

TELEPHONE: (267) 3656600  
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REF:



REPUBLIC OF BOTSWANA

MINISTRY OF MINERALS, ENERGY AND  
WATER RESOURCES  
PRIVATE BAG 0018  
GABORONE  
BOTSWANA

DATE: 7/12/21

TO: Cwihaba Resources  
Box 3726  
Gaborone

**ACKNOWLEDGEMENT LETTER**

RE: PLO20/2018 licence renewal and mineral  
development cooperation of Botswana  
(MDCB)

We acknowledge receipt of your letter referenced ~~100~~ ref and dated  
6/12/21 on the above subject matter. Feedback will be communicated  
to you within 10 working days from receipt of this correspondence.

Please contact Mr. Tshetlhane at telephone number 3656600 or email  
for follow up.

Thank you

For /Permanent Secretary



'The Ministry that makes a real difference to Botswana'

# GCWIHABA RESOURCES (PTY) LIMITED

Co 2003/292

**Mailing Address**  
PO Box 3726  
Gaborone, Botswana

**Physical Address**  
The Office Building #59  
Plot 21532 Fairgrounds Office Park  
Gaborone, Botswana

**Registered Address**  
RSM House – Plot 39  
Plot 39, Commerce Park  
Gaborone, Botswana

TEL / FAX (267) 392-7144

6<sup>th</sup> December 2021

To: Honourable Lefoko M. Moagi  
The Minister of Mineral Resources, Green Technology and Energy Security  
Ministry of Mineral Resources, Green Technology and Energy Security (MMGE)  
Private Bag 0018 – Gaborone, Botswana

**Re: PL020/2018 license renewal and Mineral Development Corporation of Botswana (MDCB)**

Dear Honourable Minister,

As per our discussions at the meeting on the 6<sup>th</sup> December 2021, with respect to GcwiHaba Resource (Pty) Ltd. (hereinafter “GcwiHaba”) PL020/2018 prospecting license, we propose that Honourable Minister renew PL020/2018 as submitted for the reasons and rationale we set forth at today’s meeting (see, attached presentation). This will allow us to announce the renewal of the five (5) licenses containing the Xaudum Iron Formation (XIF) project allaying the concerns of the board of directors, shareholders, stakeholders and investment community with respect to these license renewals.

Further to our discussion and in conjunction therewith, GcwiHaba will then agree to relinquish that portion of PL020/2018 which is located within the Okavango Delta World Heritage buffer zone upon execution and funding of the GcwiHaba / MDCB investment agreement (“the Agreement”) that is currently pending. We would agree to make this a condition within the Agreement documentation and include language to this effect, so that the relinquishment occurs without further action required on our part. Said relinquishment achieves the government’s goal of having no licenses in the Okavango Delta World Heritage buffer zone.

Coincident with the relinquishment of the buffer zone area, the Department of Mines (hereinafter “DOM”) shall issue a revised PL020/2018 license modified to exclude the area of PL 020/2018 within the buffer zone only, all other terms to remain the same.

In consideration for the buffer zone area relinquishment, DOM will issue a letter to GcwiHaba, inclusive of MDCB’s ownership, stating that GcwiHaba shall have the right of first refusal to acquire the area relinquished in the buffer zone if the Government of Botswana (a) decides to take such action to officially modify the buffer zone to exclude the area relinquished (by GcwiHaba); or, (b) otherwise permits any prospecting or mining license in the Okavango Delta World Heritage site.

I trust that the above accurately reflects our discussion. I believe the above rectifies the issues and allows the development of the XIF iron project to proceed without delay.

Respectfully submitted,

James M. Bruchs  
Managing Director  
Attachment – License Renewal / MDCB

Directors: James M. Bruchs<sup>1</sup> (Managing) – Jonathan R. Kelafant<sup>1</sup> - Blackie Marole<sup>2,3</sup> – Dr. Gary A. Bojes<sup>1</sup>  
<sup>1</sup>American. <sup>2</sup>Motswana. <sup>3</sup>Resident

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Managing Director  
Attachment – License Renewal / MDCB

***Gcwihaba Resources (Pty) Ltd  
License Renewal Issues***

***Ngamiland Iron Project***

***The Game Changer the Country is Looking For***



# Highlights: Xaudum Magnetite Iron Ore Project

- Projects like the Xaudum Iron Formation will be the **key to economic recovery** in a post pandemic world
- Xaudum Iron Project is a Future Tier 1 Mine – **Very Large**
  - Current Resource = 441 Mt (277 Mt) (Exploration Target 5-7 Billion Tonnes)
    - 5 - 7 Billion tonnes places the XIF magnetite deposit in the top ten magnetite deposits by size globally and the second largest in Africa
  - Expected magnetite product = **+67% Fe**
  - Potential mine life of +30 years for base case and over 60 years for expansion development - Net Revenue Projection (Per Year USD):
    - **\$480 Million (5.5 Billion Pula) to**
    - **\$2.1 Billion (24 Billion Pula) (similar to current Debswana Revenues)**
  - Botswana coal can be used for further beneficiation to make steel in Botswana
    - Extra layers of beneficiation within Botswana will add value, create further jobs and value chain activities
  - **Project will create Thousands of Jobs for Botswana**
- Generate huge revenues for the population
  - Taxes for the Government
  - To move away from reliance on Diamond revenues
- Exploration Work Undertaken: expended over **\$25 Million USD** on Metals Project

