

AFRICA RISK CONSULTING

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Botswana Summary 25 July 2016

Botswana reaffirms its opposition to the African Union (AU) member states' proposal to withdraw from the International Criminal Court (ICC) over its alleged targeting of African political leaders. Foreign minister Pelonomi Venson Moitoi fails to win the post of AU Commission chair at the regional summit in Kigali (Rwanda), despite unanimous endorsement of her candidacy from the regional Southern African Development Community (SADC). Namibia's president Hage Geingob (2015-present) makes a two-day state visit to Botswana and explores possible areas of economic cooperation. AIM-listed Metal Tiger reports further positive results in the T3 area of its Kalahari Copper Belt project, with copper concentrations of up to 85 parts per million across an area of 1.5km². Metal Tiger has increased its shareholding in its Kalahari Copper Belt joint venture to 30% through its acquisition of 6.2 million shares in JV partner Australia-based MOD Resources. The government grants local coal mining junior, Shumba Energy, approval for its environmental and social impact assessment (ESIA), paving the way for its Mabesekwa Export Independent Power Project, a coal mine and 600MW coal-powered plant. The government declares a state of national disaster due to the continuing El Niño-induced drought and launches a drought relief programme.

AU summit: Botswana breaks rank over ICC as Moitoi fails to clinch AUC chair

Botswana has maintained its opposition to the **African Union (AU)** member states' proposed withdrawal from the **International Criminal Court (ICC)** at the AU's 27th summit in **Kigali (Rwanda)** from 10-18 July.¹ Botswana's vice president, **Mokgweetsi Masisi**, said Botswana would continue to defend the ICC to ensure accountability among African leaders and opposed calls for the AU member states to revoke ICC membership over accusations of its bias against Africans.² The draft motion for mass withdrawal of African states from the ICC was drawn up at the 26th AU summit in January.³ **Kenya** had been at the forefront of lobbying African countries to withdraw from the court on the grounds that it was targeting African leaders and carrying out "an imperialist agenda".⁴ However, Botswana, **Côte d'Ivoire**, **Nigeria**, **Senegal**, **Tunisia** and **Algeria** – a non-ICC member – had previously rejected calls for withdrawal. The draft motion for mass withdrawal of African countries from the ICC was blocked at the Kigali summit where it was to have been endorsed.⁵

Masisi's statement followed a stalemate in the vote for a new AU Commission chair. The **Southern African** candidate was Botswana's foreign minister, **Pelonomi Venson-Moitoi**.⁶ She competed against former **Ugandan** vice president, **Speciosa Wandira Kazibwe**, and **Equatorial Guinea's** foreign minister, **Agapito Mba Mokuy**.⁷ None of the candidates garnered enough votes to secure

¹ Mail and Guardian, 19 Jul 2016.

² Mail and Guardian, 19 Jul 2016.

³ The East African, 23 Jul 2016.

⁴ The East African, 23 Jul 2016.

⁵ The East African, 23 Jul 2016.

⁶ Mail and Guardian, 18 Jul 2016.

⁷ Mail and Guardian, 18 Jul 2016.

election because of the unprecedented abstention of 15 leaders, which led to the postponement of the election for a new chairperson until the 28th summit in January 2017.⁸

The **Southern African Development Community (SADC)** member states had unanimously endorsed Venson-Moitoi as the regional body's candidate for the post. **South Africa's** international relations and cooperation ministry had indicated on 4 July that it would support Moitoi's candidacy, which would have boosted Moitoi's chances of winning the election, since the incumbent chairperson, **Nkosazana Dlamini-Zuma**, is from South Africa.⁹ The position fell vacant following Dlamini-Zuma's decision not to seek automatic re-election for a second term.¹⁰

President **Ian Khama** (2008-present) has a record of breaking rank with the AU on several issues since taking office.¹¹ He has also been notably absent from AU summits.¹² Khama is the current SADC chairperson, having taken over from **Zimbabwe** president **Robert Mugabe** (1980-present) in 2015.

