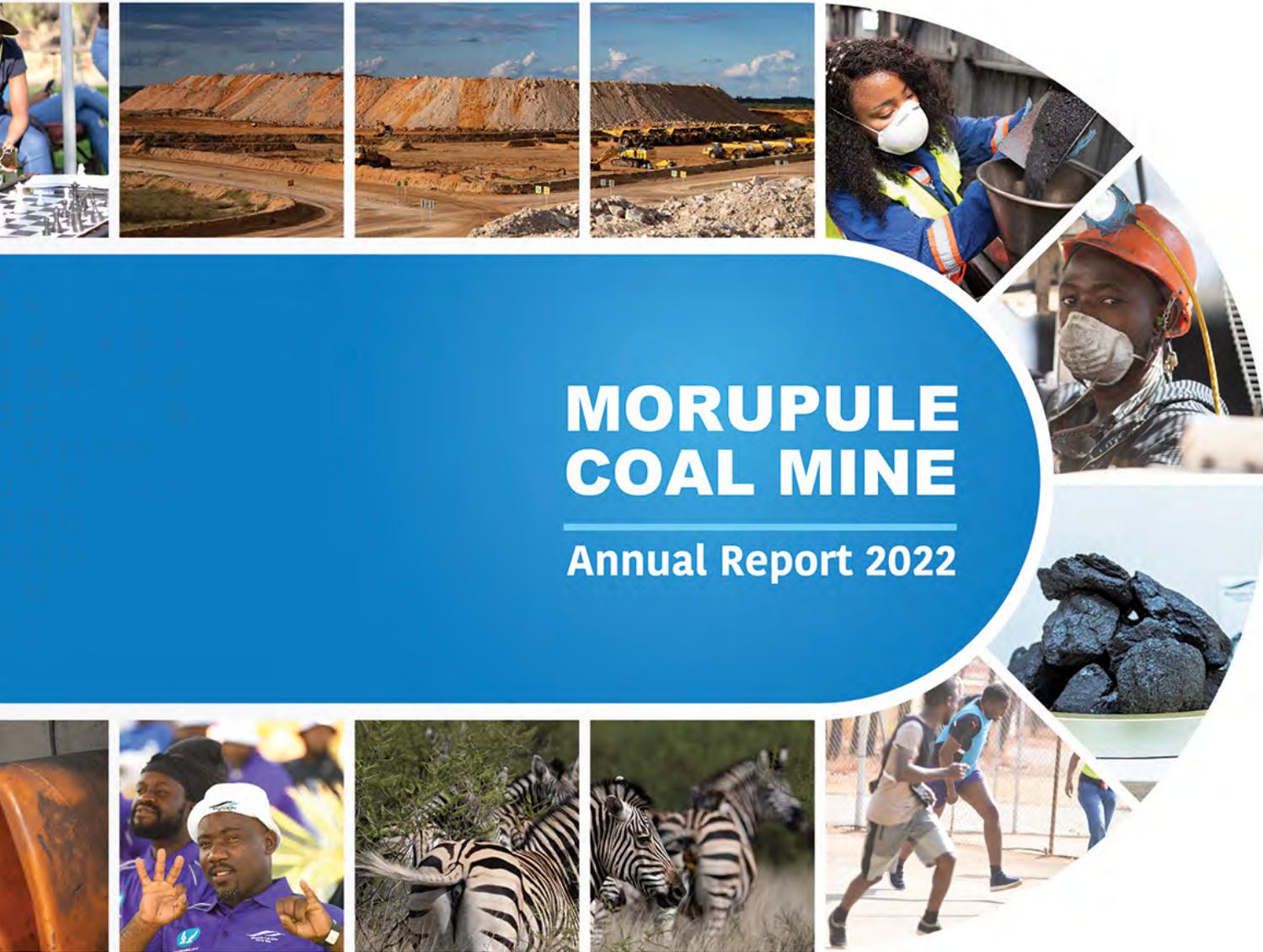




Morupule Coal Mine

Seam to Value



MORUPULE COAL MINE

Annual Report 2022

#1-3-27

“Energy transition is not a threat to coal, it is an opportunity to alleviate poverty, upskill people and safeguard socio-economic development for Batswana”. **MCM CEO Mr Edwin Elias**



WHAT IS INSIDE THIS REPORT

01	Our Journey4	10	Safety, Health and Environment.....28
02	Our Shareholding Structure6	11	Production Performance31
03	Our Values6	12	Sales, Marketing and Logistics34
04	MCM Board Chairman Statement.....10	13	#1-3-27 Corporate Strategy Journey36
05	MCM Chief Executive Officer Report.....12	14	Project Management Office40
06	MCM Board of Directors.....14	15	Citizen Economic Empowerment Programme (CEEP)44
07	Management Team.....16	16	Human Resources.....48
08	Corporate Affairs.....18	17	Performance Highlights52
09	Corporate Governance.....22		

OUR JOURNEY

1970

Incorporated as an Anglo subsidiary

The history of coal discovery in Botswana dates back to the early 1930's when a major coal seam was discovered through sinking of boreholes

1973

1st Production of ROM Coal

Started production to supply coal to then Anglo's Cu Ni and BPC's 80MW power plant both in Selebi Phikwe, some 200km away from the mine

1982

132 MW Morupule A Power Station Commissioned

4 x PF Boiler - turbine units, mine mouth supplied

1st Continuous Miner replaces conventional mining @1 million tons per annum capacity

2003

1st Regional Exports

Low phosphorus reductant substitute in a ferrochrome smelter in Zimbabwe

1992

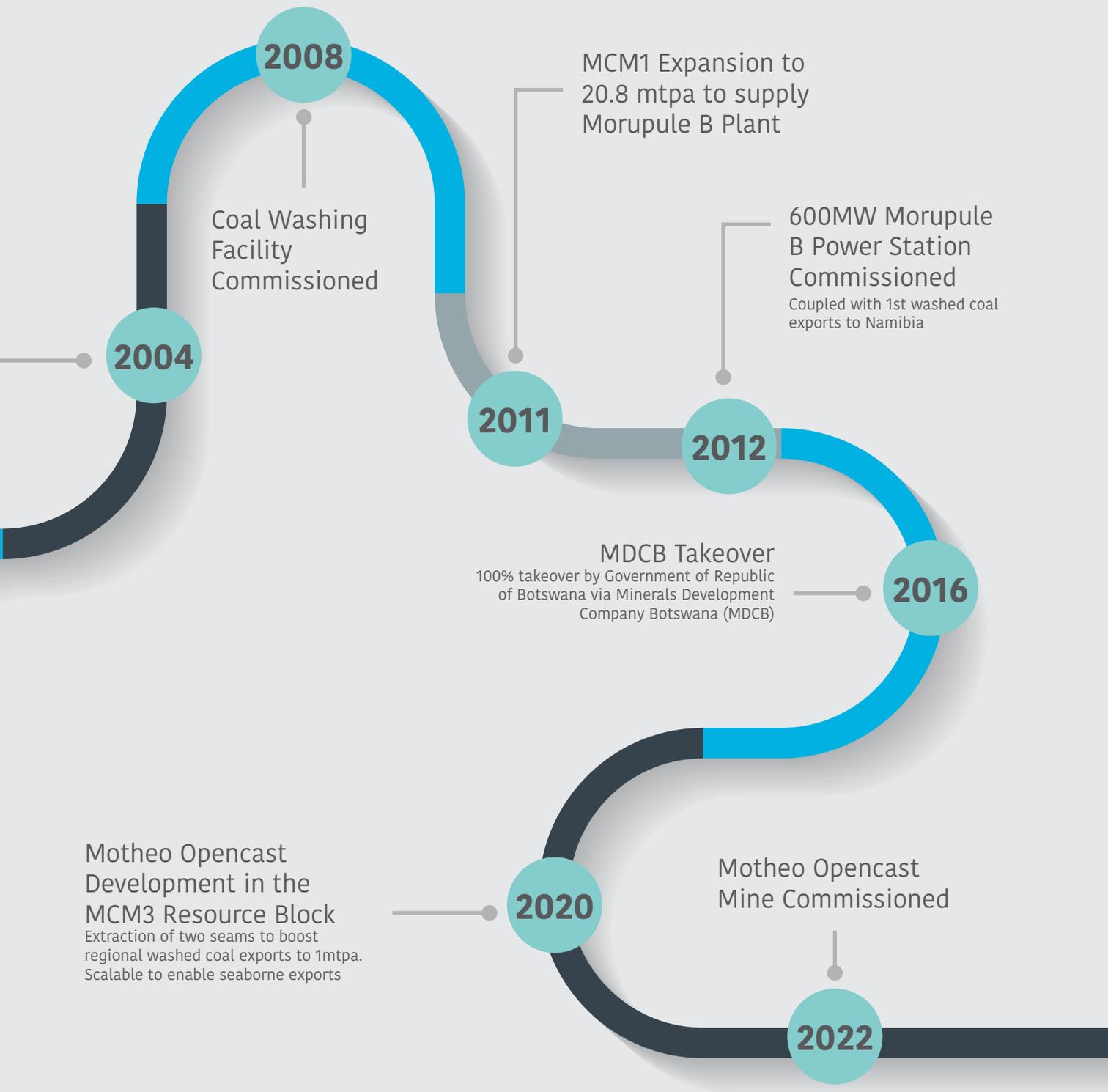
BOTASH Commissioned

Botswana Ash commenced coal off take after commissioning the salt and soda ash plant in Sua Pan.