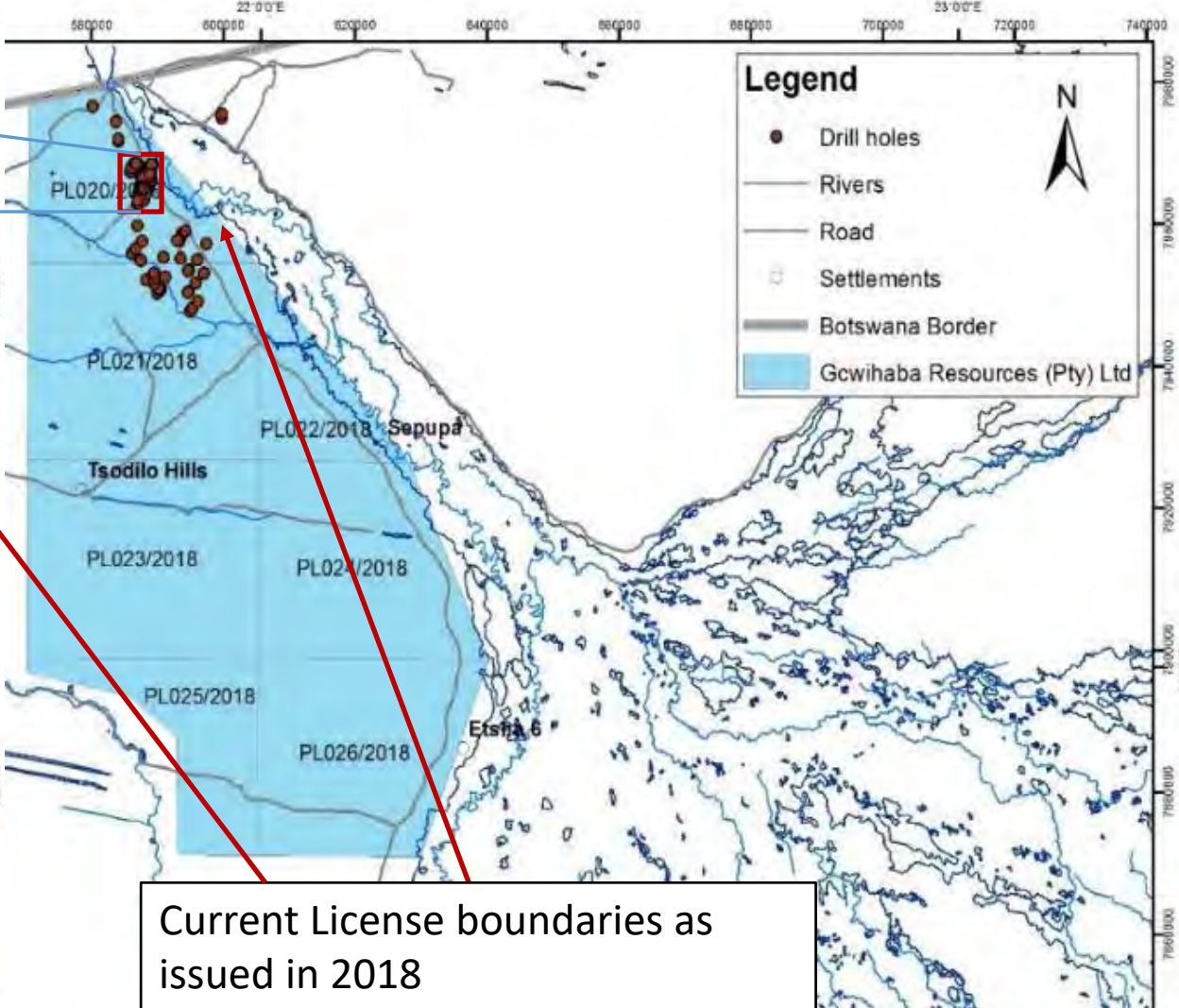
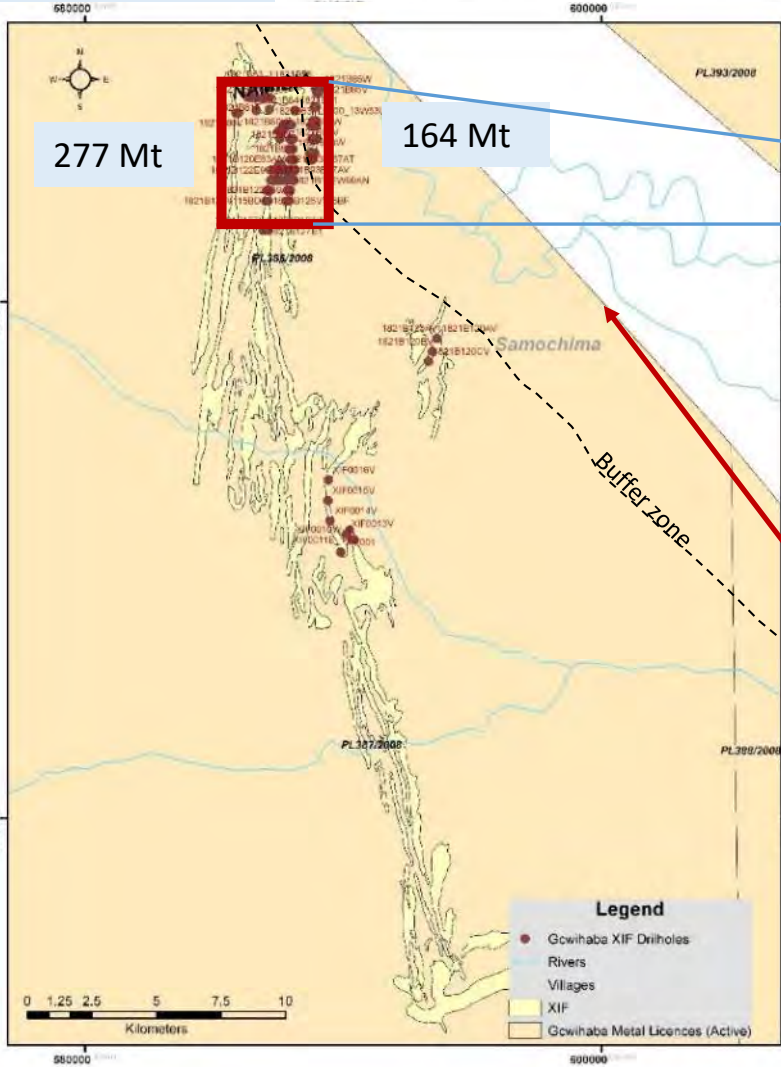
# Gcwihaba Metals Licenses Chronology

