5% and is secured by a pledge of the Group's assets under construction, land and the Debt Service Reserve Account disclosed in notes 2 and 5.

The following debt covenants apply to the IDC loan.

- a) Tetra4 is required to maintain the following the same financial and reserve tail ratios as mentioned under the DFC loan.
- b) In addition, Tetra4 shall not make any shareholder dividend distribution, repay any shareholders' loans and/or pay any interest on shareholders' loans or make any payments whatsoever to its shareholders without the IDC's prior written consent, if:
 - i. Tetra4 is in breach of any term of the loan agreement; or
 - ii. the making of such payment would result in a breach of any one or more of the financial ratios above.

The covenants in a) will apply from 1 August 2023.

11. Provisions

	2022			2021		
	Opening Balance	Additions/ (reversals)	Total	Opening Balance	Additions/ (reversals)	Total
Non-current liabilities						
Environmental rehabilitation	4 000	25 486	29 486	4 000	-	4 000
Current liabilities						
Environmental rehabilitation	-	1 272	1 272			
Provision for IDC costs	2 180	(2 180)	-	2 180	-	2 180
	2 180	(908)	1 272	2 180	-	2 180
Total	6 180	24 578	30 758	6 180	-	6 180

Environmental rehabilitation provision

The Group has production and exploration rights on land in the Free State (South Africa). Exploration is currently ongoing and a provision of R30.8 million (2021: R4.0 million) has been recognised with respect to the rehabilitation of this land. This amount is based on an estimate of the costs to be incurred to address the following:

- Disturbed infrastructure areas;
- Existing production wells and all exploration wells;
- General surface rehabilitation;
- Monitoring; and
- Latent/residual environmental risk related to resealing wells.

This note should be read together with note 5.

IDC provision

The Group entered into a loan agreement with the IDC on 31 March 2017 for an amount equal to R218.0 million to fund the acquisition and construction of the gas gathering pipeline and associated installation costs, compression stations, power steam and plant in Virginia in the Free State province. Shortly after concluding the loan agreement the Board took a strategic decision to pivot away from compressed natural gas (CNG) and opted to develop a liquefied natural gas (LNG) and helium facility. The loan agreement was cancelled during the 2019 financial year and a provision of R5.8 million was raised by the Group as at 28 February 2019 for commitment and administration fees incurred on the IDC funding agreement. As agreed with the IDC the provision was reduced during the 2020 year to 1% of the amount that would have been advanced. During the current year the provision was reversed due to the cancellation by the IDC of the historical commitment and administration fees on inception of the new loan agreement referred to in note 10.

12. Segmental analysis

The Group has identified reportable segments that are used by the Group Executive Committee (chief operating decision-maker) to make key operating decisions, allocate resources and assess performance. For management purposes the Group is organised and analysed as follows:

Corporate head office

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

Tetra4

Tetra4 explores for, develops and sells compressed natural gas ("CNG") to the South African market. It operates in the Gauteng Province, Free State Province and Mpumalanga Province in the town of Evander.

No geographical information is provided as all assets are situated in South Africa and all sales are made to one South African customer. The analysis of reportable segments as at 28 February 2022 is set out below:

2022 R'000	Corporate Head Office	Tetra4	Total	Eliminations	Consolidated
Revenue	-	2 637	2 637	-	2 637
External	-	2 637	2 637	-	2 637
Depreciation and amortisation	(322)	(5 197)	(5 519)	-	(5 519)
Employee costs	-	(3 280)	(3 280)	-	(3 280)
Net foreign exchange gain	12	3 557	3 569	-	3 569
Interest income	83	192	275	-	275
Imputed interest	-	(3 708)	(3 708)	-	(3 708)
Interest expense	-	(509)	(509)	-	(509)
Taxation	387	8 166	8 553	-	8 553
LOSS FOR THE YEAR	(7 577)	(26 173)	(33 750)	-	(33 750)
TOTAL ASSETS	1 131 987	1 149 050	2 281 037	(1 116 343)	1 164 694
TOTAL LIABILITIES	(725)	(1 366 334)	(1 367 059)	488 677	(878 382)

