



18 July 2024

***BOTALA-LED CONSORTIUM AWARDED TENDER FOR 4MW SOLAR PROJECT IN SEROWE, BOTSWANA***

**Highlights**

- **Botala-led consortium wins 4MW Solar tender from Botswana Power Corporation.**
- **Strong Project Economics secured by a 25-year, CPI linked Power Purchase Agreement.**
- **Significant step in developing Botala's diversified energy portfolio.**
- **Located in Botala's Serowe Energy Hub next to its proposed 20MW gas/solar hybrid.**
- **Botala's equity is fully funded against project development fees.**

**Serowe 4MW Tender Award**

Botala Energy Ltd (ACN 626 751 620) (**Botala**) is pleased to announce that the Botswana Power Corporation (**BPC**) (Botswana's sole power utility and 100% owned by the Government of Botswana) awarded a tender for a 4MW Solar Power Plant in Botala's proposed Serowe Energy Hub (**Project Phuthi**) to the Botala formed and led, citizen owned Serowe Solar Consortium (**Consortium**). Botala has entered into a binding power purchase agreement (**PPA**) in respect of Project Phuthi, the material terms of which are set out below.

Botala, as Project Leader and 49% owner, will construct and operate the power facility.

Other owners are Botswana-based:

- Ngwato Development Trust representing residents and traditional leadership.
- Base Agencies – Civil's Partner.
- OCEF Engineering Botswana – Electrical engineering partner.

Demonstrating Botala's commitment to community and social welfare, 1% of revenue will be spent on social and community programmes in Serowe.

The award of the tender is a significant milestone and is the next step in the development of a medium-scale solar pilot project announced on 23 October 2023. Botala's focus in the next twelve months is to drive the development of hybrid power stations in its Serowe and Leupane Energy Hubs, consisting of the following:

**a. Project Pitse** (Serowe 3; 5-well pilot cluster):

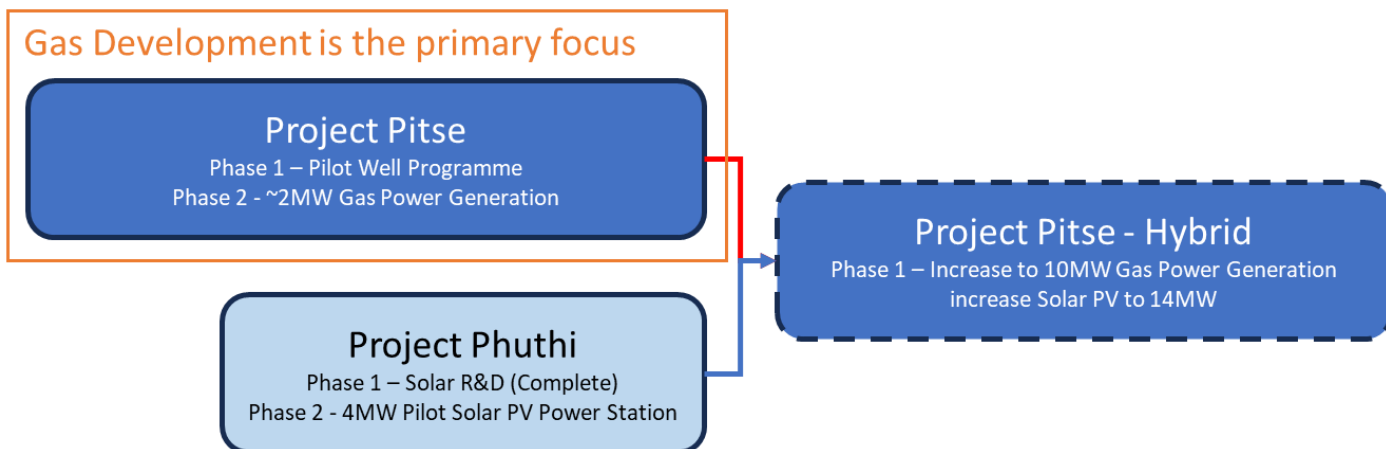
- Phase-1: Pilot Well Programme: a 5-pilot well cluster to demonstrate commercial gas flow and production in late 2024 (**Current Phase**).
- Phase-2: Small gas power generation, ~2MW.
- Phase-3: Hybrid Power Station for development of gas production.

