

Botswana METS REPORT



AUSTRALIA AFRICA
CHAMBER OF COMMERCE

METS TO BOTSWANA

Mining Equipment Technology & Services

Australia exported approx. AUD 9.47 million in civil engineering equipment & parts and goods vehicles to Botswana in the 2019-20 period, with scope to expand this trade relationship.

Botswana's strong institutions and civil society support foreign investment in the country's mining sector.

Additionally, Botswana is one of the world's leading producers of diamonds, however, substantial reserves of copper, platinum, gold, nickel, iron and rare metals have also been identified.

REPORT FOCUS



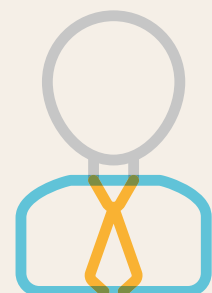
Demand Trends



Competitive Environment



Laws and Regulations



Doing Business

DEMAND TRENDS

AT A GLANCE

Opportunities lie ahead for Australian METS in Botswana through the country's efforts to diversify mining outputs, strong government support for the mining sector, and expansion towards coal production.

Challenges include the winding down of diamond mining and the lack of freight transport infrastructure. The market for METS in Botswana is valued at USD 803.31 million dollars per year.

As demand for diamonds wanes, the Kalahari copper belt is expected to be revived.

OPPORTUNITIES

Solid Underlying Demand

Demand for METS in Botswana continues to grow as the country continues to diversify its mining operations. In 2018, the International Council on Mining and Metals reported that Botswana's mineral and metal exports contributed to 91.5% of the country's productive activities and that 13.39% of Botswana's economy was tied to metallic minerals and coal production.

In 2019,

- Over 90% of Botswana's exports were in precious metals, gems and jewellery.
- The mining industry was valued at USD 917 million and accounted for 5% of the country's GDP.
- Imports of machinery and complex manufactured products totalled USD 1.549 billion in 2019 and USD 1.437 billion in 2020.



Forecasts for mining in Botswana note that:

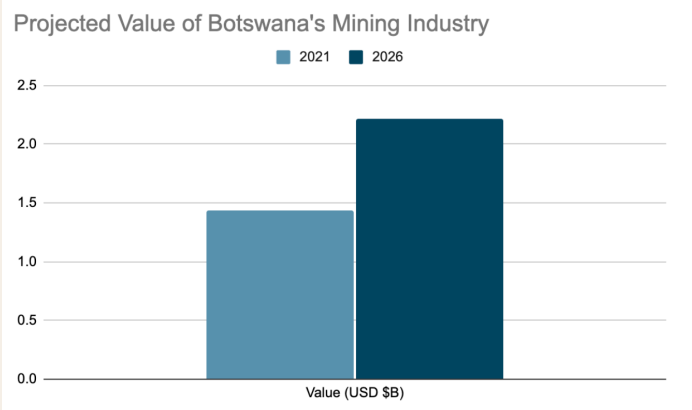
- The Gross Value Add of mining in the country will grow from USD 2.826 billion in 2020 to USD 3.491 in 2021 and USD 4.154 in 2022, showing growth of 23.53% and 18.99% for 2021 and 2022 respectively.

Projected Mining Growth in Botswana



- The value of Botswana's mining industry in 2021 is expected to be USD 1.439 billion, making up 7.39% of Botswana's economy. This is expected to increase further in 2026 to USD 2.214 billion.

DEMAND TRENDS



Sound Future Prospects

Looking ahead, Botswana has begun to work towards diversifying its mining outputs away from the country's reliance on diamonds. Botswana's first iron ore project began in July 2021, highlighting the country's new steps towards non-diamond mining.

Botswana also hosts a regime with a strong mining jurisdictional framework, with the Fraser Institute ranking Botswana as the most attractive country to trade with on the continent. Globally, Botswana ranks as the 11th best jurisdiction in investment attractiveness - the highest in Africa - and the 15th best jurisdiction for policy perception.

Alongside these trends, Botswana also hosts the following opportunities:

- Copper mining is tipped to boom with many mining companies poised to expand in the Kalahari copper belt region. This provides opportunities for Australian METS to contribute to these operations and supply projects as they expand.
- Botswana is moving to process more of their rough diamonds in-country. Opportunities present themselves in ore processing equipment, infrastructure, maintenance and technological solutions.

- Botswana currently hosts large reserves of untapped coal in a region plagued by energy insecurity.
- Alongside Botswana's untapped coal reserves, new and innovative technologies that harness renewable energy are in high demand to combat the levels of energy insecurity.
- There are also opportunities to explore untapped rare earths deposits, with promising granitic rock formations.