2021 R'000	Corporate Head Office	Tetra4	Total	Eliminations	Consolidated
Revenue	16 442	1 925	18 367	(16 442)	1 925
External	-	1 925	1 925	-	1 925
Inter-segmental	16 442	-	16 442	(16 442)	-
Depreciation and amortisation	(1 571)	(3 173)	(4 744)	-	(4 744)
Employee costs	(1 017)	(12 153)	(13 170)	6 753	(6 417)
Net foreign exchange loss	(100)	(8 816)	(8 916)	-	(8 916)
Interest income	621	51	672	-	672
Imputed interest	-	(4 113)	(4 113)	-	(4 113)
Interest expense	(246)	(332)	(578)	-	(578)
Taxation	1 324	6 848	8 172	-	8 172
PROFIT/(LOSS) FOR THE YEAR	4 167	(46 787)	(42 620)	-	(42 620)
TOTAL ASSETS	1 026 538	774 202	1 800 740	(1 020 378)	780 362
TOTAL LIABILITIES	(1 353)	(968 376)	(969 729)	395 775	(573 954)

During the year ended 28 February 2022, R2.6 million or 100% (2021: R1.9 million or 100%) of the Group's revenue depended on the sales of CNG to one customer. This revenue is reported under the Tetra4 operating segment.

Inter-segment revenues and balances are eliminated upon consolidation and are reflected in the 'eliminations' column. The management service arrangement between Renergen and Tetra4 was suspended on 28 February 2021. As such there were no management fees (inter-segmental revenue) earned during the year.

13. Operating expenses

R'000	2022	2021
Operating expenses by nature:		
Consulting and advisory fees ¹	1 883	6 099
Listing fees ²	1 568	437
Employee costs ³	3 280	6 417
Depreciation and amortisation ⁴	3 377	3 060
Net foreign exchange losses ⁵	-	8 916
Computer and IT expenses	3 412	2 619
Security	1 871	1 095
Insurance	1 548	1 534
Legal and professional fees	4 529	3 336
Other operating costs ⁷	9 108	3 132
Director fees – Non-executive	2 295	2 162
Directors' fees – Executive ⁶	5 336	6 162
TOTAL	38 207	44 969

¹ Prior year consulting and advisory fees were significantly higher than the current year due to expertise sought to enhance and further define the Group's exploration strategy. Current year fees primarily comprise tax advisory, remuneration consultancy and corporate research costs.

² Listing costs in the current year were impacted by additional listing fees for the shares issued as highlighted in note 8.

³ Excludes employee costs amounting to R0.7 million (2021: R0.8 million) attributable to the manufacturing of gas sold which are included in cost of sales. There were more employee costs capitalised to assets under construction in the current year due to the advancement of the construction of the Virginia Gas Plant which is nearing completion.

⁴ Excludes depreciation for plant and machinery amounting to R2.1 million (2021: R1.8 million) which is included in cost of sales.

⁵ There is a net foreign exchange gain of R3.6 million in the current year which is classified within other operating income.

⁶ Directors fees amounting to R9.7 million (2021: R7.1 million) were capitalised to assets under construction (note 2) during the year under review.

⁷ The remaining other operating costs primarily consist of marketing and advertising expenses, travel and accommodation costs, training expenses, office expenses, motor vehicle costs, repairs and maintenance and exploration expenses.

14. Cash used in operations

R'000	2022	2021
Loss before taxation	(42 303)	(50 792)
Cash adjustments:		
Interest received	(275)	(672)
Cash interest paid	29	6
Allocation of restricted cash	(17 184)	(6 136)
Right of use liability – interest paid	480	572
Non-cash adjustments:		
Imputed interest	3 708	4 113
Depreciation and amortisation	5 519	4 744
Net fair value losses on put option contracts	-	10 298
Share-based payments expense	3 115	1 798
Profit on lease termination	-	(460)
Decrease in IDC provision	(2 180)	-
Decrease in leave pay provision	(728)	(924)
Decrease in bonus provision	(2 293)	(2 340)
Effects of exchange rate changes on cash and cash equivalents:		
Net foreign exchange (gains)/losses	(4 899)	3 028
Changes in working capital:		
Trade and other receivables	(19 263)	(1 985)
Trade and other payables	(2 667)	14 170
Cash used in operations	(78 941)	(24 580)