1. 2008 - seven PLs (386-392/2008) for Metals (iron) West of Panhandle were granted
2. 2008 to 2014
  - Iron Resource Drilling: 159 holes ~ **30,000m** of Drilling
    - Additional Exploration for Cu and REE targets (**80,000m**)
  - Iron Ore discovery - Defined **441 Mt** of Iron Resource (upgradable to + **67% Fe**)
    - This was done in good faith and Gcwihaba defined a world class iron ore project (a Jwaneng equivalent project in monetary size)
3. 2013 and 2014 - Prior to World Heritage (WH) designation: Minister Mokaila and PS Paya repeatedly stated:
  - *“the Botswana government would not allow the placement of any arbitrary boundaries against the development of its natural resources for the benefit of its people”*
  - In 2015 and 2016, they repeated this narrative again after WH designation
4. In 2014 after Gcwihaba Published its Iron Resource the Okavango Delta became UNESCO World Heritage Site
  - **Core and Buffer Zones Defined:** No consultation with Gcwihaba on this UNESCO process
  - **Buffer Zone encroached on** Gcwihaba’s Iron Resource
  - **164 Mt** of the 441 Mt suddenly inside the buffer zone (277 Mt outside buffer zone)
    - 164 Mt has a value of **\$6.8 Billion** (78 Billion Pula) at today’s prices
  - No fault of Gcwihaba (Expended over **\$25 Million USD on exploration**)

# Gcwihaba Metals Licenses Chronology

4. In July 2016 two (2) years after WH designation
  - License areas being discussed (seven) PL386-392/2008 were renewed in their **entirety** 4 of which had parts **in the buffer zone**
  - 3 other Licenses in the buffer zone West of Panhandle were also renewed
5. In 2014, 2015, 2016, 2017: DOM issued letters confirming **all licenses were in good order**
6. In 2017 a meeting was held between DOM and Gcwihaba to negotiate **licenses within the World Heritage area**
  - Gcwihaba proposed a solution in that **14 licenses (over 9,000 km<sup>2</sup>) were relinquished (dropped) in entirety**
  - However, on the precondition that **7 licenses (4,920 km<sup>2</sup>) were kept entirely as new licenses** (licenses being discussed here PLs 386-392/2008)
    - Reasons given in 2017 for keeping these licenses was that we had defined an iron resource
7. October 2018 these same 7 licenses were issued as initial license grants as PL020-026/2018 (4,920 km<sup>2</sup>)
  - Issued for 3 years as initial license grants

# PLs 020-026/2018: Initial Grant for 3 years 1<sup>st</sup> October 2018



Current License boundaries as issued in 2018





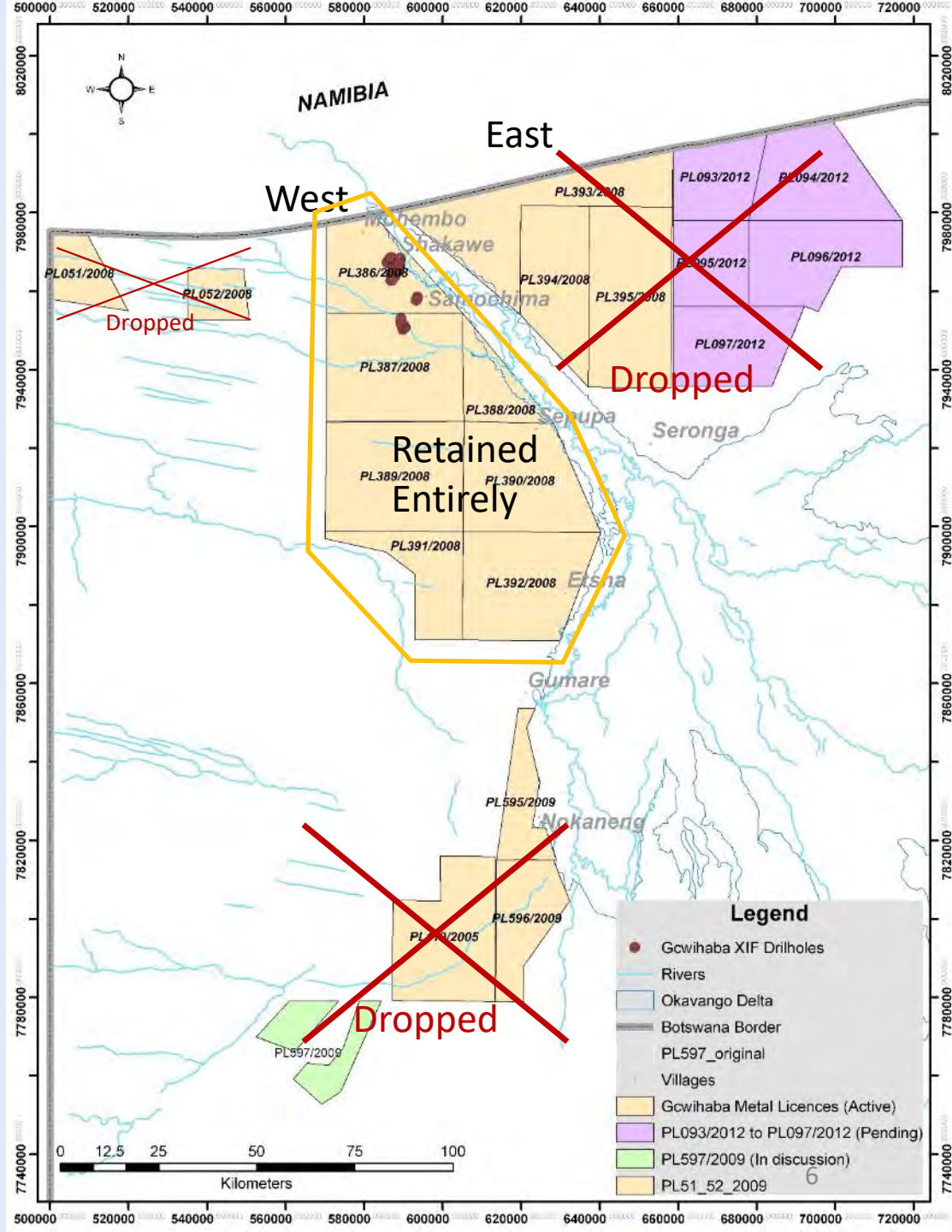
# License History Summary

## 2017 Negotiated on licenses within World Heritage area with DOM

- Solution that **14 licenses (+9,000 km<sup>2</sup>)** were relinquished (Dropped) in entirety
- Precondition
  - **7 (4,920 km<sup>2</sup>)** were kept entirely as new licenses
  - Reasoning was that Gcwihaba had defined iron resources