Market Extensions

METS exporters may also find opportunities in:

- Increased interest in value-added processing of copper/nickel.
- Building supporting road and rail infrastructure for both mining and public use.
- Creating coal power plants to power both Botswana and neighbouring countries.

CHALLENGES

Mining Activity Levels

A decreased output of established diamond mining operations has dampened demand for METS within the industry. Slowdowns in consumer demand for diamonds and luxury goods due to the COVID-19 pandemic have translated to a reduced diamond output in Botswana, combined with the country's battle against the pandemic.

In 2020, diamond production fell 29%, with 2021 output estimated to grow 25%, and modest growth from 2022 onwards.

DEMAND TRENDS

Opportunities in the development of coal mining operations provides METS suppliers with an alternative resource to extract. Despite COVID-19 reducing coal output for Botswana in 2020, government policy continues to permit mining activities and the future is expected to see higher production, with 10.5% growth expected this year. Whilst the government in Botswana has prioritised coal mining, trends against financing industries, which contribute to climate change, will make sourcing adequate investment scarce.

Local Content

Local procurement regulations may be a challenge as well as competition. Many operational mines are at least partly or wholly government-owned, this includes:

- Debswana
- The BCL copper mine
- Dikoloti

Botswana has placed a “best-effort” clause on mining companies operating within the country, where companies are compelled to acquire mining materials locally before importing them in. Despite this, there has been little growth in local industry.

SIZE OF METS MARKET

Botswana exported 16.87 million and 23.69 million carats of diamonds, 851kg and 943kg of gold, and 2.11 million tonnes and 1.92 million tonnes in 2020 and 2019 respectively.

The mining production index of Botswana noted that mining production output for Q1 2021 recorded a score of 74.4, a 12.0 decrease on the year-on year average. This highlights a pickup from pre-COVID production levels, where at Q2 2020 Botswana recorded a decrease of 65.1.

Imports on METS-type machinery and transport equipment into Botswana in 2017 and 2018 totalled USD 753.82 million and USD 803.31 million respectively.

COMPETITIVE ENVIRONMENT

AT A GLANCE

Mining operations in Botswana have a history of employing internationally-sourced METS inputs.

Botswana's pro-mining business environment has encouraged companies to enter the local market.

Botswana's close proximity to South Africa allows the country's mining operators to source materials easily.

MARKET STRUCTURE

Market for METS suppliers

Botswana's current METS market consists of operations which place an emphasis on the country's strong output of diamonds. Debswana - a joint partnership between De Beers and the Government of Botswana - is the largest diamond mining operator in the country, with their operations in 2021 aiming to extract 23 million carats. Minor diamond mining companies include Lucara Diamond, Botswana Diamonds and Gem Diamonds.

The noted expansion of non-diamond mining has seen numerous companies operating in Botswana, such as:

- A-Cap Resources - Uranium exploration
- Botash - Soda ash and salt mining
- Galane Gold - Gold mining
- Minergy Coal - Coal mining
- Jindal Africa - Coal mining and power plant operations
- Khoemacau - Copper silver mining
- Morupule - Coal mining
- Rio Tinto - Iron ore exploration
- Sandfire Resources - Copper mining
- Shumba Coal - Coal mining
- Tsodilo Resources - Diamond exploration



Key International METS Players

Botswana's METS market comprises multinational companies from the EU, UK, U.S., and Canada. Botswana's location as a land-locked country requires mining operators to source access to METS from companies connected to shipping infrastructure. This has led to METS companies trading in Botswana to base their operations in South Africa.

METS companies operating in Botswana include:

- AEL Mining Services
- Basil Read
- Bothakga Burrow Botswana
- Dunlop Industrial Africa
- Flotek Africa
- Group R Mining and Exploration
- Komatsu Botswana
- Solara Holdings

Australian METS companies have ample opportunity to operate in Botswana, with the country's shift away from diamond mining and ease of access through South Africa.

COMPETITIVE ENVIRONMENT

OPPORTUNITIES

Botswana imports all heavy machinery, as there are no local manufacturers of heavy machinery.

Demand is seen in parallel markets as Botswana aims to connect more efficient export corridors. For example, expanding railway infrastructure may require technologies and equipment adjacent to METS.

Botswana already buys Australian civil engineering equipment and parts, nails, screws, nuts, bolts & rivets and electrical circuit equipment with room for expansion.

The Government of Botswana is currently encouraging value-added processing in-country, presenting a variety of new opportunities for equipment exporters.

