

RAIL INFRASTRUCTURE COAL ACCESS TO LU

Coal business is about moving volumes, tens of millions of tonnes per annum. Moving these volumes requires infrastructure not in place, with the existing rail having capacity to evacuate up to 2 million per annum on discussions about a rail link into RSA that can open up the inland RSA markets to Botswana coal, even providing an e Limited and Morupule Coal Mine. The two companies will be panelists at the

MINERGY UPBEAT ON BOTSWANA COAL PROSPECTS

Ahead of the Botswana Resource Sector Conference (BRSC), The Business Weekly & Review Staff Writer KEABETSWE NEWEL, sat down with Minergy Limited Chief Executive Officer (CEO) ANDRE BOJE to unpack the unexploited opportunities within Botswana's coal mining sector, its prospects as well as plans by the new broom coal mining outfit to tap into the vast coal reserves.

The Botswana Resources Sector Conference (BRSC) will be hosting its 16th annual conference on the 6th and 7th of June 2018. It aims to increase investment into Botswana's Resource Sector by bringing together Botswana resource companies, with global and local institutions looking for investment opportunities. The 2017 agenda focused on a mixture of solo presentations and panel discussions focusing on investment opportunities in the Resource Sector. That is the Botswana Economy and Infrastructure looking at power, water, environment and transport issues supporting the resource sector. The 2018 agenda will continue to expand on this. Below is the conversation between The Business Weekly & Review and Minergy Limited.

TBWR: Kindly give us an overview of the coal mining industry in Botswana?

MINERGY: It is strongly our belief that coal can and must be a significant part of the diversification strategy for Botswana. Botswana coal reserves are estimated to be in excess of 200 billion tons and when regional and international shortages abound, it makes sense that the timing for Botswana to step up investments into coal must be a logical conclusion. Furthermore the international price of seaborne thermal coal is once again at levels last seen in 2007, a further reason for the country to commit to the development of this commodity. Lastly, Botswana coal is of a high quality and economical to mine.

TBWR: There are views that the coal mining industry is underutilized in Botswana given the untapped reserves, would you agree with that, and please share your reasons

MINERGY: Botswana is blessed with large, high quality coal reserves, but unfortunately lacks the skills and know how to effectively extract and market coal. This process of extraction is null and void, if the coal marketing skill and knowledge does not accompany the process. Minergy has a vast and proven skills base and deep knowledge on marketing and trading coal and these will converge well with the current coal scenario in the southern African region. Presently the regional market has seen a significant reduction of coal availability, with prices rising significantly during 2017/2018. The contributing factors are:

• The international coal market with Richards Bay Coal Terminal shareholders maximising export volumes.

• End of life of producing mines in South Africa generally, with no significant brownfields expansion or Greenfield projects underway.

• Production cut back or closure of marginal mines in South Africa.

• A 1.8 million tonnes per annum increase in rail capacity from the South African Waterberg coalfields to Richards Bay Coal Terminal which is diverting more coal into the seaborne thermal coal market, and away from the regional market. This capacity is planned to be further increased by 4.2 million tonnes per annum.

• An increase in exports of more than seven million tonnes per annum from Richards Bay Coal Terminal is forecast by 2019 due to continued strength of international coal prices.

TBWR: Despite having large coal reserves underground, investments in the coal mining industry are not that significant, what do you think is the challenge?

MINERGY: We attribute the lack of investment to poor infrastructure and the lack of government investment in infrastructure in the past; and shortage of skills and coal mining, marketing and trading expertise.

To this end, Minergy has committed to making a conscious contribution to training and ensuring the transfer skills to the people of Botswana. Minergy deeply understand and has firsthand experience of the dire need to create jobs and is committed to being a part, even if it is a small part, to trying to solve this problem.

TBWR: Further, there are believes that Botswana lacks the right infrastructure to support exportation of coal. Kindly share with us the details and also what you think needs to be done to address the challenge?

MINERGY: The coal fields of Botswana, are in some instances closer to markets in South Africa than the South African coal fields themselves. Current infrastructure allows for limited exportation of coal to South Africa but not the international markets. Botswana needs to connect to the South African rail infrastructure, for which the commitment has been made by the Botswana Government. It is now a case of building the line, which if all goes

according to the plan, should be completed in 2022.

TBWR: If the right investments are made in the coal mining industry, how do you think that could benefit the country?

MINERGY: There is no doubt that the benefit will be tremendous. The Richards Bay Coal Terminal (RBCT) has a capacity of 91 Metric Tons Per Annum (mtpa) and Transnet Freight Rail (TFR) has a capacity of 82 mtpa. Only 75 mt was railed in 2017 due to coal shortages. In our estimation Botswana could have or should at least be able to export 7 mt and we estimate that this could result in the creation of 1,000 jobs minimum, revenue of US\$ 525 million (Over P5.1 billion), royalties of US\$ 12.6 million (Over P124 million) and taxes of US\$ 14 million (Around P37 million).

TBWR: Does the industry get enough support from government, please share in detail?

MINERGY: In our experience, support and commitment from government is certainly there. Certain government departments working more effectively than others, to ensure and approve projects in the stipulated timelines.

TBWR: Minergy is still in the development phase at its Masama Project, kindly share with the progress and when do expect actual mining to commence?

MINERGY: A vast amount of work has been undertaken in the project to get it to the point at which all we await is the granting of our mining license. This has been a protracted and drawn out process with many response times from government departments taking longer than expected. Minergy is very keen to get the mining license so that operations can begin which is meaningful for the company but importantly will have a much more meaningful impact on the villages in the area surrounding the mining area. In particular in the villages of Lentswetlan and Medie, Minergy is already involved in supporting the Medie Primary School as well as the Medie Clinic. We have further undertaken to assist in having electricity and WIFI points installed in the village, but await the approval of the mining license so that mining operations can begin in earnest.

TBWR: When production starts, how much coal would Minergy be producing annually, and what are your target markets?

MINERGY: The company plans to build a 2.4Mtpa ROM opencast coal mine, focusing on delivering coal to the regional market, including Botswana and South Africa (Limpopo, North West and Northern Cape provinces), as well as supply to the global seaborne thermal coal market.

TBWR: Kindly share with us the total value of investment needed to fully develop Masama Project.

MINERGY: A total of P300 million is required to fully commission all the planned phases of the Masama project

TBWR: How many employees does Minergy have, and how many will the company have once it is at full production?

MINERGY: There are currently only seven full time employees in the holding structure, however once the mining license is granted this number will increase to an estimated workforce on the mine of 350 people including all contractors. The actual mining operations will be outsourced to a contract miner and the same will be the case for operations of the washing plant.

TBWR: Minergy will be a participant at the resources sector conference, what value would the company derive from such participation?

MINERGY: The conference draws participants, speakers and delegates from a wide spectrum of the resources sector. Minergy is participating to raise its profile and the profile of coal as a serious contributor to the economic growth within Botswana. Minergy sees the conference as a platform in which conversations regarding the sector can take place and a place in which collaboration can be taken forward.

TBWR: And how do you think the country will benefit from such an event?

MINERGY: Botswana is highly rated as an investment destination in southern Africa. The conference is a platform at which Foreign Direct Investment (FDI) can be attracted to further the coal sector, which in turn will sustain the creation of jobs, earn foreign income from exports as well as increased tax income that can be generated. The natural resources of Botswana have a platform in this conference to be profiled and this means better diversification for the country, which has traditionally relied on income from diamonds.