Namibia's president Geingob in Botswana state visit

President Khama hosted his **Namibian** counterpart, President **Hage Geingob** (2015-present), in a two-day state visit to Botswana from 11-12 July.¹³ Botswana's foreign affairs ministry said that the two leaders discussed bilateral, regional and international issues of mutual interest.¹⁴

"Since the establishment of diplomatic relations in 1990, the two countries have made great strides in deepening and expanding the scope of bilateral cooperation in areas such as agriculture, defence and security, shared water courses, transport and communications, tourism development, education, immigration, mining and energy issues, among many others. The increased collaboration between the respective sectors of the two countries has been facilitated by high level visits and the convening of bilateral mechanisms..."¹⁵

Geingob's visit follows the visit of Kenya's president **Uhuru Kenyatta** (2013-present) visit in June to similarly develop bilateral economic ties. The government is currently seeking to expand Botswana's economic opportunities, amidst the continuing **El Niño** induced drought (see below) and low global mineral prices that have weakened Botswana's economy.

Metal Tiger sees further potential for massive copper deposits in Botswana

United Kingdom (UK)-based **London Stock Exchange**-listed **Metal Tiger Resources** (Metal Tiger) has announced positive sampling results from its **Mahumo Concession** of the **Kalahari Copper Belt** in Botswana.¹⁶ Regional soil sampling results show the potential of as yet undiscovered copper deposits.¹⁷ This follows Metal Tiger's similarly positive results from the Kalahari Copper Belt in June.¹⁸ In a cautionary note to shareholders, Metal Tiger stated that it had identified the new copper deposits in the **T3** project area of the Mahumo Concession.¹⁹ If successful, the project will provide Botswana with another major mineral export commodity, in addition to diamonds and coal. The new discoveries include three specific zones with copper concentrations of up to 85 parts per million (ppm), which cover areas up to 1.5 km wide.²⁰ The copper and silver drilling project is a joint venture between

⁸ Mail and Guardian, 18 Jul 2016.

⁹ Business Day, 6 Jul 2016.

¹⁰ News 24, 6 Jul 2016.

¹¹ News 24, 6 Jul 2016.

¹² CAJ News, 6 Jul 2016.

¹³ The Patriot, 11 Jul 2016.

¹⁴ The Patriot, 11 Jul 2016.

¹⁵ Botswana foreign affairs ministry statement, 10 Jul 2016.

¹⁶ Mining Weekly, 19 Jul 2016.

¹⁷ Businesswire, 13 Jul 2016.

¹⁸ Mining Weekly, 19 Jul 2016.

¹⁹ Mining Weekly, 19 Jul 2016.

²⁰ Mining Weekly, 19 Jul 2016.

Metal Tiger and **Australia-based MOD Resources**.²¹ Metal Tiger also announced on 19 July that it will increase its 30% stake in the joint venture by acquiring 6.2 million shares in MOD, which will translate to a 4.8% stake.²²

This follows a similarly optimistic report on 6 July, in which results from its T3 open pit mine showed considerable mineral deposits of 29 metres at 1.8% copper, and 34 grams per tonne of silver from 112 metres.²³ Metal Tiger CEO **Paul Johnson** said the regular flow of news demonstrated progress:

*"We continue to be encouraged by the strong assay results from our Botswana joint venture. The thick intersections of relatively high grade copper with significant silver are proving remarkably consistent, adding confidence to the possibility of an open pit mine at T3...we are highly encouraged with the continuing progress and professionalism of our joint venture partners in Botswana."*²⁴

Metal Tiger's shares rose almost 5% following its announcement of the drill results.²⁵ This reflects the viability of both the prospect and the global copper market, despite the currently low global commodity prices.²⁶