New Minerals Focus

Botswana's mining industry will spend future years diversifying the kinds of minerals extracted, as:

- the country begins to deplete its diamond reserves, and
- companies focus on alternative mining outputs such as copper, iron ore and coal.

CHALLENGES

Whilst Botswana does not have a local METS manufacturing capability, there are trends which point to the government of Botswana increasing local content requirements throughout their economy.

The Trade Act (Act no.25 of 2019) stipulated that a number of non-mining related industries may only be operated by companies and citizens of Botswana, however, the Minister is permitted to provide exemptions for foreign companies looking to enter into a business partnership with a citizen of Botswana.

These exceptions require a 51% stake in the partnership to be held by a citizen of Botswana.

For mining companies specifically, there has been a push towards increasing value-addition to the country's mining outputs. For example, the government has begun to order De Beers to cut and polish diamonds extracted from its Debswana partnership domestically.

LAWS & REGULATIONS

AT A GLANCE

Botswana's METS industry operates under the Mines, Quarries, Works and Machinery Act operating through the Ministry of Mineral Resources, Green Technology and Energy Security (MMGE).

REGULATORS

The key regulator of mining interests in Botswana is centered around the Chief and Principal Government Mining Engineer, who is tasked with the enforcement of the Act and the application of relevant standards.

KEY REGULATORY AREAS

Occupational Health & Safety

Botswana's occupational health and safety (OHS) legislation is met with several regulatory and implementation gaps. A number of Acts cover particular OHS processes and procedures, but there is no uniform model for these industries to abide by. Whilst there are some mechanisms in place to report workplace incidents, for example, OHS is, overall, followed by both private and government-owned entities through in-house policies or the adoption of South African standards.

Local Participation Laws

Many large mining companies that offer tenders must prioritise local suppliers. When a local supplier cannot provide what is needed there may be regulations surrounding the inclusion of local workers in your business. Some companies even look for suppliers that demonstrate a percentage of citizen ownership.

Government backed procurement processes are highly competitive and subject to tight participation rules (see article 12.2 of the Mines and Minerals Act of 1999).



Using Free Trade Agreements

No Free Trade Agreements (FTAs) currently exist between Australia and Botswana.

There may be potential to leverage continental free trade agreements if these connections exist for your business. See for example, the Australia-Gulf Cooperation Council FTA (under negotiation), or the newly established Africa Continental Free Trade Area (AfCFTA)

Local Participation Laws

Current average tariffs and imports by product groups apply for the following products:

- Non-electrical machinery - 9.2%
- Electrical Machinery - 17.3%
- Transport Equipment - 18.4%
- Manufactures, not else specified - 12.5%
- Chemicals - 12.4%
- Minerals & Metals - 11.7%

Ultimately, it is best to engage a reputable shipping company for customs and import clearance advice.

DOING BUSINESS

BUSINESS ENVIRONMENT

Strengths

- Strong government institutions in place, such as Botswana Investment & Trade Centre and Department of Mines under the Ministry of Mineral Resources, Green Technology and Energy Security.
- Long history of political and economic stability within the country, especially for mining operations.
- The country maintains low taxation rates and does not have foreign exchange controls in place.

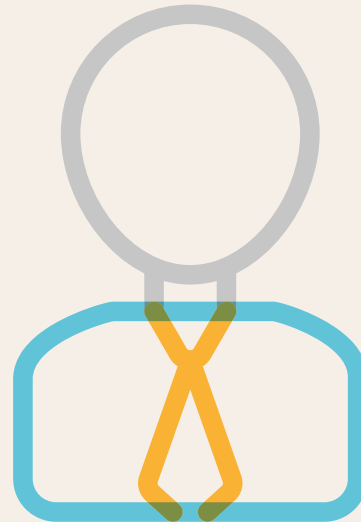
Weaknesses

- Poor freight infrastructure is coupled with Botswana's position as a landlocked country.
- There are concerns that corruption in Botswana is growing, threatening the country's past performance as a reliable country to trade with.
- The country's low population is further hampered with a skills shortage.
- Government procurement programs encourage local companies to trade with other locally-owned entities, and at times exclude foreign entities outrightly from government tenders.

PROMOTING YOUR BUSINESS

Australian exporters should approach mining operators or mining contractors directly through exhibitions and networking events.

The Australia Africa Mining and Energy Group provides coverage of issues relating to the mining sector in Africa.



Australian exporters are highly encouraged to participate in trade missions and exhibitions in Africa to advertise and make contact with the Botswana Investment & Trade Centre

Getting in touch with the Botswana High Commission in Canberra is also recommended to establish initial contact and business relations. Contact information and key personnel within the High Commission can be found [here](#).

