

RENERGEN LIMITED

Incorporated in the Republic of South Africa

(Registration number: 2014/195093/06)

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A2X Share code: REN

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



REVIEWED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 AUGUST 2023

1. SALIENT FEATURES

The period for the six months ended 31 August 2023 ("**H1 2024**") saw the Group achieve many goals in the progression of Phase 2 of the Virginia Gas Project ("**VGP**"), bringing us closer to realising our ambitions of becoming a global helium player. In this regard, the VGP retains its status as a strategic integrated project as designated by the South African government as previously reported, and the Group continues to benefit from the support of the United States Development Finance Corporation ("**DFC**") alongside our new lending partner Standard Bank of South Africa ("**SBSA**").

The first six months of FY2024 saw continued growth as we cemented our place as a significant player in the local LNG market. Our strategic intent during H1 2024 was to ramp up LNG production from Phase 1 of the VGP and to secure funding for the development of Phase 2 of the project. The Group had several wins in these areas, and also experienced a few challenges. We will continue to apply the learnings from these challenges to maximise the opportunities that exist for our current operations and for the development of Phase 2 of the VGP. Overall, we are pleased with the progress achieved to date and our key highlights for H1 2024 are summarised below:

- 2 386 tonnes of LNG produced during the period.
- Approval of senior debt funding by the DFC (US\$500.0 million) and SBSA (US\$250.0 million), subject to conditions precedent.
- Acquisition of a bridge loan amounting to R303.0 million from SBSA and the subscription for Renergen debentures amounting to US\$3.0 million (R56.0 million) by AIRSOL SRL, a transaction linked to the planned and broader initial public offering of Renergen shares on the Nasdaq Stock Market.
- Conclusion of an LNG offtake agreement with Time Link Cargo ("**Time Link**") with supply expected to commence from the first quarter of the next financial year, produced from the remaining Phase 1 capacity.
- The start of an additional gas drilling campaign of approximately 15 wells. The first well was successfully drilled, showing a helium concentration above 3% and a flow rate of 70 000 cubic feet per day. After spudding additional wells, these new wells are showing early signs of gas and are being assessed and tested.
- Identification of additional gas reservoirs from the analysis of completed gravity and aeromagnetic surveys.

- Granting of the Phase 2 environmental authorisation by the Department of Mineral Resources and Energy (“DMRE”).

The VGP comprises exploration and production rights over 187 000 hectares of gas fields across Welkom, Virginia and Theunissen, in the Free State Province in South Africa. Exploration, development, and production activities of the VGP are undertaken on behalf of the Group by Tetra4. As of 28 February 2023, the VGP’s proved plus probable (“2P”) helium and methane reserves totalled 420.5 BCF. This abundance of methane and helium reserves which can be extracted at a lower cost relative to our peers provides the Group with a competitive advantage in meeting the growing demand for LNG and helium worldwide.

Operations review

VGP – Phase 1

LNG production capacity saw substantial quarterly increases in volume over the period in question as flow rates were ramped up and operations increased in efficiency. The leak in the helium cold box, as previously reported and referred to below, necessitated its removal for repair with a corresponding return and reintegration back into the plant. This requires down time, and so we took the decision to bring forward the annual maintenance to coincide with this reintegration. While it means longer commissioning, it correspondingly also means less interruptions, once operational. The next quarterly production figures will represent reduced LNG production due to the downtime associated with the repairs, reintegration and scheduled maintenance, which will have an impact on the remaining year’s operational efficiency.

LNG

During the period under review LNG production totalled 2 386 tonnes at an average rate of 17 tonnes per day of which 92% was sold to the Group’s two local customers with the balance remaining as closing inventory. Tetra4 expects to increase LNG production over the coming months and plans to reach the maximum nameplate capacity of 50 tonnes per day by H1 2024, as the drilling campaign progresses along with the connection and tie into the existing gas gathering pipeline infrastructure.

In May 2023, Tetra4 concluded an LNG offtake agreement with Time Link, a domestic logistics company. The agreement will see Time Link transition their fleet from exclusive diesel operation to a dual-fuel LNG alternative, reducing cost and improving their overall emissions footprint. The LNG will be dispensed from an LNG filling station based in Time Link’s depot.

LHe

Reergen reported the identification of a leak in the helium cold box which ultimately needed to be repaired before production of LHe could commence. Commissioning is on track to commence production of LHe before the end of this calendar year.