Shumba Energy receives ESIA approval

Botswana national majority-owned **Shumba Energy** has secured government approval of its environmental and social impact assessment (ESIA), which paves the way for its **Mabesekwa Export Independent Power Project (MEIPP)** – a proposed coal mine and 600MW coal-powered plant.²⁷ The power project will help alleviate Botswana's and Southern Africa's electricity deficit through power exports.²⁸ **Shumba Coal** had submitted the ESIA documentation to the environment ministry in 2015, before it had changed its name to Shumba Energy to reflect the company's strategic vision in moving from exploration to energy development.²⁹ Shumba Energy managing director **Mashale Phumaphi** said the ESIA approval was a major milestone in the project:

*"The ESIA, together with the existing water rights, surface rights and completed feasibility studies, brings us much closer to bringing the MEIPP into production."*³⁰

Shumba Energy is a junior coal mining and electricity generation company listed on the **Botswana Stock Exchange**.³¹ The company's flagship asset in Botswana is the **Sechaba Project**, which has approximately 1 billion tonnes of thermal coal.³²

Shumba's proposed mine will be an open strip, with additional features including a truck and shovel operation with a central crushing station and conveyor to the power plant.³³ Shumba has submitted a scoping report and received approval on its **Sechaba Coal** independent power project and associated 400KV transmission line's terms of reference.³⁴

²¹ Alliance News, 19 Jul 2016.

²² Alliance News, 19 Jul 2016.

²³ Proactive investors, 6 Jul 2016.

²⁴ Quoted in Proactive Investors, 6 Jul 2016.

²⁵ Alliance News, 6 Jul 2016.

²⁶ Alliance News, 6 Jul 2016.

²⁷ Mining Review, 8 Jul 2016.

²⁸ Mining Review, 8 Jul 2016.

²⁹ Mining Review, 8 Jul 2016; Mining and Travel, 9 Nov 2015.

³⁰ Quoted in BizCommunity, 12 Jul 2016.

³¹ Shumba Energy website.

³² Shumba Energy website.

³³ BizCommunity, 12 Jul 2016.

³⁴ BizCommunity 12 Jul 2016.

Khama declares drought a national disaster, launches drought relief programme

President Ian Khama has declared the current drought a state of disaster and announced a drought relief programme that will end on 30 June 2017.³⁵ The announcement on 14 July followed a drought assessment exercise that the government conducted in February and May.³⁶ The exercise reportedly confirmed that rainfall was below par in most regions.³⁷ The government's relief measures will include a 25% livestock feed subsidy to livestock farmers in order to prevent the national herd from depreciating, intensifying the construction of firebreaks around protected areas, and increasing budget allocations for a destitution-prevention scheme by 10% in order to strengthen social safety nets.³⁸ The government will also conduct a school-based feeding programme to supplement nutrition among pupils in the **Okavango District**, which the drought has affected the most.

Implications

Venson-Moitoi's odds of becoming the next AU chairperson remain low, given Botswana's reaffirmation of its unpopular stance on withdrawing from the ICC, which most AU member states support. The unprecedented abstention of 15 leaders from the AU chairman vote shows deep cleavages within the regional grouping, with Khama's stance arguably one of the most divisive.

The Namibian president's visit highlights the growing importance of bilateral economic exchange between countries in the region, which are currently experiencing depressed economies because of the drought and weak global commodity prices. The government's declaration of the drought as a national disaster reflects its acute effect on the economy and human livelihoods.

Metal Tiger's headway on the Kalahari Copper Belt project supports Botswana's efforts to diversify away from diamonds and provides it with a potentially significant export commodity. Although global commodity prices are likely to rebound in the medium to long term, they are not likely to regain high profitability. The economy needs increased internal differentiation, which would cushion it from future shifts in the global commodities markets.

The government's granting of ESIA approval to Shumba Energy for its Mabesekwa export power plant opens up a potential avenue for both domestic power generation; and export into the region, which currently has a power deficit. The plant will also provide a domestic market for the country's coal production.

³⁵ ENCA, 14 Jul 2016.

³⁶ Daily News, 13 Jul 2016.

³⁷ Daily News, 13 Jul 2016.

³⁸ Daily News, 13 Jul 2016.

About Africa Risk Consulting:

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