Events

Key events include:

- [WAMPEX](#) - West African Mining and Power Expo
- [IMARC](#) - International Mining and Resources Conferences + Expo
- [Africa Mining Forum](#) - Mid-November
- [Africa Down Under](#) - Early-September

Getting Paid

Getting paid is a critical part of any export transaction. The payment terms you offer can also make a difference when competing to win export contracts.

Information about [getting paid for goods and services](#) you export is available from Austrade.

DOING BUSINESS

Cultural Considerations

In each country, the way people do business varies. You may need to adjust your expectations and be sensitive to how business is done.

Resources for doing business in Ghana:

- [ICAEW Doing Business in Ghana](#)
- [Deloitte Guide to fiscal information: Key economies in Africa 2020](#)
- [Botswana Investment & Trade Centre: Botswana Investors' Handbook](#)

Visas

Australian travellers should consult [Smartertraveller](#), the Australian Government's free online travel advisory service.

You are also advised to enquire directly with the Botswana High Commission Canberra's [Consular Services](#).

Intellectual Property

Consult with an IP lawyer in Botswana. Austrade can refer you to a list of IP lawyers in Botswana. Contact Austrade on 13 28 78 or email info@austrade.gov.au.

For more information, visit:

- [World Intellectual Property Organisation](#) - Contact information for the Companies and Intellectual Property Authority (CIPA) within the Ministry of Investment, Trade and Industry

Startup Hubs

[StartHub Africa](#): Promoting African entrepreneurship by training students, accelerating startups and consulting corporations and institutions.

[Small and Medium Enterprises \(SMEs\) Export Hubs](#) support Australian SME export hubs developing local, regional and Indigenous brands. The hubs will work with Growth Centres in each sector to take advantage of export opportunities.

Making Connections

Connect with trade advisors and industry associations. The Australia Africa Chamber of Commerce is developing an increasing capability through its network of contacts and partners to assist Australian METS businesses with introductions and advice.

Trade Advisors & Referrals in Botswana

If you're planning to visit this market, some organisations can help with insights and local network connections.

Austrade can investigate opportunities on your behalf in:

- markets of interest, and
- on your area of business.

If your business needs referrals to legal or other professional services firms, Austrade can help with your particular circumstances.

[Contact Austrade](#), call 13 28 78 or contact their Trade Commissioner in South Africa (responsible for Botswana) directly:

Scott Morriss
T +27 11 911 4500

Industry Associations

Key industry associations include:

- [The Botswana Chamber of Mines](#)
- [Australia Africa Minerals & Energy Group \(AAMEG\)](#)

DOING BUSINESS

| Existing Companies/Buyers | Country | Activity | METS Needs |
|---------------------------|---------------------------|--|---|
| A-Cap Energy | Botswana - Francistown | Lethakane - Uranium | Currently one of the largest undeveloped uranium deposit sites globally, development contingent on rising uranium demand |
| Botash | Botswana - Sowa | Sowa - Soda ash and salt | |
| Galane Gold | Botswana - Francistown | Mupane - Underground and open-pit gold mine | Focus on underground mining, and also engaged in gold processing |
| Minergy Coal | Botswana - Mmamabula | Masama - Open-cast thermal coal mine | Minergy also holds a prospecting licence for coal and coal-based methane at a site adjacent to current operations |
| Jindal Africa | Botswana - Mmamabula | Mmamabula - Coal mine prospect and power plant | The site is currently in exploration, and is planned to have a coal power plant built next to site generating 300MW |
| Khoemacau | Botswana - Toteng | Boseto - Copper/silver | The company is looking to expand the site even further after beginning operations in June 2021 |
| Morupule Coal Mine | Botswana - Morupule | Morupule - Underground coal mining Motheo - Open-cast coal mining | Company produces steam coal, coking coal and coal liquefaction |
| Sandfire Resources | Botswana - Motheo | Motheo - Copper mine | Motheo began construction in July 2021 Exploration activities also done throughout the Kalahari copper belt in both Botswana and Namibia |
| Shumba Energy | Botswana - Shumba | Morupule South - Coal power plant Mabesekwa - Coal power plant Sechaba Coal Independent Power Producer - Mine-to-power plant complex Solar Energy Project Lethlakeng Underground Coal Gasification Project | All projects are at exploration and feasibility stage |
| Tsodilo Resources | Botswana - Orapa & Xaudum | Orapa - Diamond exploration Xaudum Iron Formation - Iron ore exploration | |

