

## Ambitious plans for electricity from Botswana

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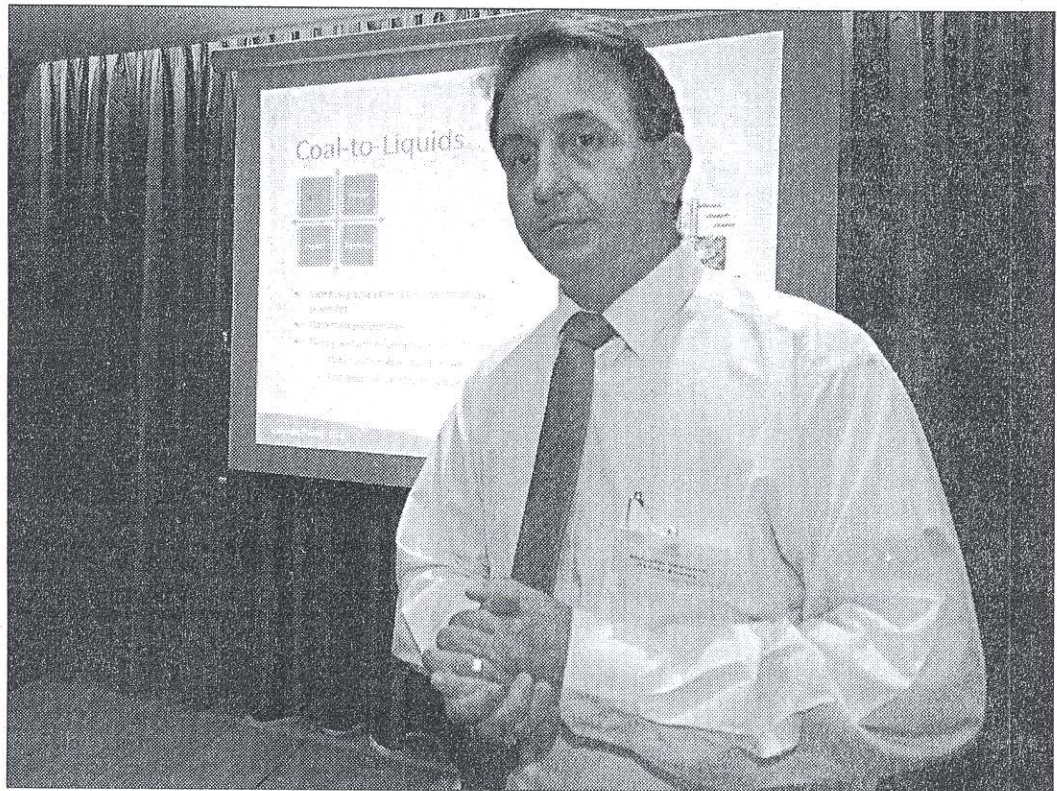
A NEW joint venture company involving Sentula Mining, Jonah Capital and Australian-listed Aquila Resources hopes to build a mine and power station in Botswana by 2015-17 to help address southern Africa's acute energy needs.

Asenjo Energy is 50% held by Jonah Coal and Aquila Resources.

Jonah Coal is in turn owned 50% by former AngloGold Ashanti chairman Sir Sam Jonah's company, Jonah Capital, and 50% by Sentula Mining, formerly Scharrig Mining. The partners have contributed \$15m to the company to pay for its initial drilling programme.

Chief operating officer Malcolm Campbell said yesterday that if drilling results were positive and Asenjo proceeded to the next stage of development, the company would be listed in March next year to raise the capital needed. The listing could be in Johannesburg, London, Toronto or Botswana.

Asenjo Energy owns five prospecting permits covering 2 200km<sup>2</sup> in eastern Botswana, near the borders with SA and Zimbabwe. It is focusing on the Western Mmamabula property because of its proximity to infras-



**Asenjo chief operating officer Malcolm Campbell says if drilling results are positive and the company proceeds to the next stage of development, Asenjo could be listed next year.** Picture: TYRONE ARTHUR

tructure and SA, which could become one of its biggest customers for power. Campbell said shortage of water needed for

cooling power stations was a problem in Botswana, but fossil water had been found near Western Mmamabula.

The company's activities could include power generation, as it was estimated SA would need an extra 1 200MW of power

## THE BOTTOM LINE COLUMN

# Passing of an era as Anglo loses top spot

**A**N INTERESTING historical non-event took place on the JSE this week. Once the colossus of South African corporate life, Anglo American became the second-largest stock on the JSE. The question is: should we care?

It is a bit of a historical non-event, if there is such a thing, partly because for a long time Anglo has effectively been the second-largest stock on the exchange. The anomaly arose because of the peculiar nature of the BHP-Billiton merger. The BHP bit remained listed in Australia and the Billiton bit remained listed in London and in Johannesburg. Since the Billiton part of the company continued to be listed in its existing form, on most tallies the market capitalisation of BHP-Billiton remained lower than that of Anglo on the JSE, although the joint company was in fact larger. What happened this week was that the Billiton part of the BHP-Billiton mix rose to a higher market cap than that of Anglo.

The second reason not to care is simply that in principle size is not always a guarantee of improved performance. Anglo has emerged from a massive restructuring in order to become more focused, and this has been handsomely achieved.

Yet there is something of a passing of an era about the shift. Anglo at one stage controlled about 40% of the JSE. The fact that it does not now is something to celebrate. However, the fact that it has slipped from being the third-largest miner in the world to the fifth-largest, perhaps is not. Being overtaken by BHP is less significant than being overtaken by bid-boosted Xstrata, a company that is barely a decade old.



### At the right price

**S**A's power shortages makes it an excellent time to excite investor interest in coal and power-generation projects. Two of these, Asenjo Energy's Western Mmamabula and CIC Energy's Mmamabula Coal Project, are in Botswana, tapping the vast unexploited Botswana coalfields.

Both projects would involve a mine and a power station as well as a coal-to-liquids operation. But they would also require infrastructure to get the coal to ports or the power to SA.

The price tag for those developments will be high. Last June CIC Energy warned the final price for the Mmamabula project could be higher than the initial estimate of \$5,8bn.

CIC Energy's project is due to start generating about 2 400MW of power by 2012 while Asenjo's project could be generating its first power four to six years after completion of the bankable feasibility study in 2010-2011.

But according to Eskom's current schedule, its biggest incremental baseload capacity will start to come on stream from

2012, which means the end of the crisis should be in sight and power price increases should have peaked. Eskom and the government said this week SA was interested in buying power from the private sector, but it had to be at the right price.

### Rio Tinto's window

**I**N TAKEOVER speak the phrase "put up or shut up" makes it sound like the seller is calling the shots. But at the end of last year, when Rio Tinto first insisted that BHP Billiton lay its cards on the table, the rival miners seemed to be facing each other as equals.

With the UK Takeover Panel's deadline a week away, BHP's hand looks stronger. Tactically, it could just walk away for six months. Given that it is an all-share deal, the split of value would not change if share prices fell further. But BHP could always alter the exchange ratio.

In theory, there is nothing to stop it going lower but the market still thinks BHP will improve its terms. Rio shares are trading 6% above the proposed offer, and some argue that synergies have been underestimated.

Still, while there is probably scope to push BHP higher, Rio should not get greedy. The reality is that for both sides the deal makes even more sense in a bear market than in a boom. Pricing power would be improved. And if share prices fall, the capitalised value of synergies as a proportion of the combined market cap would go up. Jittery markets give Rio shareholders an incentive to push for a cash component, but if this is modest, BHP should pay up.

■ *The Bottom Line is edited by Colin Anthony.*

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