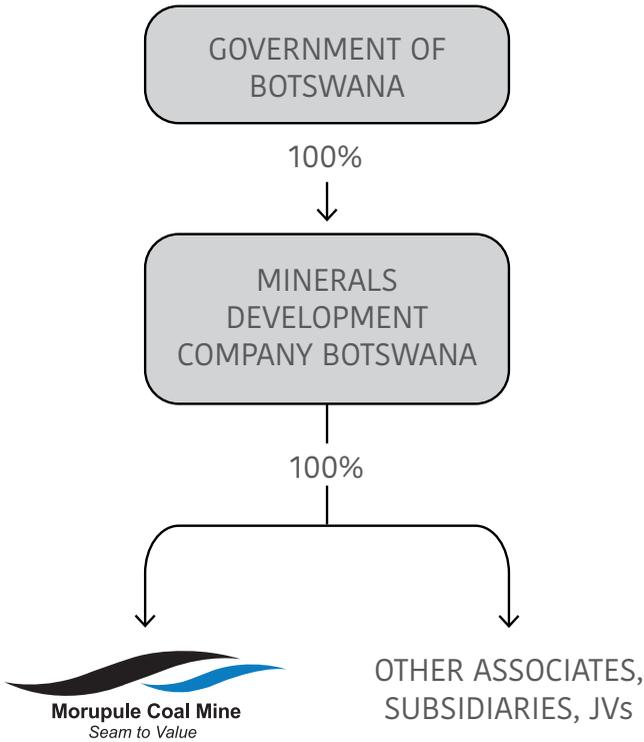
2000

DEBSWANA Takeover

100% takeover by Debswana from Anglo



OUR SHAREHOLDING STRUCTURE



BRAND PROMISE
Seam to value

VISION
To be a partner of choice in the global coal transition

MISSION
We are a globally competitive supplier of quality coal products with the agility to deliver value to markets and diverse stakeholders

OUR VALUES



SAFETY AND HEALTH

We nurture zero-harm operating environment



TOGETHER

Our strength comes from teamwork, diversity and inclusivity. We foster collaboration and leverage collective knowledge and experience of our employees and business partners. We uphold the rights of our employees to workplace free of any form of discrimination



VALUE CREATION

We create stakeholder value by pursuing opportunities beyond the obvious and taking advantage of them in an innovative and agile manner



INTEGRITY

We adhere to moral and ethical principles. Transparency and accountability are core to our quest for excellence



STAKEHOLDER FOCUS

We recognise vested interests of our stakeholders and engage constructively on meeting their objectives. We singularly focus on delighting our commercial customers in pursuit to broaden our market footprint



SUSTAINABILITY

We commit to run a robust business, commercially sound, with good governance but also socially and environmentally responsible







Leading through Governance



BOARD CHAIRMAN'S STATEMENT

Dr Bonny Matshediso





“Morupule Coal Mine continues to prove agility and innovation to challenges posed on the extractives’ industry as we evolve with global dynamics in mining technologies, sales, the environment, and people.”

Dr Bonny Matshediso

Morupule Coal Mine continues to prove agility and innovation to challenges posed on the extractives industry. We continue to evolve with global dynamics in mining technologies, sales, the environment, and people. While we have mastered mining coal for close to 50 years now, modern society calls for leveraging mineral value and benefits beyond just the traditional value chain of mining and selling.

With the progressive and strategic leadership of this organisation, this year we have seen noteworthy strides in the incorporation of creating synergies of economic play by citizens in our value chain. It is well and good that we have got our ducks in a row in terms of production, stay-in-business projects as well as reaching new markets, however, what will benefit Batswana is being included in major economic activity in the country and MCM’s Citizen Economic Empowerment Programme is demonstrating that. Access to financial services and products, from numerous partners in the Financial sector, was achieved in 2022.

The Coal mining industry is not immune to the outcry of the rest of the world in climate action. In heeding the call to action and preservation of the natural, the world Motheo opencast mine was commissioned in October 2022 and is testament to environmental consciousness with concurrent rehabilitation of the land where coal has been mined. This is one of our efforts to have a sustainable business model which is responsive to modern day environmental needs. We have introduced an electric vehicle in our fleet and plan on rolling out more. These demonstrate our commitment towards being environmentally friendly. More work has been done in the implementation of the Energy Management Plan which is a component of the decarbonisation strategy.

I look forward to the implementation of the new corporate strategy #1-3-27 which will position this company as a trailblazing player in the Energy business. The transition is necessary for the sustenance of the business and the prosperity of our nation.



CEO'S REPORT

Edwin T. Elias



2022 has seen unprecedented changes in coal markets, with prices soaring to new heights, trade flows significantly altered and a chaotic energy transition clouding the industry's future. Uncertainty lies ahead as 2023 might bring the same volatility, or will a "new normal" entrench itself to the global market.

While other commodities face challenges the world over, I am confident that the MCM team will stand the test of time like we have in the past, to survive uncertainty in our business. A lot of changes lie ahead of us internally and in the market and I am hopeful that all stakeholders are alert and agile to weather the storms.

#1-3-27

This year saw the rationalisation of our business model which will be configured by our corporate strategy (#1-3-27) launched in October 2022. Key to our new strategy, the business aims to triple our revenues from 1 billion Pula to 3 billion Pula from 2023 to 2027. Our ambition is to also expand our international market footprint by incorporating the newly commissioned Motheo opencast mine into our business model, as part of the #1-3-27 journey.

Safety

Our Zero harm objective is an everyday practice embedded in our way of life at MCM as of December 2022 we had not recorded any fatality for 21 years in our operations. We sternly believe that this is supported by a number of initiatives we have in place to promote safe practices in the workplace.

MCM will not be left behind in climate change action as we endeavour to being a partner of choice in the global coal transition. Therefore, in a bid to align with the COP 26 resolutions on climate action, MCM continues to measure and monitor its Carbon footprint from Scope 1 (petrol and diesel), and scope 2 emissions (from electricity consumed by mine activities).

MCM's Sustainability drive has commenced with preliminary efforts to research: Environment, Social and Governance (ESG) practices, as well as kickstart a decarbonisation strategy in 2023 and see how they can form part of our sustainable development and stay-in-business strategy.

Social Sustainability and Brand promotion

Morupule Coal Mine will forever build and maintain sustainable relationships with its stakeholders. The backbone of our existence is as strong as the relationships we have with those interested and affected by our business. We have successfully hosted: a media tour, a community roundtable and routinely met with our business partners.

To maintain our Social License to operate, these forums of engagement and transparent consultations serve as an opportunity to also sell some of our programmes which positions the MCM brand as a responsible corporate citizen. Our quest to promote Coal for Value, as espoused in our corporate strategy, is propelled by our Corporate Social Investment programme, which in 2022 played a significant role in the areas of Education Community development, Health, Sports, and Wellness in Palapye and the surrounding areas.

Coal value beyond mining

Our core business is to mine and sell coal. However, in a volatile market and a rapidly changing environment with heightened socio-economic and socio-political challenges, we have to ensure mineral beneficiation for Botswana beyond coal mining. We have made noticeable efforts through our Citizen Economic Empowerment Programme (CEEP), in actively exploring high value partnerships with financial institutions to provide ease of access to market and funding for capable SMMEs to play in the Coal Mine supply chain. The benefits that come with including citizens in the mainstream economy and value chains is a legacy we will live beyond coal mining for the betterment of our country.

Operational Excellence

In a momentous occasion for our company, His Excellency, Dr Mokgweetsi Eric Masisi visited our Underground operation, while at MCM to commission the Motheo opencast mine. The Motheo operation will add at least 1,4 million tonnes of coal to our annual production. This should increase our global coal export footprint which supports the strategic ambitions of the #1-3-27 corporate strategy.

Innovation and optimisation of our existing resources has also unlocked value in 2022 as we have witnessed an improvement in Underground Mining performance by 19% from the previous year; this good performance was due to improved engineering availabilities and steady state operations. The Coal Wash Plant throughput and product increased by 32% and 30% respectively from the previous year, a new record achieved.

Optimisation alignment

Significant changes to the company's strategic positioning comes with changes to the overall structure, and our biggest asset, our people will be affected. To unlock full capability for our organisation's design and culture, some roles will be reconfigured to enable growth while others become redundant. Due diligence, in line with the provisions of Section 25 of the Employment Act, has ensued to implement organisational capability. Consultative forums with employees and fair implementation was kickstarted in 2022 with mine management.

Morupule Coal Mine, in partnership with the University of Stellenbosch, continues to develop and upskill employees through the Management Development Programme and the New Management Development Programme. Through the Botswana National Productivity Centre, some employees enrolled for the Supervisory Development Programme in November 2022. The Mine has also sponsored a female student to pursue a Masters Degree in Industrial and Manufacturing Engineering with BIUST, a stride in driving Gender-Diversity and Inclusion.