## October 2018 issued as initial license grants PL020-026/2018 (4,920 km<sup>2</sup>)

- Issued for 3 years as initial license grants



# Gcwihaba Metals Licenses Chronology

## 8. In June 2021

- Gcwihaba made application to **renew 5** of these PLs 020-024/2018
- Gcwihaba relinquished 50% of the land (2,496 km<sup>2</sup>) as per Mines and Minerals Act (including two whole licenses)

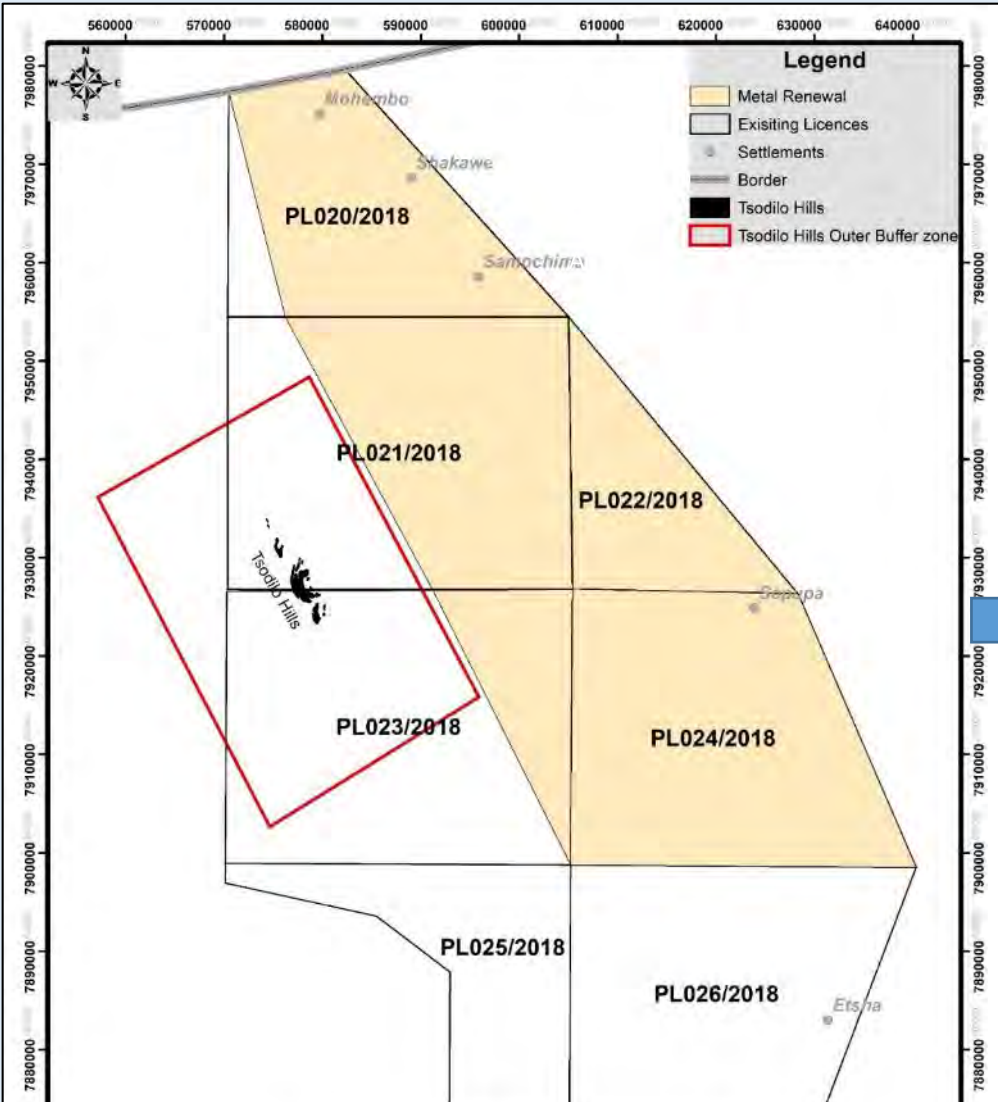
## 9. In October 2021

- After lengthy discussions with DOM staff **96%** (211.2 km<sup>2</sup>) of the area within the WH buffer zone were relinquished and the revised renewal was submitted
- Gcwihaba only asked to keep a small fraction **6%** (14.9 km<sup>2</sup>) of **one** license **PL020/2018** within a very small part (**0.03% 14.9 km<sup>2</sup> of 43,126 km<sup>2</sup> of the entire WH area**)
  - DOM staff accepted this revision as a good compromise to allow Gcwihaba to keep its defined resource while relinquishing as much buffer zone areas as possible