**b. Project Phuthi** (Serowe Energy Hub):

- Phase-1: Solar Power generation research (**Complete**).
- Phase-2: 4MW Pilot Solar Power Station (**Current Phase**).
- Phase-3: Increase by adding 10MW solar and 10MW gas hybrid as shown in Figure 1.
- Environmental approval is expected imminently.

**c. Project Leupane:** Leupane Energy Hub (500MW solar/200MW gas hybrid) and Industrial Park near Palapye:

- i. Phase-1: Feasibility Study of Stage-1 (250MW) of 500MW solar is ongoing and funded by AAAS Energy BV. (Netherlands) to A\$1million to earn a 50% interest in the 250MW solar plant.
- ii. Environmental approval is expected imminently.



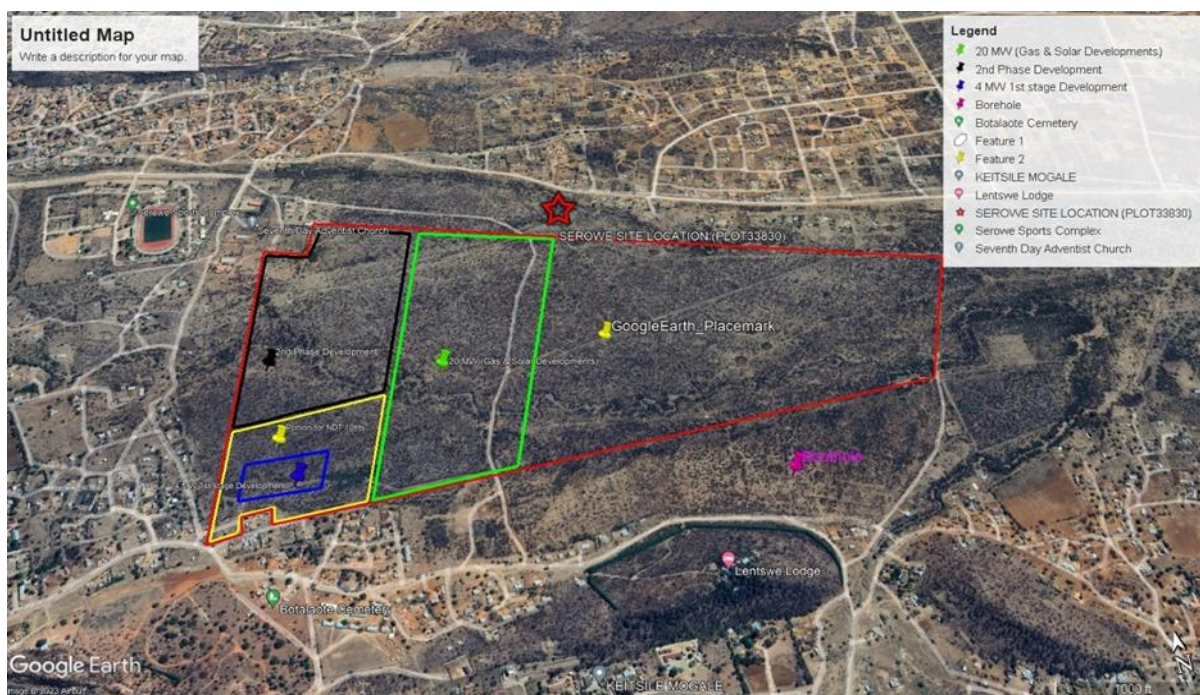
**Figure 1 - Project Development Flow**

This aligns with Botala’s strategy of establishing local commercial footprints in gas projects and solar/renewables and provides a stepping stone to developing gas/solar hybrids as described in Botala’s IPO Prospectus of 16 May 2022.