15. Loss per share

	2022	2021
Basic and diluted (cents)	(27.73)	(36.29)
Loss attributed to equity holders of the Company used in the calculation of basic and diluted loss per share (R'000)	(33 750)	(42 620)
Weighted average number of ordinary shares used in the calculation of basic loss per share: (000's)	121 689	117 454
Issued shares at the beginning of the year (000's)	117 508	117 427
Effect of shares issued during the year (weighted) ('000s)	4 181	27
Add: Dilutive share options	-	-
Weighted average number of ordinary shares used in the calculation of diluted loss per share (000's)	121 689	117 454
Headline loss per share		
Basic and diluted (cents)	(27.73)	(36.29)

	2022	2021
Loss attributed to equity holders of the Company (R'000)	(33 750)	(42 620)
Headline loss (R'000)	(33 750)	(42 620)

The share options and bonus scheme shares have not been included in the weighted average number of shares used to calculate the diluted loss per share or the diluted headline loss per share as they are anti-dilutive. These options are anti-dilutive because of the loss position of the Group.

16. Contingent liabilities and commitments

Contingent liabilities

There are no contingent liabilities as at 28 February 2022 (2021: nil) attributable to any of the Group companies.

Commitments

2022 R'000	Committed but		
	Spent to date	not spent	Total approved
Capital equipment	390.0	219.7	609.7
TOTAL	390.0	219.7	609.7

The Board approved total project costs amounting to R609.7 million (2021: R529.1 million) relating to the construction of the Virginia Gas Plant. As at the end of the reporting period the Group had incurred construction and drilling costs as disclosed above and had contractual commitments relating to capital expenditure amounting to R219.7 million (2021: R207.5 million) for the acquisition of property, plant and equipment under various contracts.

17. Events after the reporting period

Funding for Phase 2 Helium and LNG development

On 14 March 2022 Ivanhoe Mines Limited ("Ivanhoe") became a 4.35% shareholder in Renergen through an initial placement of 5,631,787 shares at R35.625 per share (equal to a 5% discount to 30-day VWAP) raising a total of R200.6 million. Ivanhoe is a Canadian mining company focused on developing disruptive projects, including the world-class Kamoakakula Copper Project in the Democratic Republic of the Congo.

This strategic investment establishes a pathway for Ivanhoe to increase its shareholding in Renergen up to a 25% shareholding through a market-related (10% discount to 30-day VWAP) Second Subscription, following completion of a 120-day due diligence period (commencing immediately).

Following completion of the Second Subscription, Ivanhoe thereafter has the option to increase its shareholding in Renergen up to 55%, by electing to provide equity funding of up to US\$250,000,000 at a market related price (10% discount to 30-day VWAP) for further development and up-scaling of the Virginia Gas Project.

Funding for Phase 2 Helium and LNG development (continued)

The strategic investment by Ivanhoe comes at a time where the current global LNG and helium markets are in shortfall. It also highlights the excellent growth of Renergen and significant and exciting opportunity for the Virginia Gas Project to become a significant global LNG and helium producer. This transaction also paves the way for Renergen to access significant capital towards the Phase 2 development, diversifies its investor

base into North America, and minimises potential dilution to existing shareholders as further investments from Ivanhoe are linked to the prevailing share price at the time of subsequent investments.

Planned disposal of a 10% interest in Tetra4 by Renergen

On 28 March 2022 Renergen signed a non binding term sheet with State-owned Central Energy Fund ("CEF") to sell 10% of its subsidiary company Tetra4, 100% owner of Virginia Gas Project for R1.0 billion. Renergen and the CEF have 141 days to execute binding agreements and following completion Renergen has the right to renegotiate price. Proceeds from the CEF subscription will be used to progress development of Phase II of the Virginia Gas Project.