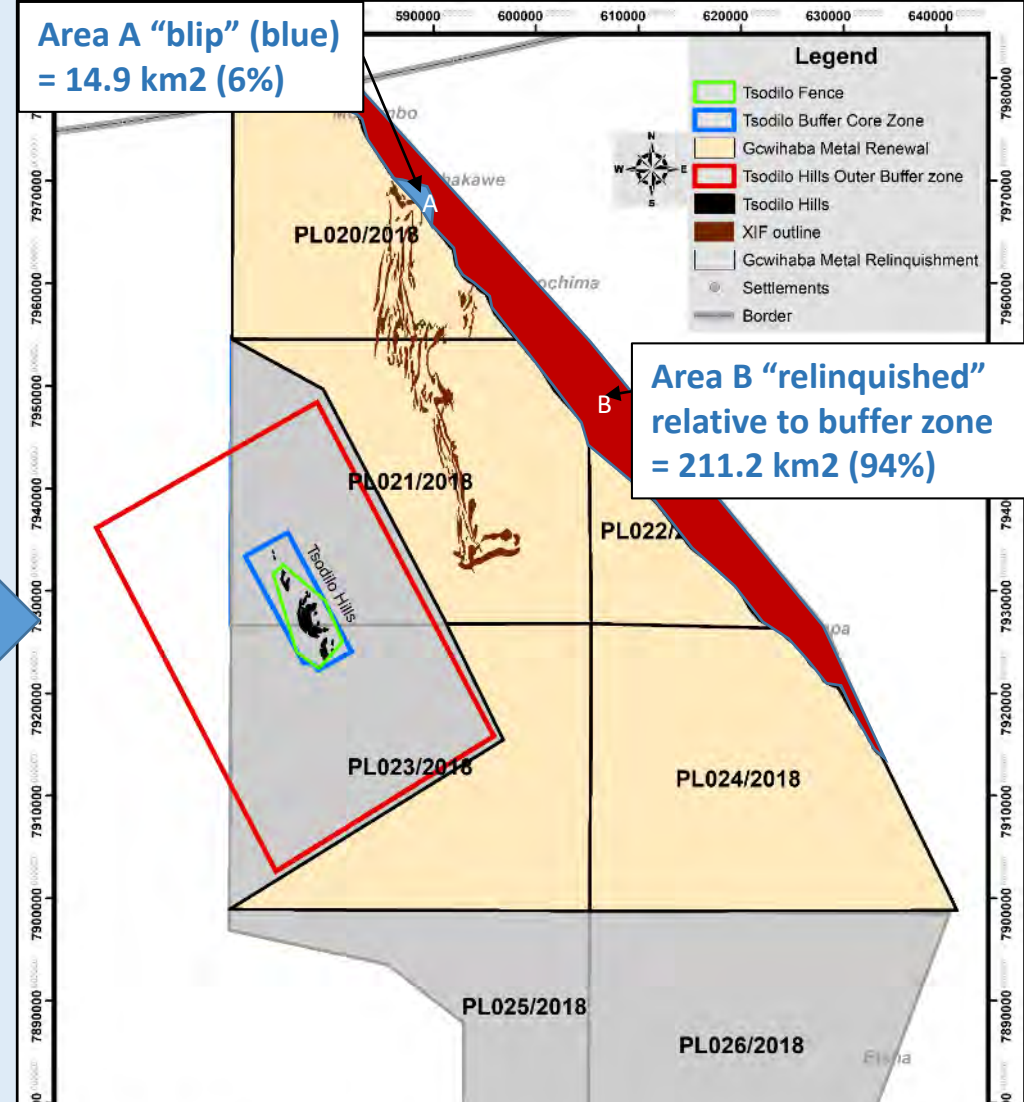
## 10. On the 1<sup>st</sup> November 2021 – Only 4 of the licenses PL021-024/2018 were signed by Ministry

- Communicated to Gcwihaba that there was still an issue with PL020-2018 to be discussed

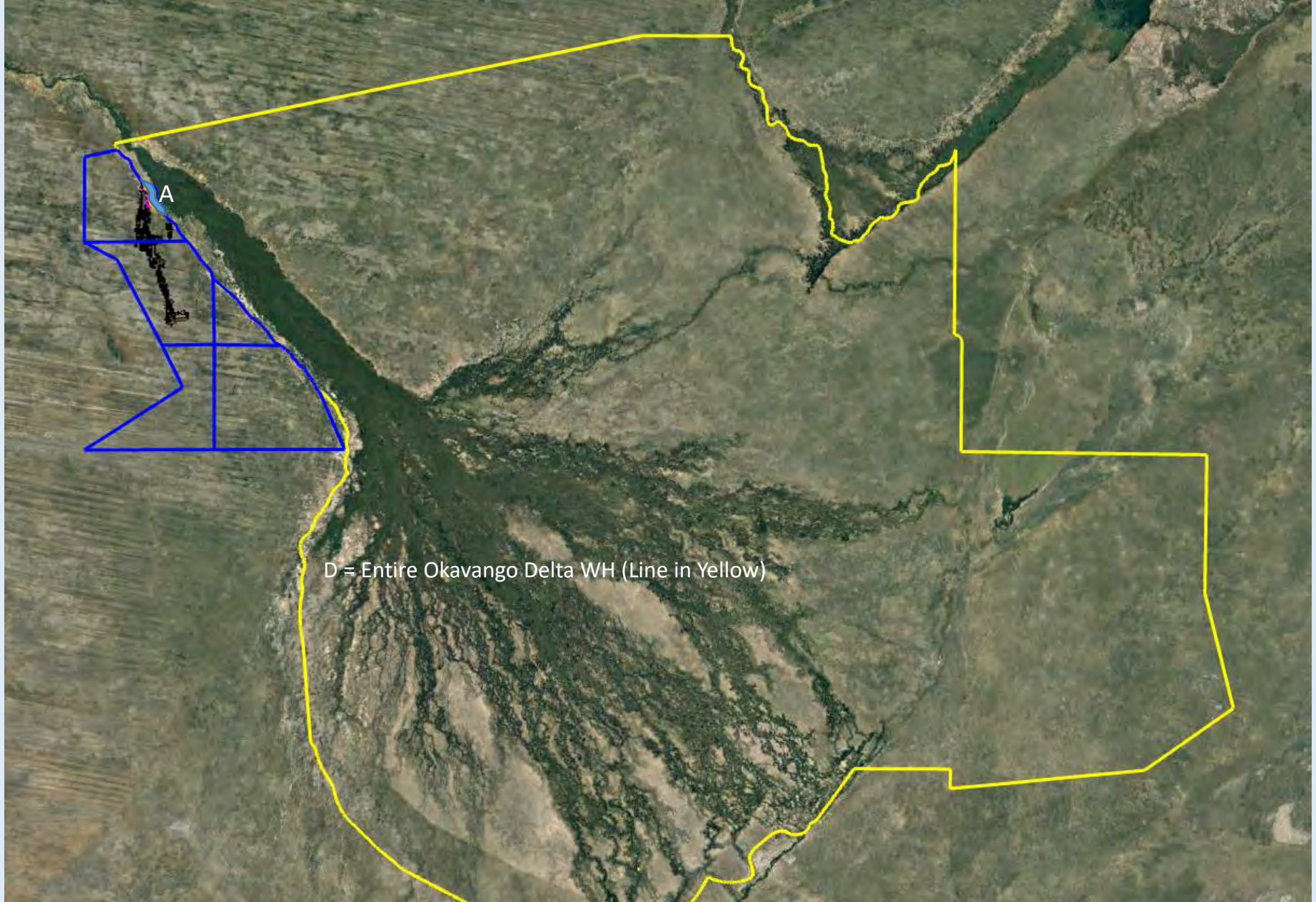
# Renewal Application June 2021 and Revised October 2021