MCM BOARD OF DIRECTORS



01

DR. BONNY MATSHEDISO
Board Chairman (Interim)



02

MR. JOHANNES TSIMAKO
Remuneration and Nominations
Committee Member and
Tender Committee Chairman



03

03 MS. LYNNETTE ARMSTRONG
Remuneration and Nominations
Committee Member



04

04 MS. SETSHEDI BOTLHOLE-MMOPI
Chairman - Audit and Risk
Committee



05

05 MS. RACHEL NEKATI
Chairman - Remuneration and
Nominations Committee and
Audit and Risk Committee Member



MANAGEMENT TEAM



- 01 **M.Menyatso** | Head of Safety & Sustainability (A)
- 02 **L.Moagi** | Head of Strategy and Projects
- 03 **E.Kelapile** | Head of Internal Audit
- 04 **T. Motimedi** | Head of Engineering
- 05 **M. Leateane** | Legal and Governance Manager
- 06 **A.Meiring** | Head of Sales, Marketing and Logistics (A)
- 07 **J.Nhovo** | Head of Commercial
- 08 **K.Orapeleng** | Head of Mining (A)
- 09 **E.T Elias** | Chief Executive Officer
- 10 **B.Mokgethi** | Head of Beneficiation (A)
- 11 **T.Mongale** | Head of Human Resources



CORPORATE AFFAIRS

Corporate Social Investment (CSI)

MCM endeavors to secure a Social License to operate through its Social Performance Policy and Corporate Social Investment (CSI) procedure. Both governing documents serve as guide for sound social investment initiatives to uplift the livelihoods of communities in a sustainable manner, to leave high impact natural resource beneficiation and legacy.

MCM CSI OBJECTIVES



MCM CSI FOCUS AREAS



PILLAR	2022 PROJECTS
 Education & Training	<ul style="list-style-type: none"> BIUST Graduation (Different categories) Front-end loader to BIUST Prize Giving to Schools in the Zone of Influence Smart television, Chairs, Computer and Printer to different Local Authorities in & around Palapye
 Health and Wellness	<ul style="list-style-type: none"> Vehicle donation to District Health Mgt. team & Oxygenators
 Community development	<ul style="list-style-type: none"> Global Expo Botswana
 Sports, Arts and Culture	<ul style="list-style-type: none"> Annual GM's Charity Cycle Challenge Darts Club apparel donations Lechana bush race main sponsor Debswana OLDGM's Walk
 Environmental Sustainability	<ul style="list-style-type: none"> Keep Palapye Clean boards 104 wildlife animals to Botswana Government's Masimo Wildlife Restocking Initiative 100 conditioned drums to Selebi-Phikwe Town Council

Brand Management and Stakeholder Engagement.

The Corporate Communications and Brand Management initiatives are aimed at positioning MCM as a leading brand in Coal mining and in the greater scheme of the country's economic landscape. This resonates with the recently completed mine strategy. In continuing with its deliberate efforts to increase brand visibility, MCM Corporate Affairs continued to conduct branding and media campaigns driven

through the communications' strategy. Since the launch of the MCM Corporate strategy, several sessions were held to inform staff and the Union about the plan. The sessions included standdowns, Therisanyo and Union consultative forums.

A Brand perception survey was completed in 2022 and its results will be released in 2023. The plan is to review the Communications strategy, align it to #1-3-27 by factoring in key outcomes of the Brand audit.

MCM through the Corporate Affairs office hosted high profile delegations from Poland, promoted visibility of the brand at international expos (Dubai expo, Mining Indaba in Cape Town and the BITC Global Expo in Gaborone).







**Corporate
Governance**

CORPORATE GOVERNANCE

1. CORPORATE GOVERNANCE

The Morupule Coal Mine (MCM) Board of Directors is dedicated to preserving the highest standards of corporate governance practices through the provision of operational and effective leadership. MCM understands that good corporate governance is essential for maintaining the trust of our stakeholders and achieving our long-term strategic goals. MCM strives to uphold the highest standards of integrity, accountability, and transparency in everything.

The Board reviews the Company plans and strategic goals and objectives, both short- and long-term, and puts mechanisms in place to monitor progress against the objectives. To this regard, the Board's responsibilities include the approval and review of the company's compliance procedures and any codes of conduct, taking all reasonable steps to ensure that the business of the company is conducted in a transparent and ethical manner.

MCM strongly subscribes to the tenets of Environment, Social and Governance (ESG) as shown by its strong commitment to environmental stewardship, social responsibility, and corporate citizenship. We work closely with local communities, the government, and other stakeholders to minimize the impact of its operations on the environment and to promote sustainable development in the regions where we operate. To achieve our sustainability goals, we have established robust policies and procedures that govern our operations, including health and safety, environmental management, and human rights. These policies are regularly reviewed and updated to reflect the latest industry best practices and standards. The Board also believes that a culture of compliance and ethics is critical to our success. We have a comprehensive Code of Conduct that outlines the standards of behavior expected of all employees, contractors, and suppliers. We provide regular training and communication to ensure that everyone in the organisation understands and adheres to these standards.

Finally, the Mine is committed to open and transparent communication with our stakeholders and regularly engage with customers, employees, and communities to understand their concerns and perspectives.

2. THE BOARD COMPOSITION AND STRUCTURE

In terms of industry best practice, MCM has a Board of Directors consisting of not less than five (5) members, the majority of whom shall be permanent residents of Botswana. The Board of Directors is composed of experienced professionals with a diverse range of industrial skills, knowledge and experience who are committed to ensuring that the company operates ethically, responsibly, and sustainably. The Board oversees the management team and monitors performance against set objectives.

During the reporting year, the Board was Chaired by Dr Bonny Ignatius Matshediso an independent Non-Executive Director. To ensure that the responsibilities of the Board are fully discharged, the Board has established an Audit and Risk Committee (ARC), the Remuneration and Nominations Committee (REMCO) and the Board Tender Committee. Each of these committees has established operating procedures in place which are reviewed on a regular basis.

3. BOARD PERFORMANCE EVALUATION

The Board regularly conducts an evaluation to assess its overall effectiveness. This tool serves as a crucial component in evaluating the board and offering continuous support. The evaluation scrutinizes the existing governance approach, providing significant recommendations for areas needing attention.

This assessment delves into the processes, structures, and strategies supporting the organisation's objectives and highlights any deficiencies. The evaluation followed a custom brief, establishing the following objectives and outcomes:

1. Perform a comprehensive assessment of the high-performance board and produce a report outlining recommendations to enhance its functioning.
2. Analyze advancements in the company's governance, offering specific insights for enhancement and growth.
3. Propose improvements to the board's processes and structure.
4. Develop an implementation plan for the board's activities over the upcoming 12 months.

4. COMPANY SECRETARY

The Company insourced the function of Company Secretary in 2022. The Company Secretary has a pivotal role in the overall corporate governance framework of the Company. This position holds the responsibility of overseeing the board's adherence to statutory regulations and established procedures. The Company Secretary serves as a readily accessible resource to the board, offering guidance and support aligned with the highest standards of best practices.

The Secretary's accountability to the board encompasses two key aspects: first, ensuring adherence to prescribed procedures; and second, upholding robust corporate governance and ethical principles.

5. THE BOARD AND COMMITTEE MEMBERSHIP

Board Meetings

The Board meets at least four times per annum to consider business philosophy and strategic issues, set risk framework, approve financial results and budgets, and monitor the implementation of delegated responsibilities. Where appropriate, decisions are taken by way of circulated resolutions. The Board considers feedback from its sub-committees, as well as several key performance indicators, variance reports and industry trends.

a. Audit and Risk Committee Mandate

The primary function of Morupule Coal Mine (MCM) Board Audit and Risk Committee (ARC) is to provide assurance to the Board that corporate governance practices are implemented and sustained throughout the MCM environment. In this respect, the committee's mandate is to ensure that there is a formal risk identification and evaluation process and that appropriate internal control systems that will, amongst others, ensure the reliability and integrity of operational information and adequate compliance to policies, procedures and legislation are established.

- The Board appointed Ernst & Young as its external auditors for 2022;
- Submission of Risk Management

Framework which covers management of all enterprise Risks identified.

b. Remuneration and Nominations Committee (REMCO) Mandate

The primary function of this Committee is to assist the Board by assuming oversight in respect of employee benefits and remuneration policies, Executive Committee appointments and its succession planning as well as ensure adherence to the related legal and governance requirements.

The Committee focuses primarily on:

- Remuneration policies and their specific application to the General Manager, the Executive Committee and to all employees;
- Annual and long-term incentive plans;
- Remuneration practices and their cost to the Company;
- All benefits, including pension and any superannuation arrangements for the employees of the Company;
- Succession Planning for the Chief Executive Officer and the Executive Committee;
- Appointments for Executive Committee roles; and
- Reporting to the Board and making recommendations arising from the Committee's mandate.

c. Tender Committee Mandate

The Board Tender Committee (BTC) exists to ensure effective, efficient and ethical execution of the procurement processes on behalf of the Board of Directors as provided for in the Delegation of Authority (DoA) Policy. The committee generally adjudicate tenders that are in excess of BWP50million. The responsibilities and functions of the Committee are as follows:

1. Control placing of high value orders, review/adjudicate/ratify all orders/tenders within their threshold.
2. Approve final selection and award of contracts to successful bidders following Tender Committee's recommendation.
3. Authorize waiver of tender procedures for values above P50million.
4. Approve the provisional variation orders or variation orders (including cumulative variation orders).
5. Recommend to the Board for approval purchases/contracts not budgeted for.

