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Coal is the goal

Across Southern Africa the economic downturn has hampered efforts to build crucial infrastructure, resulting in power shortages across the region at a time when demand for power continues to escalate. Being no stranger to this scenario, Botswana is now turning to companies like Asenjo Energy to utilise its vast quantities of coal. Chief operating officer Malcolm Campbell talks to Andrew Pelis

Prospecting can be a frustrating activity, particularly when having found resources, the only obstacles standing between a full return on investment are time and more capital. Such is the challenge facing Asenjo Energy and the Southern African country of Botswana.

Botswana is a country under pressure to sate a growing power demand that is increasing at an annual rate of 5.5 per cent. At present it operates one 120 MW power station at Morupule and imports power from South Africa. That agreement ends in 2012, and will leave the country with a huge power deficit should the planned 600MW Morupule expansion project be delayed for any reason.

“The answer is to better utilise Botswana’s large coal reserves,” asserts Malcolm Campbell, chief operating officer at Asenjo Energy. “The present situation is expensive for the country at a time when diamond reserves (one of its main natural resources) are starting to run low, so

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Analytika Holdings is a Botswana base company offering professional and other field services to exploration companies in the SADC region. Our staff has been active in coal exploration in Botswana since 1982 and have been instrumental in locating and exploring several new coal and Coalbed Methane (CBM) fields. Our experience in coal, coal bed methane and Underground Coal gasification projects extends to all the coal fields in the SADC region.

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Analytika Holdings is a Botswana-based company that has undertaken a wide range of coal and other exploration projects such as base metals, gold, diamonds, uranium and industrial minerals for clients in Botswana and the SADC region.

We are recognised experts on the coal deposits of Botswana and our extensive experience has been instrumental in the discovery of several new coalfields in the country. Our involvement has included project management, provision of field geologists for drilling supervision, core and geotechnical logging and soil sampling programmes. Our experience includes not only coal but coal bed methane and underground coal gasification.

we are looking at what other natural resources we can use to bolster the economy. The Government is therefore very transparent and helpful when it comes to prospecting for coal—which is precisely what we have been doing.”

To date, Asenjo Energy, a joint venture equally owned by Jonah Coal Botswana and Aquila Energy Holdings (Mauritius), has invested in the region of US\$10 million on exploration and technical studies in five areas of the country, with the primary objective of finding coal and defining the resource. The projects incorporate Dukwe in the north-east of Botswana, Lechana and Tshimoyapula in the east and two projects in the south known as Eastern and Western Mmamabula.

“We began work in November 2007 having obtained five prospecting permits from the Government,” Campbell explains. “We started with a three year permit covering over 2,200 square kilometres of terrain, with the express goal of identifying the best of the sites to develop a local mine and power station.

“We have drilled at all of the sites and were fortunate that we were operating in US dollars at the time that the South African rand and local currency capitulated—this allowed us to drill more than we had originally planned.” Of the five projects, Asenjo has identified Dukwe as the most suitable location for the first coal mine, and is now starting to look at full feasibility of the project.

Campbell says that part of the agreement



in place with Botswana's government is that Asenjo is allowed to renew its permits twice, for extended two-year periods, but that the company has to relinquish 50 per cent of the land each time. The company therefore now has rights to approximately 1,336 square kilometres of land and estimated coal reserves of 10 billion tonnes.

"At Dukwe we have identified that the quality of coal is acceptable for a thermal power station and capable of producing a high grade, although there is no metallurgical or coking coal there. It is in fact very similar to the coal used in thermal power stations in South Africa."

While there is the option of open-cast mining at the other four sites, Campbell says Dukwe would be mined entirely underground, from a seam identified 60 metres down in the eastern fringe and reaching a depth of 200 metres below the surface further west. "With appropriate funding, we could have Dukwe fully operational as a coal mine (next to a 300 to 600 MW thermal power station) in as little as three to four years' time. We have already conducted a pre-feasibility study and the mine is designed to produce three million tonnes of coal per year for the next 40 years," he states.

"Our four other sites also offer enormous potential and we have advised our shareholders that these should not be disregarded in the future. We have in fact put a proposal to the Government for the development of two power plants, the one at Dukwe and a second 20 to 50 MW station at Lechana. The sites down south have huge resources and could support 10 mines producing up to five million tonnes of coal per year for 50 years."

Campbell says that the core challenge for the development of the Mmamabula areas, which offer enormous export potential, is the creation of a reliable and efficient transport infrastructure. That will require significant investment from the Government and possibly from overseas funding; but progress is now being made on that front. "The Botswanan and Namibian governments have started procedures by requesting expressions of interest for the development of the Trans-Kalahari Railway and a related port," he explains. "There were 35 bids originally and any such link would be significant for our southern development, as the export market is potentially very lucrative. However,



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that is still eight to 10 years away from becoming a reality as things stand. There is also a proposed rail link between Zimbabwe and Mozambique which would enable access to further export facilities in Mozambique and it is expected that the first rail operations will begin in 2015.”

Funding for Asenjo’s plans is equally essential to safeguard the progress it has already made, and now occupies increasing amounts of Campbell’s time. “We are funded through to where we are now and the original idea was to do an IPO to fund our final feasibility studies, before the [global] economic problems ensued.

“Instead we are now pursuing potential investors from countries like China and India and there seems to be a huge amount of interest,” he states. “The amount we have spent so far is perhaps a twentieth of what we will need to become fully operational; and we are then looking at five to six years of activity before we realise a return.”

Nonetheless, Botswana represents an attractive opportunity for mining investors, with a stable investment environment, low corporate taxes, robust mining legislation and substantial and largely untapped quality coal resources. “It is a pleasure doing business here,” says Campbell.

“The Chinese and Indian investors are always on the hunt for resources for themselves and realise that to achieve this they need to invest in infrastructure, particularly in Africa,” he continues. “I’m spending more of my time travelling to meet potential investors although many of them prefer to visit us here and travel to our corporate office in Gaborone. We are very hopeful for the future.” www.asenjoenergy.com