In summary:

- Botala will lead the Consortium which will own and develop Project Phuthi as per the BPC Tender re: *development, financing, construction, operation and maintenance of 7 solar photovoltaic power projects in Botswana.*
- Project Phuthi will be located in the Serowe Energy Hub of 110ha, subleased for 37 years by Botala from the community based Ngwato Development Trust of Serowe.
- Project Phuthi’s 4MW solar is owned by Botala Solar Farm (Pty) Ltd.

The 4MW solar pilot plant will be additional to the 20MW gas/solar hybrid proposed and owned by Botala for the Serowe Energy Hub (Figure 2). Figure 3 shows in blue the suggested layout of the 4MW solar plant which will connect to nearby power lines.



**Figure 2 – Serowe Energy Hub location and suggested layout within the village of Serowe.**



Figure 3 – Proposed layout of the 4MW solar plant within the Serowe Energy Hub and power line route to the nearest power corridor

### Project Description

BPC advised the Botlala led Consortium that it succeeded in its bid to build, own and operate a grid connected 4MW Solar Photovoltaic (PV) power plant with BPC. The PPA has now been executed and a summary of its material terms is set out below.

Project Phuthi will be 4.2km from BPC’s 66/11kV substation. Electricity will be connected via a 11kV busbar into BPC’s National Power Grid, with access to Botswana and the Southern African Power Pool. Grid connection studies completed with BPC confirmed the location is a suitable tie-in point for a 30MW power-station.

Project Phuthi will be an important precursor and additional to Botlala’s proposed 20MW gas/solar hybrid within the Serowe Energy Hub<sup>1</sup> and the planned staged development of a 500MW solar and 200MW gas hybrid within Botlala’s Leupane Energy Hub and Industrial Park near the large village of Palapye.

Environmental approvals for both Energy Hubs are the subject of two Environmental Impact Assessments and expected shortly.

The Engineering Procurement and Construction (EPC) and Operations and Maintenance (O&M) partner is Kgalagadi Resources Development Company (Pty) Ltd, trading as Solar Power Botswana (subject to binding documentation).

Mobilisation for commercial construction is expected to commence around November 2024 and commissioning is scheduled for mid-2025.

### Ownership Structure and Responsibilities.

Ownership and responsibilities of the Serowe Solar Consortium (*Botlala Solar Farm (Pty) Ltd*) are as follows:

Consortium Member	Ownership (%)	Roles & Responsibilities
Botlala	49	Project Developer & Operator
Base Agencies	15	Civil’s support
Ngwato Development Trust, Serowe	26	Community representation
OCEF Engineering	10	Interconnection coordination

<sup>1</sup> Project Pitse is Botlala’s inaugural commercial pilot programme targeting development of the Serowe CBM Project and is subject to successfully producing gas at a commercial flowrate.

## Financial Support

The total project cost to commercial operation is estimated to be A\$6.6m and will be funded by a mix of equity (20%) and debt (80%).

Botala's equity contribution of approximately A\$0.65million, will be funded from its project development fees (funded as part of Botala's early-stage R&D Budget).

As at the date of this announcement, Botala is in discussions with a number of potential debt providers in connection with Botala's required 80% debt contribution to Project Phuthi, however investors are cautioned no terms have been agreed and there is no guarantee Botala will be able to source such debt financing on terms acceptable to Botala, or at all. If Botala is unable to source appropriate debt financing it would likely forfeit its interest in Project Phuthi.

## Project Milestones and Key Terms of the PPA

The PPA between Botala and BPC is for a 25-year term (Term) commencing on 17 July 2024 with the 25-year term commencing on commercial operation in 2025. The PPA has an inflation linked initial tariff and includes a commitment to a social programme which includes:

- Local employment and skills development.
- Workplace equity.
- Support for the SOS Children's Village (an Orphanage).
- Community development initiatives.