6. Approve the termination of contracts of projects/contracts above P50million.
7. Approve changes to the MCM standards terms and conditions of contract.
8. Promote the MCM local procurement policy.

The committee comprises of two Board Members and one independent procurement specialist appointed by the Board for the duration of three years.

6. INTERNAL AUDIT

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve MCM's operations. It helps an organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The Internal Audit Function is led by the Head of Internal Audit (HoIA). The HoIA reports functionally to the Board Audit and Risk Committee (ARC) and administratively to the Chief Executive Officer (CEO).

The Internal Audit Department and its staff are governed by The Institute of Internal Auditors' Code of Ethics as well as the Institute's International Professional Practices Framework- IPPF (The standards). Both the Code of Ethics and the Standards constitute the operating procedures for the department.

The Board has granted the Internal Audit function authority for full, free, and unrestricted access to all of MCM records, physical assets and personnel relevant to any function under review. All MCM employees are required to assist the Internal Audit Department in fulfilling their function. The Internal Audit Department also has free and unrestricted access to the Chairman of the Board Audit and Risk Committee (ARC).

All internal audit activities remain free of influence by the Mine, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of an independent and objective mental attitude necessary in rendering reports. The Internal Audit Department also has no direct operational responsibility or authority over any of the activities it reviews.

The scope of Internal Audit encompasses the examination and evaluation of the adequacy and effectiveness of the Mine's

governance, risk management process, system of internal controls, and the quality of performance in carrying out assigned responsibilities to achieve the mine's stated goals and objectives. It includes:

- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
- Reviewing the systems and processes established to ensure compliance with those policies, plans, procedures, legislation (where applicable) and regulations which could have a significant impact on operations and reports and whether the mine is in compliance.
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Reviewing and appraising the economy and efficiency with which mine resources are employed.
- Reviewing operations to ascertain whether results are consistent with established objectives and goals and whether the operations are being carried out as planned.
- Reviewing specific operations at the request of senior management and the Audit and Risk Committee as appropriate in addition to the internal audit work programme.
- Monitoring and evaluating the effectiveness of the mine's risk management system.
- Supporting, only where appropriate and where this does not interfere with the Standards, senior management's requirement to report on the adequacy of internal controls over financial reporting and mine operations. The role of the Internal Audit Department in this respect will be agreed with senior management annually as part of the annual internal audit programme.

Additionally, the Internal Audit Department and other relevant functions work together to manage the Tip-offs Anonymous hotline (which housed and outsourced to a third party) whose objective is to manage fraud, conflict of interest and unethical behavior across the mine. The line is available to the mine and its various stakeholders.



7. RISK MANAGEMENT

The Mine has established a robust risk management framework seamlessly integrated into its operational fabric. This involves teams conducting comprehensive risk assessments prior to commencing tasks. The underground mining processes incorporate inherent risk mitigations to preempt accidents and explosions.

Each department proactively evaluates risks aligned with their respective mandates, consolidating them into a comprehensive mine-wide risk register. A dedicated and well-equipped division oversees the adherence to the risk management protocols and subsequent actions.

Notably, the highest-priority risks are consistently communicated to the Board's Audit and Risk Committee. During these meetings, the committee critically assesses the sufficiency of risk identification, treatment, and mitigation strategies.









**2022 Safety, Health
and Environment**

2022 SAFETY, HEALTH AND ENVIRONMENT

1.1. SHE Performance Overview

The Mine maintained its ISO 14001:2015 and ISO 45001:2018 certification during the planned surveillance and re- certification audits respectively. The LTIFR was 0.00 against a target of 0.20, whilst the TRIFR was 0.20 against the threshold target of 0.21 due to four recordable incidents which included three Medical Treatment Injuries and one Restricted Work Injury. The Mine introduced a SHE campaign entitled; **I AM A SHE CHAMPION, I ACCOUNT FOR IT, in the quest for Zero Harm.**

1.2. Health and Safety

2.2.1. Covid 19 Update

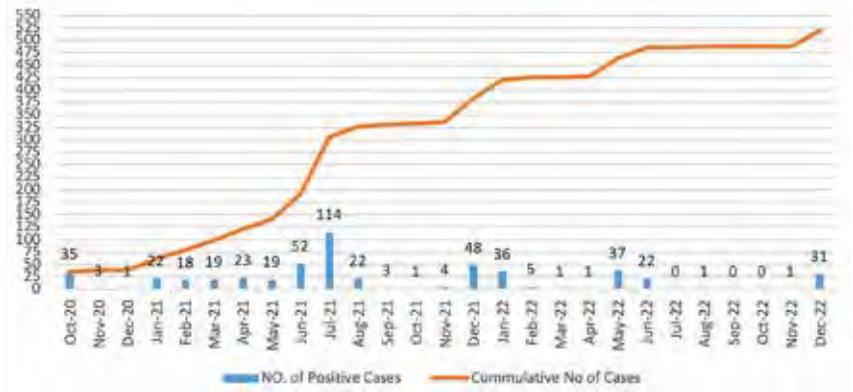
The Mine continues to be on alert for the challenges brought about by the COVID-19 pandemic. As at 31 December 2022, the Mine had recorded one hundred and thirty-five (135) COVID-19 cases for the year and five hundred and nineteen (519) cases since the beginning of the pandemic. Regrettably, four (4) employees were lost to COVID-19 related complications; one passed away in 2020 and three passed away in 2021, during the Delta wave. There was no COVID-19 related death recorded in 2022.

The Mine, through the Clinic, continues to conduct rapid antigen testing for all ill employees presenting with any “flu” symptoms.

Furthermore, as at 31 December 2022, eighty percent (80%) of all employees and contractors were fully vaccinated against COVID-19.

The Mine continued to create awareness on COVID-19 virus and continuously brief employees and contractors on the benefits of vaccinating against the virus through monthly briefs.

Cumulative No. for Covid-19 Cases since 2020



2.2.2. Occupational Safety

The retention of the ISO certifications (ISO 14001:2015 and the ISO 45001:2018) continued to provide platforms for effective Health, Safety, Environment and Social risk management and risk reduction. MCM became a member of the multi-sectoral team geared towards the “Keep Palapye Clean” Campaign, an initiative that brings Palapye key stakeholders such as BIUST, Botswana Power Corporation, Road Safety Department, and the local authority to a programme dedicated to litter collection and creation of awareness on the dangers littering brings to the environment.

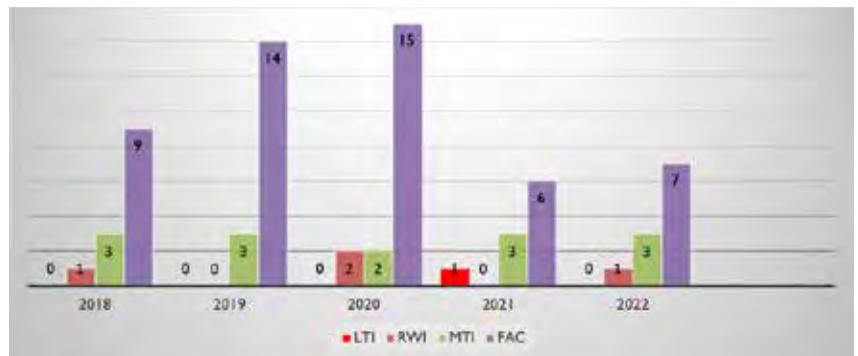
The clean-up campaign was hosted every quarter of the year. The mine also

donated anti-littering signboards to the local municipality and these are mounted along all main roads entering Palapye to help create public awareness.

The health and environmental programmes are still aligned to the Zero Harm objective. The mine recorded no Lost Time Injury (LTI), one Restricted Work Injury (RWI), three Medical Treatment Injuries (MTI), and eight First Aid Injuries (FAI); compared to one LTI, no RWI, three MTIs and six FAIs recorded for 2021.

The all-injuries performance compared with the same period for the last five show a notable reduction in incidents from 2020 to 2022.

Comparison of Year to Date All Injuries (2018 -2022)



2.3. Incident Management

Efforts around incident and potential incident identification, root-cause-analysis and the implementation of preventive and corrective measures continued to drive the SHE performance improvement. An internal audit on the Incident Management Process was conducted to determine the Mine’s efforts towards incident prevention and response strategies. The mitigation measures were progressively implemented to continually improve the effectiveness of the management process. The number of property damage incidents went down by 16% compared to the previous year.

2.4. Incident trends

	Safety and Health Incidents				Environmental Incidents		Leading Indicators		LTIFR			
	LTI	RWI	MTI	FAI	Minor	Moderate	PD	Near Hits	Actual	Target	Actual	Target
2022 YTD	0	1	3	7	10	0	53	115,159	0.00	0.20	0.20	0.21
2021	1	0	3	6	19	0	63	121,451	0.06	0.20	0.23	0.23

Note: PD = property damage

The following tactical tools were employed throughout the reporting period to achieve incident prevention:

- Clean up campaigns i.e., “Keep Palapye Clean” campaign.
- Visible-felt Leadership inspections.
- Employee engagement (SHE campaigns, SHE Representative engagements).
- Incident investigation and key lessons sharing.
- SHE risk assessment reinforcements.
- SHE Representatives’ inspections.
- Enhancement of learning from incidents.