Initial Application in June 2021 the Eastern boundaries were not changed only western side



However after discussion with DOM 94% of license in OKV WH buffer zone was relinquished in October 2021

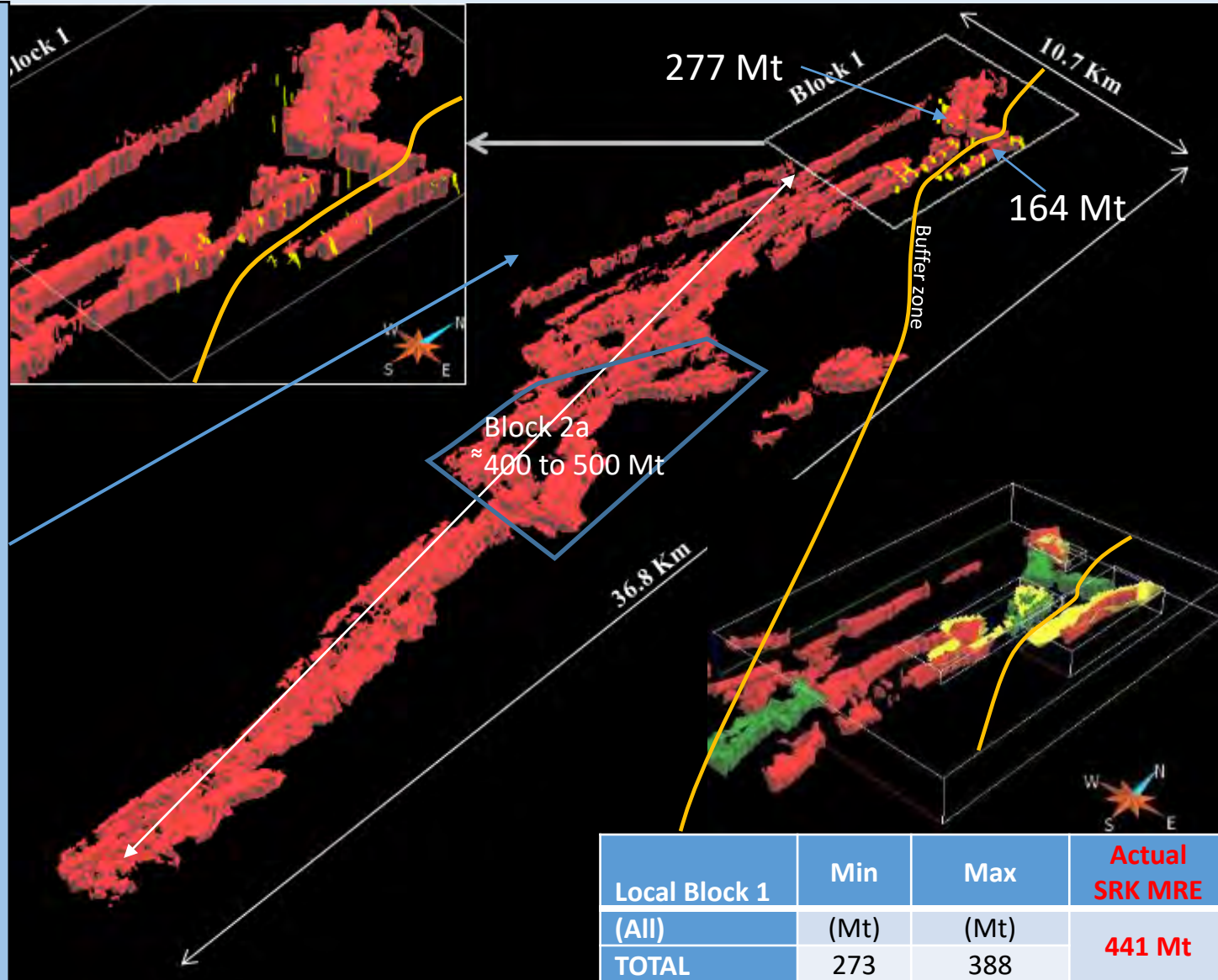


D = Entire Okavango Delta WH (Line in Yellow)

- A in blue = Area of in buffer zone = 14.9 km<sup>2</sup>
- Entire Area of all Okavango Delta (buffer zone area in yellow) = 43,126 km<sup>2</sup>
- **A = 0.03% of the Entire area of the Okavango Delta**