The Term may be extended for an additional 24 months by mutual agreement of the parties, not later than 18 months prior to the expiry of the Term.

Project Milestones, are anticipated as follows:

<b>Milestones</b>	<b>Quarter</b>
Signature of PPA	Q3 2024
Closing Date	Q4 2024
Financial Closing Date	Q4 2024
Notice to Proceed – EPC Contractor (NTP)	Q4 2024
Start of Site Mobilisation	Q1 2025
Start of Site Construction	Q1 2025
Completion of Interconnection Works	Q3 2025
Commissioning of Interconnection Works	Q3 2025
Mechanical Completion of the Plant	Q3 2025
Energisation of the Plant	Q3 2025
Start-up Tests	Q3 2025
Performance Tests	Q3 2025
Scheduled Commercial Operation	Q4 2025

## Conditions Precedent

The PPA includes various conditions precedent (**Conditions Precedent**) considered standard for an agreement of this nature, the material of which include, and must be satisfied on or before July 2025 (**Long Stop Closing Date**):

- Execution of financing documents and/ or commitments to make equity contributions to BPC covering 100% of the total capital cost of Project Phuthi (**Financing Documentation**).
- Confirmation of the satisfaction of all Conditions Precedent under the Financing Documentation.
- True and complete copies of all necessary approvals (including a general licence) have been obtained.
- Execution of the EPC contract.
- Provision of certificates of Insurance.

The Long Stop Closing Date is subject to the parties acting reasonably to agree necessary adjustments to accommodate certain delays in satisfying the Conditions Precedent attributable to delays by Botswana Energy Regulatory Authority (BERA) in granting a generation licence, breach by an offtaker of the PPA or a local political risk event.

Investors are cautioned that if the Conditions Precedent are not satisfied or waived (as applicable) in accordance with their terms, the PPA may be terminated (refer below to termination events).

Further, whilst not expressly incorporated in the PPA as Conditions Precedent, the following matters must be resolved before the project can proceed:

- BERA licencing approval; and
- Environmental approvals.

### **Sales & Pricing**

Pursuant to the PPA, following successful testing, the Consortium's special purpose vehicle (**Generator**) may deliver to BPC and BPC shall accept net electrical energy generated or produced during the early generation period and commercial operation period.

The price payable to the Generator for supplying net electrical energy shall be based on an agreed energy charge rate (indexed annually based on the Botswana CPI).

To the extent BPC instructs the Generator to curtail capacity, the Generator will also be entitled to receive the energy charge rate based on deemed net electrical energy delivered.

### **Botata's Obligations**

Pursuant to the PPA, the Generator has the following material obligations:

- Providing development security in the form of an irrevocable and unconditional standby letter of credit, on-demand performance bond or bank guarantee or such other form as is acceptable to BPC.
- Obtaining all necessary approvals (at its costs).
- Developing, financing, designing, engineering and constructing Project Phuthi in accordance with an agreed construction schedule.
- Implementing a local content plan which requires local job creation, skills development and social contributions, to a total cost of 1% of revenue.
- Attending to grid synchronisation.
- Maintaining insurance (at its sole cost and expense).
- Remedying plant damage.
- Not exceeding an agreed maximum power output for Project Phuthi.

### **Termination Events**

The PPA may be terminated, before the closing date:

- by BPC, immediately, if the Generator fails to deliver the required development security or if closing is not achieved before the Closing Long Stop Date solely due to a failure of the Generator; or
- by either party, on 30 days prior written notice to other of them, if the closing date is not achieved before the Closing Long Stop Date.

The PPA may also be terminated by either party, on 30 days prior written notice, if the other of them commits certain usual events of default.