The transaction is subject to the following conditions precedent:

- Successful completion of a technical, commercial, financial, legal and tax due diligence;
- internal CEF approval;
- Department of Minerals and Energy ministerial approval;
- National Treasury approval; and
- signing of binding legal agreements.

Early success in production drilling programme

On 31 March 2022 Renergen announced early success in its recently commenced production drilling campaign for feed to Phase 1 of the Virginia Gas Project. The first two wells in the campaign have flowed initial gas (gas composition yet to be determined). In addition, the previously reported R2D2 has following clean-up operations increased its flow rate by 18,000 standard cubic feet, or 15% since the well was first completed. The two new wells drilled are as follows:

- Frodo: first well drilled since R2D2 and C3PO. The well was drilled to target depth within 10 days and struck gas early with a flow rate of 23,000 standard cubic feet per day.
- Balrog: the second well drilled and struck gas during the last weekend of March 2022. The flow rate through a diverter is recording 90,000 standard cubic feet per day, indicating potentially higher stabilised flow following clean-up. Drilling is not yet complete and there is still some way to go before reaching target depth

New director appointment

On 4 April 2022 Alex Pickard was appointed as a non- executive director of Renergen. Alex Pickard is Vice President, Corporate Development for Ivanhoe.

Commencement of hot commissioning

On 12 April 2022 Renergen announced the commencement of hot commissioning of Phase 1 of the Virginia Gas Project. On 10th of April the generators were synchronised and breaker to the main supply substation was opened and tests conducted. The breaker to the two 6.6/400Kv transformers were opened and will run on a low load condition, to allow the transformers to "soak" until operating conditions are attained.

In the following days, hot commissioning of various utility systems commenced, starting with Air and Nitrogen. This will enable the flushing of some of the process plant areas to commence and is anticipated to start after the Easter weekend.

Lifting of state of disaster

The National State of Disaster in South Africa was lifted on 5 April 2022 and became effective on that date.

18. Going concern

The consolidated financial statements have been prepared assuming the Group will continue as a going concern. This contemplates the realisation of assets and settlement of liabilities in the normal course of business during the assessment period. The Directors have reviewed the Group's forecasts for the next twelve months and are satisfied that the Group has adequate financial resources, and access to capital and borrowing facilities to continue operations in the normal course of business for the foreseeable future. In reaching this conclusion the Directors' have also considered developments with COVID-19 and the Russia/Ukraine war which had a minimal impact on the Group and its operations during the year under review.

19. COVID-19 AND RUSSIA/UKRAINE WAR

COVID-19

South Africa was in lockdown level one for most of the financial year under review which enabled the Group to continue its operations with minimal disruptions having implemented the required health protocols to ensure the wellbeing of all its employees. There were no material contractual obligations or supply chain impacts during the year under review, however prior year COVID-19 global and local impacts contributed to an overall delay in the commissioning of the Virginia Gas Project which is now scheduled for end of May 2022 compared to the initial scheduling for Q2 2021.

The Group continues to monitor developments with COVID-19 and manage its human capital and operational and financial risks in line with these developments. As the Group moves into production in the coming financial year, Management will be alert to COVID-19 developments which may impact the Group's ability to meet contractual obligations pertaining to its new liquefied natural gas and helium supply agreements. Similarly, Management will remain alert to developments that could impact the construction of Phase 2 of the Virginia Gas Project, especially as this relates to imported components required for the project.

Management has concluded that at 28 February 2022, COVID-19 did not have an impact on the ability of the Group to continue as a going concern and does not materially affect the measurement of assets or liabilities in the annual financial statements.

Russia/Ukraine war

There is growing pressure on prices for energy, grains and metals which soared since the invasion of Ukraine by Russia. Management has considered these developments and has concluded that they do not currently present material operational or other risks. Management will continue to monitor the situation in order to identify and mitigate risks that may arise in future.

Johannesburg

2 May 2022

Authorised by: Stefano Marani
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