# The Iron Project is Very Large

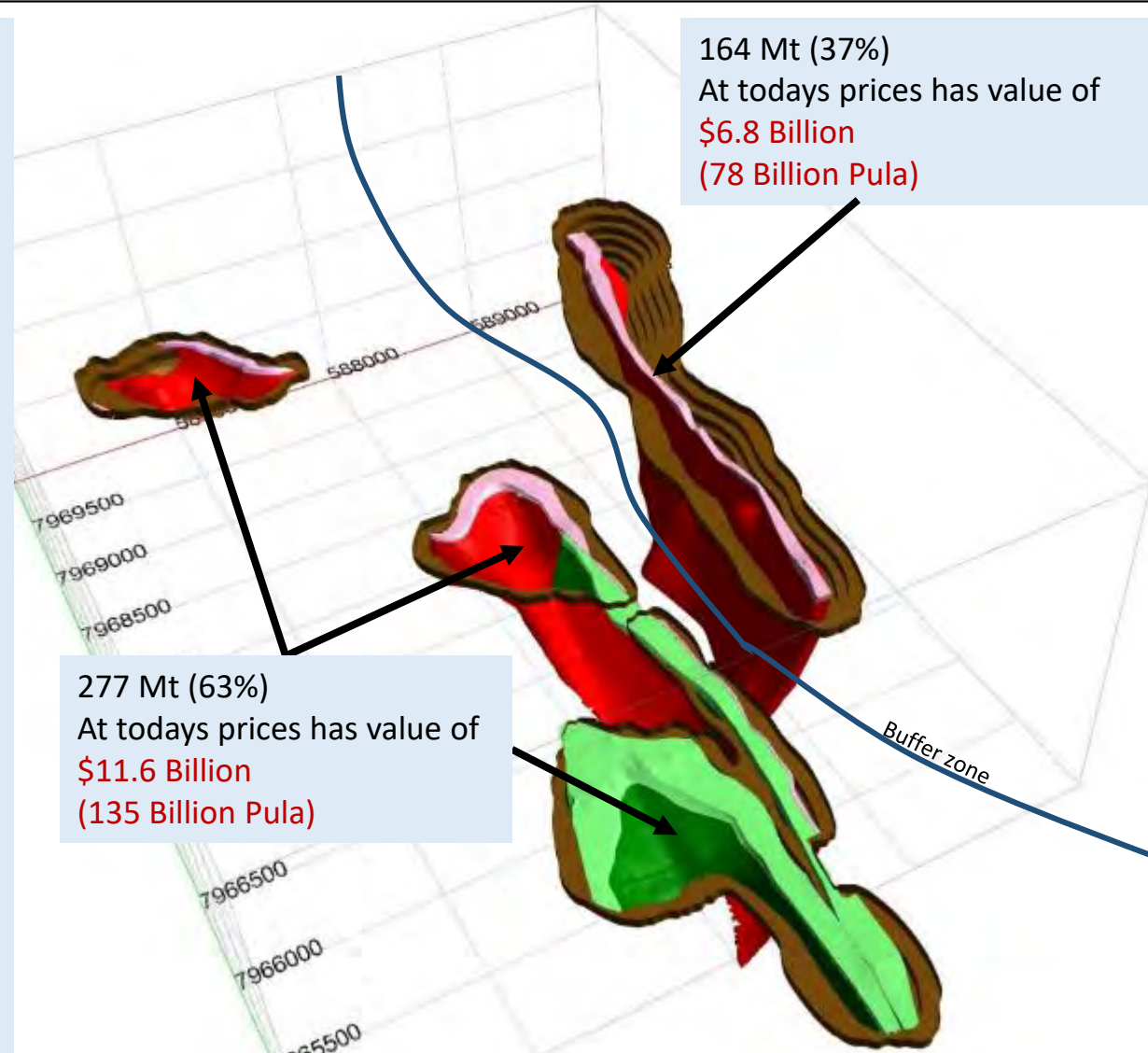
- Rest of deposit still exceptionally large and high value
- Very large Exploration Target
- = **5 - 7 Billion Tonnes**
- Note that 164 Mt is within error of the Exploration Target
- At today's price has a value of:
  - **210 Billion USD to 300 Billion USD**
  - **2,400 Billion Pula to 3,400 Billion Pula**
- 5 - 7 Billion tonnes places the XIF magnetite deposit in the top ten magnetite deposits by size globally, and the second largest in Africa



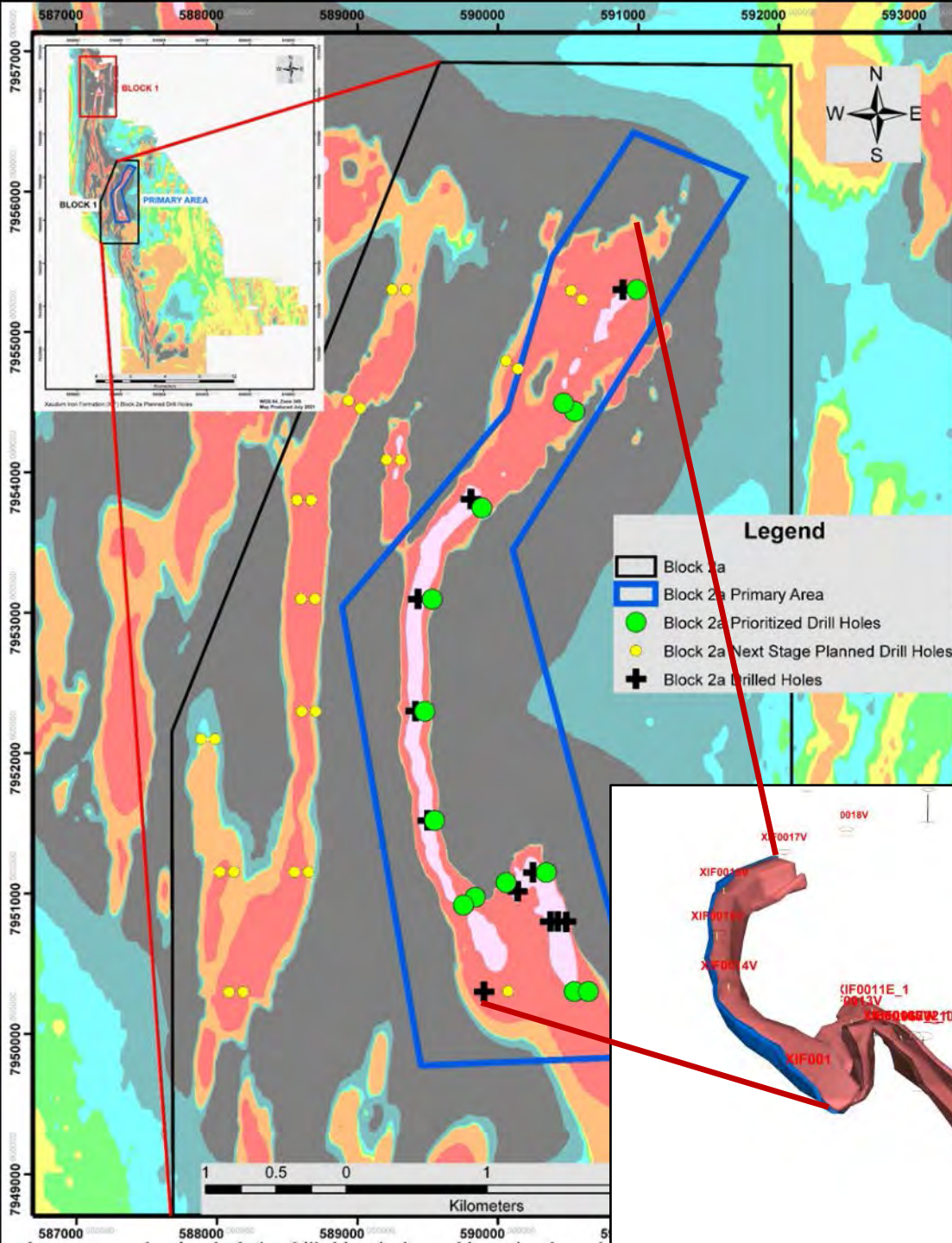
**Red area = Ground magnetic inversion model**  
**Current drill holes in yellow.**