2.5. Behaviour based SHE Interventions

The following SHE initiatives were undertaken:

- “I AM A SHE CHAMPION, I ACCOUNT FOR IT” Zero Harm campaign
- SHE stand-downs: focused on the importance of SHE compliance and the need to reinforce positive behavior.
- Contractor SHE compliance inspections.
- Management VFL sessions to help maintain focus on safety basics.
- Development of action plans for the Safety Culture Survey.
- Use of drama events to help correct negative behaviors.
- Accountability campaign

2.6. Near-Hit Reporting Programme

There were 115,159 Near-hits reported for the year compared to 121,451 for the previous year. The closure rate for near hits was 99% for both years. The Near-hit programme continued to have a positive effect on MCM SHE performance by proactively addressing situations that could otherwise have resulted in incidents.

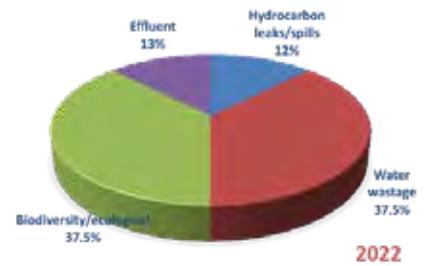
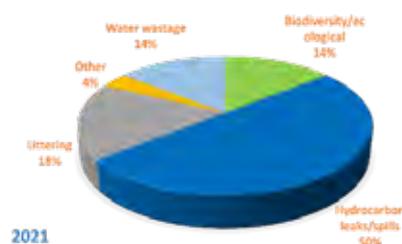
2.7. Environmental Management

2.7.1. Incident Management and Reporting

The Mine recorded ten (10) minor environmental incidents to date compared to nineteen (19) recorded for the same period in 2021. The 2022 incidents comprised of water wastage (2), hydrocarbon spills (5), waste mismanagement/littering (0), visual/aesthetic air pollution & other (3) and biodiversity-ecological (0) incidents. There has been a noticeable improvement in the Mine’s environmental performance, which continues to be realised through robust engagements and thorough incident management processes.

2.7.1.2. Major Incidents

No major nor moderate environmental incidents have been reported to date.



2.7.1.3. Biodiversity Conservation and Management

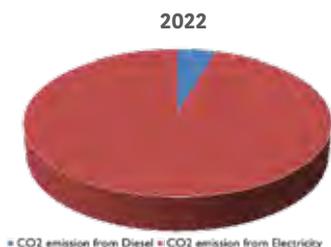
The MCM Game Park developments progressed well during 2022. The construction of security observation towers was completed in September 2022. The Mine also procured an electric vehicle to enhance the Park’s leisure and recreational appeal. Plans are advanced to install a solar charging system for the vehicle.

Two picnic sites have been completed to enhance the Park’s leisure and recreational appeal. The construction of reptilian (Snake Park) has been completed awaiting stocking which is planned for third quarter of 2023. MCM supported Government Masimo wildlife project through Department of Wildlife where 70 animals (30 elands and 20 Zebras) were donated. Morupule Game Park is open for restocking and animal exchange with other wildlife conservancy around the country.

2.8 Climate Change alignment

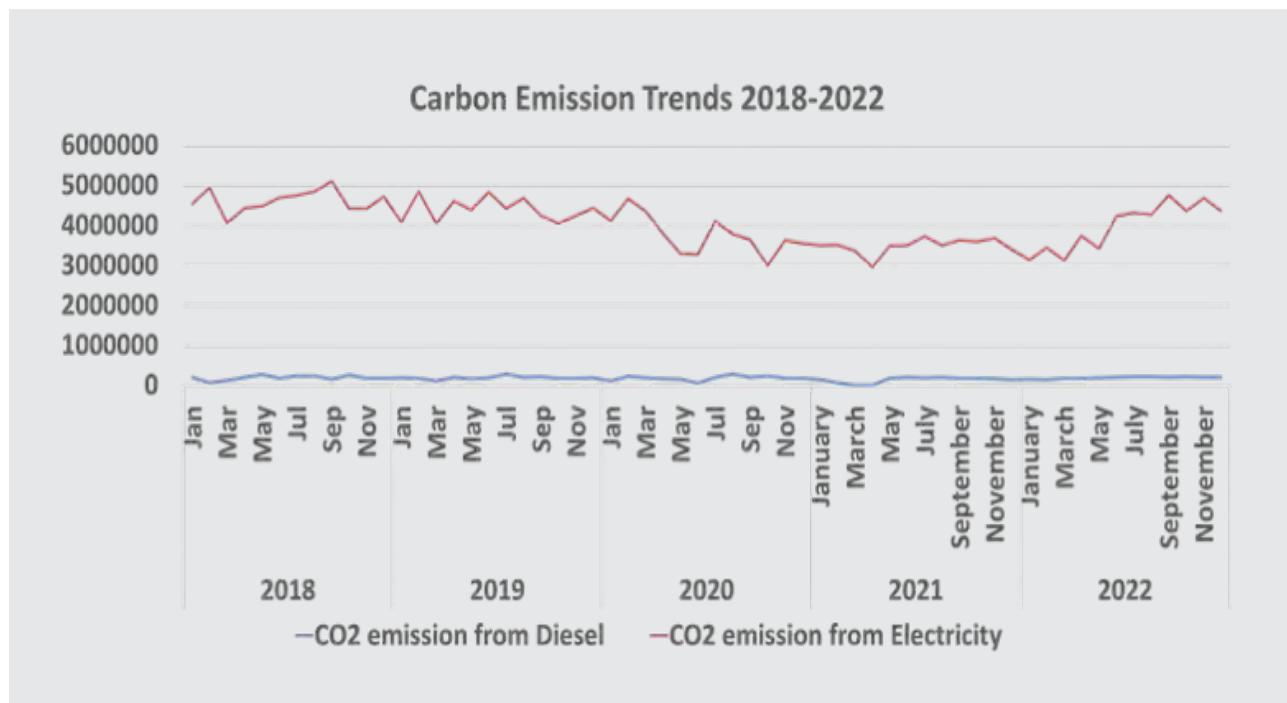
In a bid to align with the resolutions on climate action, MCM continues to measure and monitor its Carbon footprint from Scope 1 (petrol and diesel), and scope 2 emissions (from electricity consumed by mine activities). Electricity consumption emissions accounted for 96% of the mine’s carbon footprint followed by diesel.

See figure the below;



The mine continues to monitor its carbon footprint in line with its decarbonisation framework. The year 2022 saw the upward trend in carbon emission due to the commissioning of the new MCM 3 facility which is comprised of an opencast mine and a coal washing facility.

See below.



A number of projects have been initiated to reduce the mine's carbon emissions such as solar street lighting projects, installation of solar photovoltaic system for some of our buildings.

2.9. Internal & External Audits

Three external audits were performed during the reporting period. Ariscu consultants performed the Legal Compliance audit during the last week of March 2022. TUV SUD performed the ISO 45001:2018 certification audit and the ISO 14001:2015 Surveillance audit. The two audits were successful. The Mine recorded twelve (12) minor non conformances and (1) positive outcome. There were three internal audits conducted. These were the ISO 14001 and ISO 45001 standards audit, and two audits conducted by Internal Audit on Incident Management and the Fire Explosion Prevention, whose outcomes were satisfactory. The Department of Waste Management and Pollution Control performed a statutory inspection of the scrapyards facility for the purpose of licensing. The outcome of the review was satisfactory.

2.10 Improvement Project

As part of the execution of the business strategy #1-3-27, the mine will be embarking on the following project in the first quarter of 2023, Safety, Health and Environmental Strategy, Environmental, Social and Governance Strategy (ESG) and Decarbonisation framework. It is hoped that upon implementation of these initiatives the Mines sustainability performance will have a positive step change and drastically improve the Mines sustainability index