VGP – Phase 2

H1 FY2024 has seen the Company achieve its planned milestones to date in the progression of Phase 2 of the VGP. The full extent of the project amounts to a total capex spend of up to US\$ 1.2bn, with US\$ 750mn of debt already secured from our lenders, the US DFC and Standard Bank of South Africa. The equity for Phase 2 is intended to be raised in two tranches with the primary tranche being sufficient to see the Company bring a 30 million standard cubic feet plant into operation. A plant of this size is sufficient to cover all debt payments while still producing healthy profits. The remaining equity tranche will see the plant expanded to a 45 million standard cubic feet per day plant which is capable of producing the previously

announced estimated EBITDA of between R5.7bn and R6.2bn per annum, once the plant is in full production, which we expect to occur in the financial year after construction has been completed but not anticipated to be before FY2027.

This approach will not delay the intended turn-on of the Phase 2 plant and will ensure that capital is raised in an orderly manner to minimise equity dilution and risk to shareholders. We will secure the balance of the funding in US capital markets amid peers in the transition energy sector.

With respect to the acquisition of debt, in June 2023, Renergen secured approvals from the DFC and SBSA for funding amounting to US\$500.0 million and US\$250.0 million, respectively. This debt funding is subject to the fulfilment of conditions precedent – mainly the completion of a first equity tranche – and other conditions which are standard for loans of this nature and similar to those for Phase 1 funding.

The Phase 2 expansion will not impact Phase 1 operations and Renergen's goal is to achieve commercial operation of Phase 2 during the 2027 calendar year. Phase 2 will produce 688 tonnes of LNG per day and 4.2 tonnes of LHe per day once fully ramped up to name plate capacity is achieved. To date Renergen has completed feasibility studies and front-end engineering design for Phase 2. Worley RSA Proprietary Limited has been selected for the scope of the owners engineer role. More recently, the Phase 2 environmental authorisation was granted by the DMRE. Renergen has also secured multiple 10 to 15-year take-or-pay offtake agreements with several top-tier global industrial companies for just over 50% of the anticipated LHe production. The balance of the LHe is earmarked for sales in the international spot market and will allow the Company to participate in the existing LHe commodity price upside. All LHe sales agreements are denominated in US Dollars with pricing increasing annually at the rate of growth of the United States Consumer Price Index.

With respect to Phase 2, Renergen expects to contract a majority of the Phase 2 LNG on 5 to 8 year take-or-pay agreements, servicing the industrial, logistics and gas-to-power industries. A significant gas shortage described as a "gas cliff" by local media is expected to occur in South Africa forecast from H2 2026. The timing of the perceived gas cliff and the forecast early startup of our Phase 2 operation is coincidental but also opportune. The Company has been engaged in many discussions with large consumers of natural gas since the anticipated shortage was announced earlier this year. The Company foresees the scarcity of energy sources in South Africa to positively impact modelled revenues as energy prices have historically escalated at levels above those of domestic inflation rates.

Revenue from ordinary activities increased by R22.6 million from R1.2 million for the six-month period ended 31 August 2022 ("**Prior Reporting Period**") to R23.8 million in the six-month period ended 31 August 2023 ("**Current Reporting Period**").

The total comprehensive loss for the period increased by 77.6% from a loss of R24.5 million in the Prior Reporting Period to a loss R43.5 million in the Current Reporting Period.

Headline loss per share increased by 54.9% from a headline loss of 19.31 cents per share in the Prior Reporting Period, to a headline loss of 29.91 cents per share in the Current Reporting Period.

Loss per share increased by 54.9% from a loss of 19.31 cents per share in the Prior Reporting Period, to a loss of 29.91 cents per share in the Current Reporting Period.

The board of directors has elected to not declare a dividend for the period ended 31 August 2023 (August 2022: nil).

2. SHORT-FORM ANNOUNCEMENT

This short-form announcement is the responsibility of the directors of the Company. It contains only a summary of the information in the full announcement (“**Full Announcement**”) and does not contain full or complete details. The Full Announcement can be found at:

<https://senspdf.jse.co.za/documents/2023/JSE/ISSE/REN/RENHY24.pdf>

A copy of the Full Announcement is also available for viewing on the Company’s website at <https://www.renergen.co.za/reviewed-interim-consolidated-financial-statements-for-the-six-months-ended-31-august-2023/>.

Any investment decisions by investors and/or shareholders should be based on consideration of the Full Announcement, as a whole.

These interim results have been reviewed by the Company’s auditors, BDO South Africa Incorporated, who expressed an unmodified review opinion thereon. The auditors have however drawn the readers’ attention to the fact that while the Group is finalising its funding initiatives as highlighted during the period, material uncertainty relating to going concern remains as a result of the required regulatory and other approvals and the completion of the funding initiatives. These represent material uncertainties that may cast significant doubt on the Group’s ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. Their review conclusion is not modified in respect of this matter.

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