# The Effect Reducing Block 1 by 164 Mt

- The project has always had an **excess of tonnage** (441 Mt) for its base case economic assessments
- **So 277 Mt is still an excess of the required tonnage** to make the MDCB and Gcwihaba base case mining options economic
  - **Reduction Zero effect of the Techno-Economic modelling calculation and resultant and NPV's and IRR's**
- Remaining 277 Mt (Block 1 only) will still give a mine life of over 30 years at 9 Mtpa for the two base case business scenarios combined
  - 1.8 Mtpa for the FeSi “blue sky” business case
  - 7.2 Mtpa for the “base case” concentrate sales
- **Gcwihaba has consulted with the MDCB adviser within the last week with respect to the reduction of the tonnage and it was confirmed that it will have zero effect on the business case for investment**

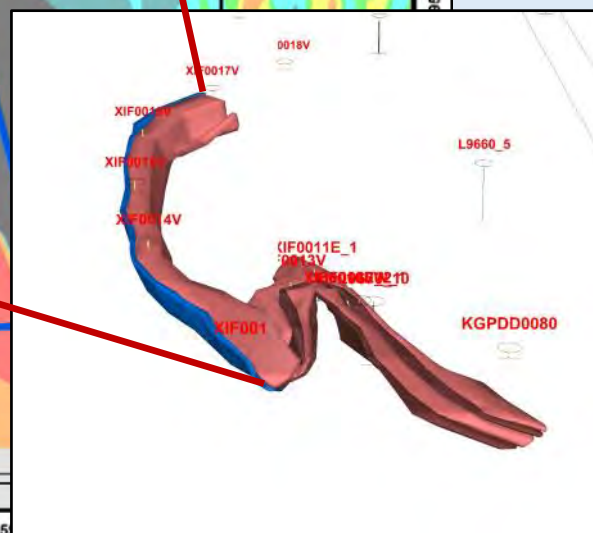


Note: NPV and IRR calculation are not impacted by life of mines (LOM) beyond 20-25 years



# Expanding Resource in Areas Further from WH Zones

- 400-500+ Mt of extra resource expected from Block 2a
- 50% already drilled and modelled
- 10 to 13 more holes to be drilled for inferred resource
- Assay results confirm that Block 2a is a continuation of the same Block 1 magnetite rich units
- 67% Fe concentrate can be expected from Block 2a - based on metallurgy



- Block 2a will represent a significant increase in the resource tonnages as it is of a similar size to Block 1
- The rest of Block 2 and beyond will only add more tonnage up to 2-3 billion tonnes plus for expansion scenarios

# Net Revenue Comparison – Perspective of Size

	Million Tonnes Per Annum	Life of Mine	Net Revenue Per Year (USD)	Net Revenue Life of Mine (USD)
Tsodilo Iron Ore Mine Stage 1: FeSi Production	1.8	+30	\$480 Million USD	\$28.3 Billion USD
Tsodilo Iron Ore Mine Stage 2: Base Case	7.2	+30	\$200 Million USD	\$11.8 Billion USD
Tsodilo Iron Ore Mine Stage 3: Upsize	63	+70	\$2.1 Billion USD	\$153.3 Billion USD
Khoemacau Copper Mine	5.8	22	\$41 Million USD	\$900 Million USD
Lucara Karowe Diamond Mine	3.0	14	\$222 Million USD	\$4.9 Billion USD
Debswana (All In)	-	-	\$3 – 3.5 Billion USD	-

\*Tsodilo Iron Ore Mine Figures based on Independent Techno Economic Modelling

***Note: The Techno-Economic Study that these scenarios are based was conducted by a Independent Consultant in April 2020 – Long term Iron ore (62% Fe) price used was 75.00 USD / tonne / Global prices are currently over 100 USD/tonne***



# Proposal to Drop All Buffer Zone

If after consideration, Honorable Minister was disposed to proffer the following proposal, we would be inclined to accept it as it resolves buffer zone issues and completes the MDCB investment:

## Steps

1. PL 020/2018 is renewed as it was submitted in October 2021 inclusive the portion in the buffer zone.
2. Gcwihaba agrees to include language in the MDCB / Gcwihaba investment documents which requires Gcwihaba to relinquish the area in the buffer zone upon completion of the MDCB investment:
  - a) At such time, DOM shall issue a revised PL020/2018 license modified to exclude the area in the buffer zone.
3. At the same time, DOM shall issue a letter to Gcwihaba stating that Gcwihaba shall have the right of first refusal to acquire the area relinquished in the buffer zone if the Government:
  - a) decides to modify the buffer zone to exclude the area relinquished (by Gcwihaba); or,
  - b) otherwise permits any prospecting or mining license in the Okavango Delta World Heritage site.

# Iron Project Conclusions - Major Mining Project

- Potential Massive project
- Potential mine life of over 60 years
- Development of Ngamiland (NW Botswana) one of Botswana poorest regions
- Potential for employment of thousands of Botswana
- Could generate huge revenues for the population and taxes for the Government to move away from reliance on Diamond revenue



# Tsodilo Joins Walvis Bay Corridor Group



- Gcwihaba joined the Walvis Bay Corridor Group (WBCG)
- Corridor between Grootfontein (Namibia) to Katima Mulilo
  - Passes through Divindu (Namibia) 22 miles (36 km) from the XIF project
- Namibian Ministry of Works and Transport commissioned a Feasibility Study for the railway Extension Grootfontein - Rundu - Katima Mulilo (March 2021).
- Feasibility study for this rail line is expected to be completed by the end of 2021 and its results will be considered in the PEA
- The project is also located within forty-three (43) miles of the proposed Mucusso line to Angola's Namibe Port