PRODUCTION PERFORMANCE

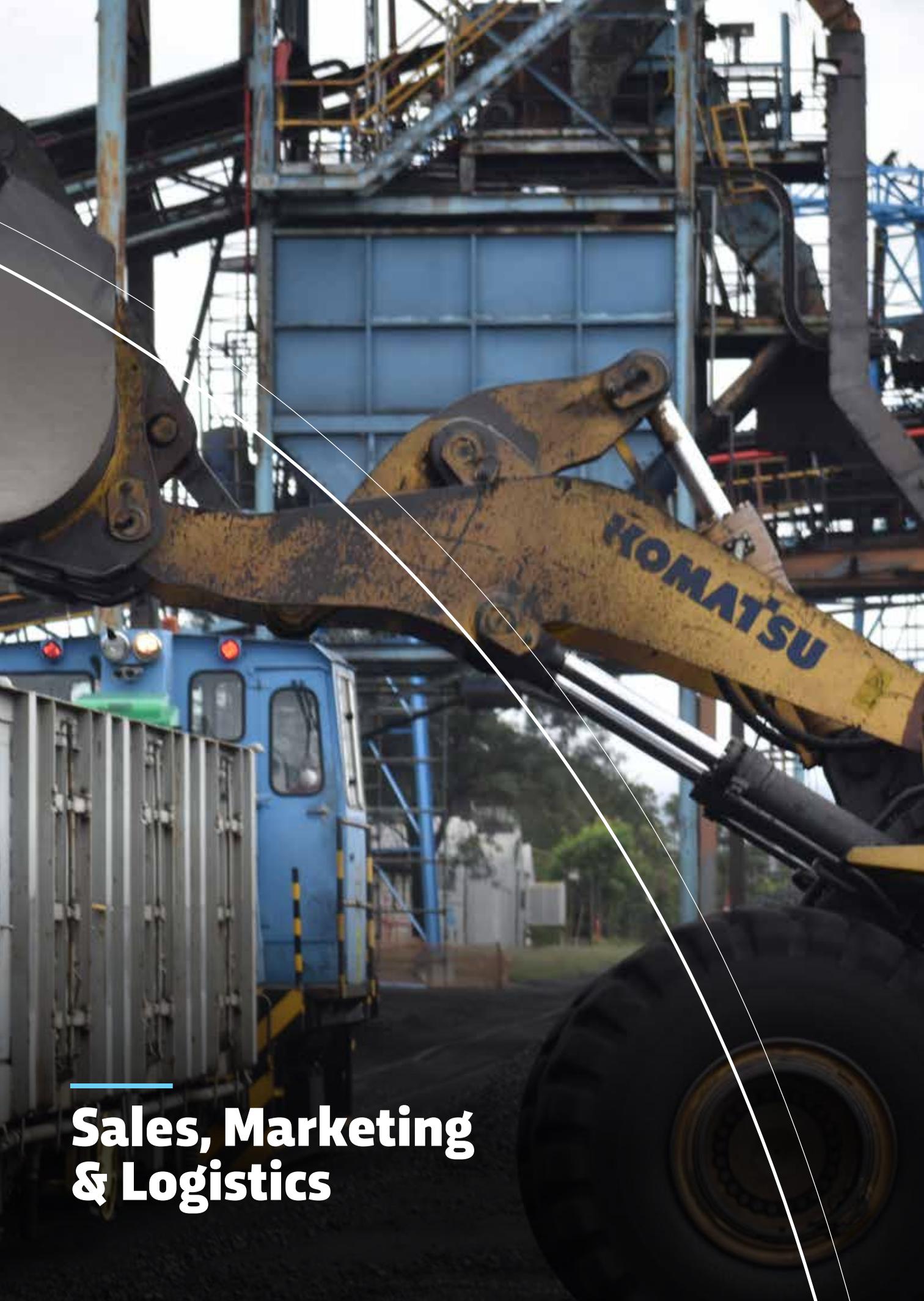
Underground Mining Performance					
Run of Mine Tonnes	2019		2020	2021	2022
	Tonnes		Tonnes	Tonnes	Tonnes
				2,005,128	2,460,871

Coal Processing Performance												
	2019			2020			2021			2022		
	Tonnage		Quality – Calorific Value	Tonnage		Quality – Calorific Value	Tonnage		Quality – Calorific Value	Tonnage		Quality – Calorific Value
	Tonnes	A.D.B (MJ/ kg)	NARCV (kcal/ kg)	Tonnes	A.D.B (MJ/ kg)	NARCV (kcal/ kg)	Tonnes	A.D.B (MJ/ kg)	NARCV (kcal/ kg)	Tonnes	A.D.B (MJ/ kg)	NARCV (kcal/ kg)
Screen & Crushing Plant	2,112,308	22.50	5,097	1,798,122	22.60	5,103	2,050,37	22.77	5,162	2,502,377	22.99	
Coal Wash Plant Feed	734,363	22.43	5,084	538,284	22.45	5,086	630,531	22.49	5,091	829,318	23.00	
Coal Wash Plant Product	370,305	25.09	5,634	281,008	25.04	5,627	355,421	25.31	5,682	461,224	25.60	

Underground Mining performance improved by 19% from the previous year; this good performance was due to improved engineering availabilities and steady state operations.

Coal Wash Plant throughput and product increased by 32% and 30% respectively from the previous year, surpassing the one achieved in 2018. The exceptional performance is due to the supply of good quality head feed coal at average NARCV 5682 kcal/kg, good plant efficiencies and plant availabilities. The coal wash plant continued to produce exceptional quality coal at an average 5682 NARCV of kcal/ kg and A.D.B CV of 25.60 MJ/kg which is suitable for both local and export market.





Sales, Marketing & Logistics

SALES, MARKETING & LOGISTICS

1.0 Sales & Marketing

Product	January – December 2022		
	Actual	Budget	Variance (%)
Raw Coal - BPC	1,941,479	1,760,741	10.3
Raw Coal - Other	194,613	190,004	2.4
Raw Coal - Total	2,136,091	1,950,745	9.5
Washed Coal	485,174	418,840	15.8
Total Coal Sales	2,621,265	2,369,585	10.6

1.2 Total Coal Sales

Overall coal sales for 2022 were 10.6% above budget due to excellent offtake by BPC B, Botash and unbudgeted washed coal sales coupled with good CWP production.

1.3 Raw Coal Sales

Raw coal sales for the year were 9.5% above budget. Total BPC offtake was 10.3% above budget. BPC B offtake was consistently above budget throughout the year at 27.6% due to improved availabilities. The excellent BPC B offtake made up for the low BPB A offtake which was 36.3% below budget. Botash augmented rail deliveries by road trucks during the year and hence were 2.4% above budget.

1.4 Washed Coal Sales

Washed coal sales were 15.8% above budget due to unbudgeted supply to Nampower, Idwala, Leruo Resources and Whale Rock Cement coupled with good CWP production. The total 2022 washed coal sales, at 485,174 tons, was a record washed coal sale in a year since commissioning of the Coal Wash Plant.

1.5 Regional market outlook

2023 Outlook

The local and regional coal market demand in Southern Africa remains strong for washed coal from Botswana because of the increased seaborne export demand being supplied from RSA mines and alternative supply options being sought from buyers. Although there was a correction in API4 pricing for seaborne export coal post the EU's Russian coal embargo and the region's gas shortages being solved, the new status quo for Europe's coal imports is reliance on Southern African and Colombian coal and elevated imports could be entrenched until at least 2024/2025.

The full production capacity of project Motheo has been allocated to the industrial boiler, cement, lime and thermal coal demand with our order book already oversubscribed.

Demand is being supported by returning and growing capacities in Europe, South East Asia and China with prices remaining exceptionally volatile but expected to

remain at a level to sustain Botswana exports into the foreseeable future based on cost effective logistics solutions being implemented.

Progress on the Mmamabula to Lephalele rail link project is imperative to ensure long term coal supply from MCM into the seaborne export market as the capacity on the current and other rail corridors limits both volumes and cost-effectiveness to export ports.

Further logistics solutions have been identified to evacuate coal to customers and will be implemented in 2023 to ensure competitive landed prices compared to other suppliers.

STRATEGY LAUNCH IN PICTURES

1-3-27



#1-3-27 CORPORATE STRATEGY JOURNEY

MCM crafted its ambitions growth strategy in 2022. The strategy window covers a five year period from 2023 to 2027. The strategy was approved by the Board in August 2022 and launched in October 2022. While the strategy is focused on the medium term it also took onboard many factors that are affecting the long term sustainability of the business.

01

Strategy Formulation



03

Strategy Communication



02

Strategy Approval



04

Strategy Launch



Our Goal

To be a partner of choice in the global coal transition



Our Mission

To be a multi-product, globally competitive, low cost producer of high quality coal products with the agility to service diverse markets and customers

The strategy formulation process considered a broad range of macro and micro factors on a global scale. The burning platform considered broad challenges such as access to bulk logistic, impacts of Covid-19, climate change, financial health of stakeholders, diversification of revenue streams, volatility of coal prices others factors. The Management formulated a new corporate strategy that seeks to transform MCM by 2027 into an organisation that is globally competitive company in terms of being a supplier of quality coal products with the agility and resilience to deliver value to markets and diverse stakeholders. The strategy intends to at minimum attain BWP 1 billion revenue in the first year and triple it by 2027.

The strategy is driven by seven key enablers:



The strategy has identified priority projects that are required to achieve the intents of the strategy by year 2027. The implementation of the strategy projects and cascading of the strategy will be driven through the newly created Office of Strategy Management in collaboration with the Project Management office. The Motheo project, which is the foundation of the new strategy, is at an advanced stage of commissioning. The Motheo project will double the current washed coal capacity and improve the diversity of our revenue streams.





**Project
Management Office**

PROJECT MANAGEMENT OFFICE

The PMO was formed through the new #1-3-27 strategy, which aims to consider various growth pathways, to unlock the full value of MCM's resources. The department was created to support the strategy by enhancing effective project execution and driving the on time and within budget implementation of growth and stay-in-business projects.

EXPANSION PROJECTS

The major focus of 2022 for the PMO was completion of the Motheo Project, a key highlight of which was the commissioning of the project by President of the Republic of Botswana His Excellency, Dr Mokgweetsi Eric Keabetswe Masisi. The successful commissioning of the Motheo Project is an important step towards unlocking the full potential of MCM's resources. The project aims to capitalise on the shortage of coal and take advantage of premium prices in the regional and seaborne markets, particularly Asia. The successful completion of the project is a significant milestone for MCM, as it opens new opportunities for the company to expand its reach in the coal market. The PMO will continue to drive effective project execution in the coming years to ensure that MCM remains a competitive player in the coal market.

The PMO commenced expansion initiatives, including the SMPP designs for the proposed Motheo Export Plant Project (MEPP). Significant changes have been made to the designs, scope, and approach to the execution of the project. The changes in execution strategy are premised on allowing for future optionality when considering other pipeline projects. All projects are earmarked to be delivered in a phased approach taking cognisance of market demand and price fluctuations. The critical path activities of the MEPP is the infrastructure design which is forecast to be completed in quarter 2 of 2023.

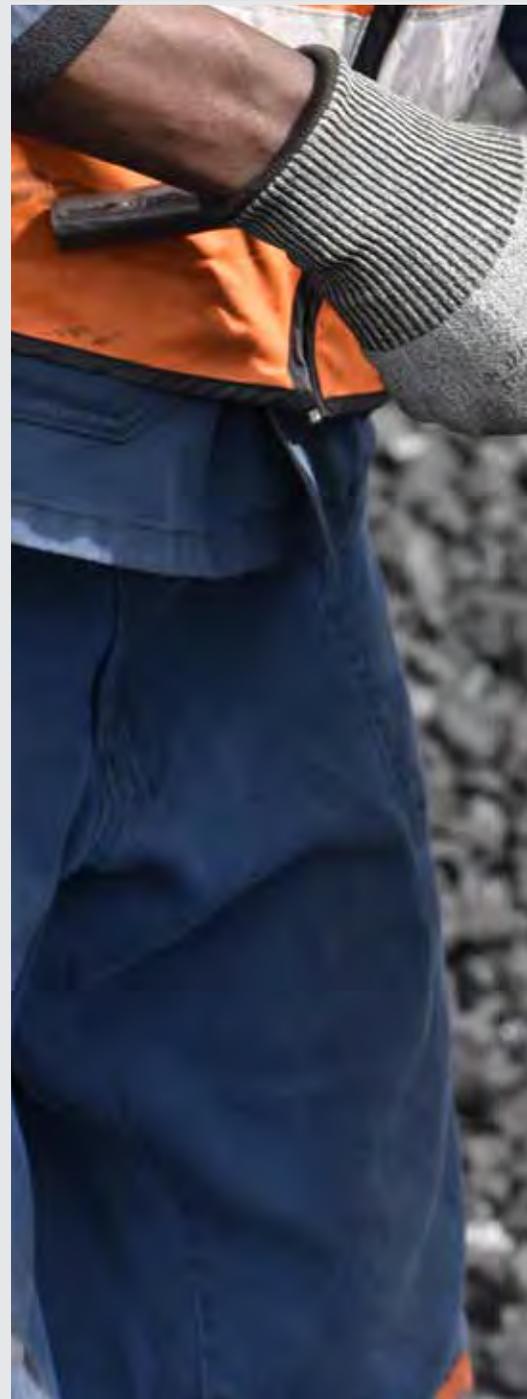
The Project Team will look at the entire Project pipeline ecosystem to support the P3 billion aspirations by 2027 and the focus will be on the entire MCM Resource Development Plan with a strong emphasis on materials handling facilities, Transport and Logistics.

STAY IN BUSINESS PROJECTS

In addition to growth projects, In 2022, the PMO has also commenced various stay-in-business projects to support MCM's current operation. Most of these projects are earmarked for completion In 2023. These projects include the new proto room and coal laboratory upgrade: A14 main security building and access control, car parks, and new mine clinic. The successful completion of these projects will ensure the continued smooth operation of the mine and will contribute to MCM's overall success

LEGACY PROJECT

The PMO Department has successfully completed the infrastructure of the Palapye Multi-Purpose Sports Complex phase 1. This facility is not only designed to cater for various sports and recreational activities but also serves as a platform to bring the community together. The socio-economic benefits of the complex are immense, as it provides an opportunity for the local population to engage in physical activities and lead a healthy lifestyle. The facility will also help boost local tourism and create employment opportunities for the Palapye District.









MCM Citizen Economic Empowerment Programme (CEEP)

CITIZEN ECONOMIC EMPOWERMENT PROGRAMME

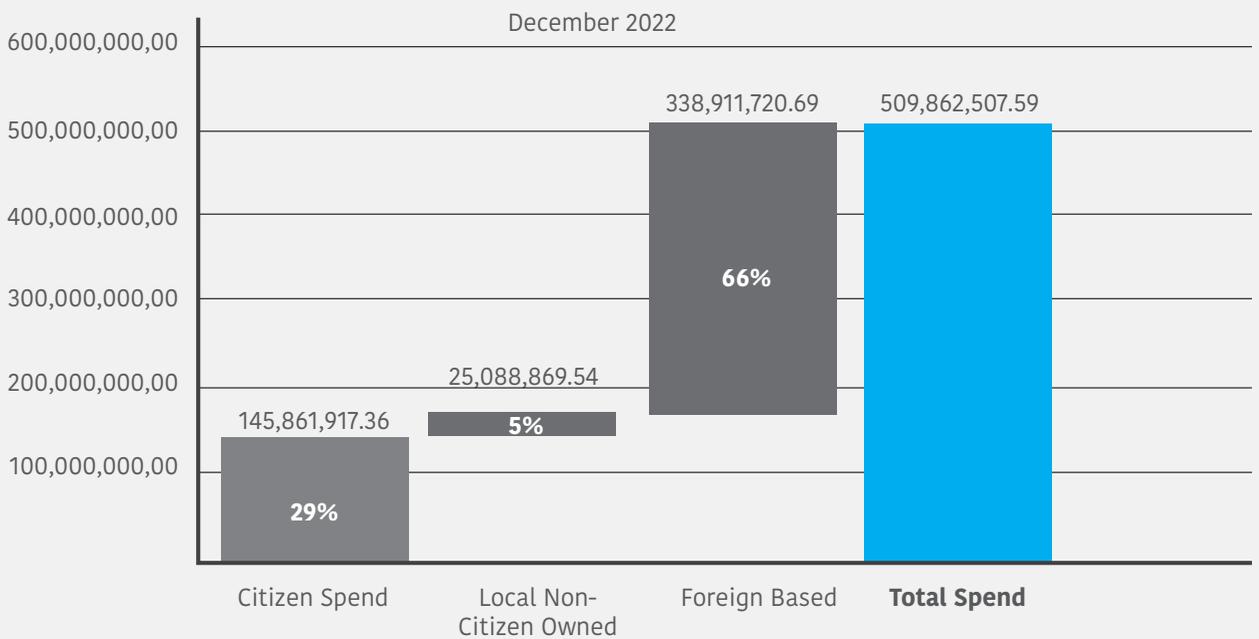
In May 2022, MCM created and resourced a Citizen Economic Empowerment Programme (CEEP) section aiming to create focus and dedication to the drive to empower citizens while creating value for MCM. The programme was also aligned with the MCM Strategy 2027, #1-3-27. Measures of success for the

programme were determined and set at 50% citizen-spend (BWP1.5 billion) by 2027 and supporting 3,000 jobs. The CEEP implementation matrix was approved with focus on these steams; enterprise and supplier development; governance and performance; and change management and stakeholder collaboration.

2022 CEEP Performance

MCM revamped the list of goods and services reserved for citizens-owned companies and led to an increase in year-on-year citizen spend. The 2022 citizen spend of P146million was 29% against the target of 30%.

The figure below demonstrates the cumulative 2022 - year citizen spend.



The 2022 performance on the CEEP matrix streams is detailed below:

Governance, Performance and Reporting

The Citizen Economic Empowerment Programme Rating Matrix has been approved and this will measure MCM's performance across socio-economic indicators. The Matrix will be used to also rate different business partners that are in partnership with MCM.

The revamped goods and services reserved for citizen companies was approved and is part of the Local Procurement and Supplier Development policy.

Enterprise and Supplier Development

Under the enterprise and supplier development stream, MCM intends to, among other goods and services, partner with the original equipment manufacturer (OEMs) to create access to the repairs and maintenance supply chain for citizen owned SMMEs.

BWP3.05 billion supplier development funding was secured from local financial institutions and a total of 10 Suppliers were assisted with financing and skills of management of funding.

The priority areas for enterprise and supplier development are those that affect production. The items identified will be acquired through a public Expression of Interest process. Contracts will be signed for a reasonable period that allows for viability and return on investment.

Below is a list of goods and services identified as priority areas for supplier development.

1. Freight Services and Warehousing
2. Pulley Lagging, Hot & Cold Splicing
3. Conveyor Structure Maintenance
4. Conveyor Rollers and Idlers
5. Conveyor Belt Drivers (Power pack Maintenance)
6. Conveyor Pulleys (Belts and Spares)

7. Maintenance of Mobile Crusher Screens
8. Repairs of Hydraulic Screens
9. Bolts and Nuts Supplies
10. Electrical Supplies
11. Ventilation curtains
12. Supply of magnetite
13. Limestone Dust
14. Underground Pipes
15. Supply, Repairs and Maintenance of underground pumps
16. Sale of Scrap Metal
17. Coal Road Logistics

Torome Farm

In support of the MCM Social Way programme, the CEEP office is working on empowering the local community through usage of the Torome farm owned by the Mine. The planned development commenced with a pre-feasibility study which showed that 7 business cases were viable. A detailed study on the 7 business cases will be conducted in 2023 and this is expected to make recommendations on the following.

- Socio-Economic Development impact of the project
- Project Financial Model
- Estimated number of jobs
- Corporate Social Investment model
- Gender Mainstreaming proposal
- Youth Beneficiation
- Value Chain Development including Agro processing opportunities
- Impact on neighbouring farms

2023-2027 CEEP Outlook

The 2022 CEEP results have demonstrated the success of partnership with financial institutions. Innovative financing model will be rolled out throughout the value chain for citizen owned companies as we unlock opportunities. 50 suppliers are targeted to access this funding and capacity building programs in 2023.

be used to encourage MCM business partners to buy goods manufactured in Botswana and this commitment will be made contractual. This initiative is an intentional way to support the local manufacturing sector.

MCM spent approximately 23% of its budget on asset management in 2022 and this area is targeted as a priority area for joint venture and supplier. Original Equipment Manufacturers (OEM) are required to negotiate and partner with citizen companies to create market access to the local repair services. All OEMs will be subjected to the CEEP performance rating and impact, and recommendations for transformation will be made and monitored. The rating includes ownership, citizen employment, sub-contracting to citizen suppliers and contribution to CSI. The 450ha Torome farm business case will be finalised in 2023. The focus of the business case is succession planning aiming to establish a separate economy that has nothing to do with mining. The business case will address various socio-economic issues in support of the country's attainment of the United Nations Sustainable Development Goals.





Human Resources

HUMAN RESOURCES

Our People

The total number of employees as at end of December 2022 was 853. The Mine's labour turnover stood at 2.09%. MCM adopted a new people management strategy to support the company five-year strategy. In adapting to the dynamic business landscape, the strategy recognises and commits to talent fit and culture change. This process necessitated the Mine to align the current skill profiles to the new organisational structure. Further to that, a detailed consultation with the Union and the rest of the employees, to focus on implementation process and the desired timelines, were conducted. The consultation process was held smoothly and resourcing for the new strategy implemented.

Employee Relations

The general state of labour relations on the Mine remained stable throughout the year and was achieved through planned Joint Negotiation and Consultation Committee (JNCC) and Mine Negotiation and Consultation Committee (MNCC) meetings. The planned engagement sessions with the Union leadership and employees sought to foster cooperation and mutual understanding on matters of common interest to the parties. The Mine continued to observe various fora for staff engagement. The forums were aimed at reaching out to employees and allow them to air their issues and concerns as well as creating platform for business improvement ideas.

Targeted employee engagement interventions were employed through various forums in an endeavor to foster improved employee behavior and conduct. The following interventions were implemented:

- Providing information /education to employees and to increase understanding of effects of alcohol and psychoactive drugs.
- Promoting a work culture and healthy lifestyles free of drugs and alcohol through village of learning sessions.
- Providing supportive counseling to individuals with addictive behavior or problems related to alcohol or psychoactive substance usage.
- Urging supervisors and employees to work together to explore

improvement initiatives that will reduce the number of transgressions in the workplace.

- Providing information/education and heightening employees' awareness on policies and procedures.
- Cultivating and inculcating progressive discipline system and culture that promotes proportionate disciplinary action while mentoring and coaching employees to do better.

Learning and Development

The Mine continued to offer leadership development programs that include Management Development Program (MDP) and New Management Development Program (NMDP) in collaboration with the University of Stellenbosch.

Employees within the supervisory level were enrolled for the Supervisory Development Program (SDP) in collaboration with the Botswana National Productivity Center. The Mine also sponsored employees for further studies in some critical disciplines at institutions of higher learning. The Mine continued to offer work experience exposure and training opportunities to graduates and students. For the period under review, a total of 66 students and 14 interns were offered opportunities across the Mine.

Wellness and Health

The Mine continued to offer psychosocial support services including counselling and financial literacy to employees through various service providers. The services are offered under the Wellness Fund programme. Most staff members were appreciative of the service provided. The Wellness office continued to register and refer employees for psychosocial therapy assessment and treatment as required.

Employees received financial literacy through the Sedimosa programme. The programme aims to help employees improve levels of personal finance management and achieving financial success by utilizing the multiple free services offered. In addition, the programme is intended to help with correcting financial errors of the past, building good financial habits and attaining financial success.

Brand Management and Stakeholder Engagement.

The Corporate Communications and Brand Management initiatives are aimed at positioning MCM as a leading brand in Coal mining and in the greater scheme of the country's economic landscape. This resonates with the recently completed Mine strategy. In continuing with its deliberate efforts to increase brand visibility, the Mine conducted rebranding and media campaigns.

Since the launch of the strategy, several sessions were held to inform staff and the Union about the plan. The sessions included standdowns, iceberg sessions and Union consultative forums. The information included reorganisation implications.

Security

The key concern of the Security section in the mine is keeping employees safe. The Mine security services also continued to offer surveillance and monitoring of the mine property for safe custody and preventing theft of valuable property. Key to the mine was the compulsory alcohol testing campaign which shifted from random testing. As a result of this strategy, the number of alcohol wrongdoers regrettably increased. In addition, Security also conducted investigative work on various matters reported or suspected. The number of offences relating to other matters however continue to be under control.





Mr. Mphahlele
General Manager
Water & Power



MOTHEO
PROJECT





Performance Highlights



FINANCIAL AND OPERATIONAL HIGHLIGHTS



36.0%

Total Revenue

Increased by 36.0% to P952.1 million in 2022



20.5%

Cost of Sales

Cost of sales increased by 20.5% to P563.7 million



67.1%

Gross Profit

Gross profit increased by 67.1% to P388.3 million



(29.4)%

Other Income

Other income stood at P5.4 million against P7.7 million recorded in 2021



48.9%

General and Admin Costs

Total general and administrative costs increased to P228.6 million



13.5%

Profit before Interest, Tax, Deferrals

PBITD stood at P782.1 million



(7.4)%

Interest Received

Interest Received stood at P38.1 million



(20.1)%

Finance Costs

Total Finance Costs reduced by 20.1% to P157.3



24.3%

Profit/(Loss) Before Tax

Operating Profit 24.3% higher at P622.9 million



29.4%

Income Tax

Total income tax dropped 29.4% to P152.3 million



22.8%

Profit/(Loss)

Profit/(Loss) stood at P510.6 million and 22.8% better than 2021

FINANCIAL PERFORMANCE

1.1 Revenue

Revenue in 2022 was 36.0% more than the prior year (2021). This was mainly due to increased demand worldwide after depressed revenues in 2021 impacted by the COVID-19 restrictions..

1.2 Cost of Sales

The 2022 costs were 20.5% higher than prior year due to general inflation and increased activity. In 2022 the Mine mined 568k tons (28.3%) and washed 106k tons (29.8%) more compared to 2021.

1.3 General and Administration Costs

The 2022 costs are 48.9% higher than prior year due to general inflation adjustment and increased activity.

1.4 Depreciation

Depreciation is 16.9% above prior year due to increase in the assets base contributed to by the Motheo opencast mine and CHPP.

1.5 Interest Income

Interest income is 7.4% less than prior year. This is mainly influenced by the 89% reduction in the interest earned from banks in 2022 compared to 2021. This is due to significant reduction in cash and bank balances that would have attracted interest like in 2021 and prior years.

1.8 Inventory

The increase in inventory of 8.9% was due to P23.0 million worth of new asset maintenance consumable spares added to the inventory list. This was partially offset by a P13.0 million reduction in the coal stockpile value.

1.2 Cost of Sales 1.9 Trade and Other Receivables

Trade and other receivables went up by 35.3% mainly due to an increase in a major customer's debt balance.

1.10 Accounts Payable and Provisions

The trade and other payables increased by 69.0% due to the increase in Motheo and other projects activity.

1.11 Borrowings

The Mine utilised a working capital facility of P150 million to augment cash resources.

1.6 Profit Before Taxation

The Mine made a profit of P P622.9 million.

1.7 Property, Plant and Equipment (PPE)

The increase in PPE of 21.4% was due to asset additions amounting to P556.7 million. The increase was partly offset by the depreciation charge of P184.2 million.

1.12 Decommissioning and Rehabilitation

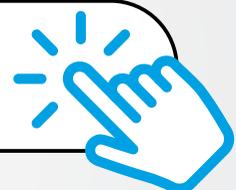
The decommissioning and rehabilitation provision increased by 19.3% mainly.

1.13 1.13 due to the Motheo project footprint and inflationary escalations. Experts were engaged to update the rehabilitation cost and the mine closure plan. Investment in Rehabilitation Trust

A total of P90 million has been transferred to the Rehabilitation Trust Fund since its inception.

The 2022 Financial Statements can be found on our website:

<https://mcm.co.bw>









CONTACTS

Our Headquarters
Palapye, Botswana

Address: Morupule Coal Mine
Private Bag 35, Palapye, Botswana

Phone: +267 4920 251

Fax: +267 4920 643

Email: communications@mcm.co.bw