In the event of termination, there is a put and call option whereby BPC may exercise its right to purchase, and the Generator may require BPC to purchase Project Phuthi within 60 days of termination for:

- where termination occurs due to a Generator event of default, certain prolonged force majeure event or event of loss which cannot be remedied: an amount equal to senior creditor claims, less outstanding shareholder commitments, less insurance proceeds; and
- in all other cases, senior credit claims, plus shareholder's' contributions outstanding, plus an agreed percentage return on shareholders contributions outstanding, plus termination costs, minus insurance proceeds.

The PPA otherwise contains terms and conditions considered standard for an agreement of this nature in Botswana.

## Main activities

Exploration and development of the Serowe CBM Project and early-stage gas production remain Botala's main activity. Obtaining commercial gas flows remains the key focus of Botala's exploration and advanced gas flow studies at its Serowe 3 5-pilot well cluster and are proposed for its Serowe 7 well (**Project Naledi**). Environmental approval for commercial development of Botala's gasfield has been secured, complete with a pipeline to the proposed Leupane Energy Hub and Industrial Park, and was announced on 23 January 2024.

Botala will combine gas with solar in gas/solar hybrids to produce reliable, affordable, sustainable and environmentally friendly electricity and facilitate the transition to renewables. Development of a 20MW commercial gas/solar hybrid in the Serowe Energy Hub is under design.

Botala views this 4MW project as an important technical, commercial and managerial pilot for the 10MW and 500MW solar components of its proposed gas/solar hybrids.

Recognition<sup>2</sup> of the importance of solar to Botala's future integrated energy business led to a binding Memorandum of Understanding with Solar Finland, a manufacturer of quality solar PV panels to manufacture PV panels in Botswana for the huge and growing Southern African market, currently met totally by imports, and for Botala's own internal requirements as reported to the ASX on 5 and 7 September 2022.

**Botala's CEO, Kris Martinick, commented: "Award of the 4MW solar project marks an important step in Botala becoming a diversified energy company. Anchored on our substantial gas resource, we see this solar project as the first commercial pilot to develop capacity to implement our 24MW gas/solar hybrid in Serowe and our 700MW hybrid near Palapye.**

***We look forward to working with our partners in finalising this important project."***

This ASX announcement was approved and authorised for release by the CEO.

Yours faithfully

**BOTALA ENERGY LTD**



Kris Martinick

**Chief Executive Officer**

**For more information please contact:**

Kris Martinick.

This report is lodged on Botala's website, [www.botalaenergy.com](http://www.botalaenergy.com)

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<sup>2</sup> Funds from the 'Botala Research and Development for proposed renewable projects' outlined within the IPO Prospectus document.

## **About Botala**

Botala Energy Ltd (ACN 626 751 620) is an ASX-listed coal bed methane (**CBM**) exploration and development company focussed on developing production from its 100% owned Serowe CBM Project located in a high-grade CBM region of Botswana (and related early-stage renewable energy opportunities). Botala (as Operator) is focussed on developing the Serowe CBM Project and believes that there is a considerable opportunity for it to commercialise the project due to the demand for stable power supply in Botswana. Botala is listed on the Australian Securities Exchange and the Botswana Stock Exchange.

## **Forward-looking Statements**

This document may contain certain statements that may be deemed forward-looking statements. Forward looking statements reflect Botala's views and assumptions with respect to future events as at the date of the Announcement and are subject to a variety of unpredictable risks, uncertainties, and other unknowns that could cause actual events or results to differ materially from those anticipated in the forward-looking statements. Actual and future results and trends could differ materially from those set forth due to various factors that could cause results to differ materially include but are not limited to: industry conditions, including fluctuations in commodity prices; governmental regulation of the gas industry, including environmental regulation; economic conditions in Botswana and globally; geological technical and drilling results; predicted production and reserves estimates; operational delays or an unanticipated operating event; physical, environmental and political risks; liabilities inherent in gas exploration, development and production operations; fiscal and regulatory developments; stock market volatility; industry competition; and availability of capital at favourable terms. Given these uncertainties, no one should place undue reliance on these forward-looking statements attributable to Botala, or any of its affiliates or persons acting on its behalf. Although every effort has been made to ensure this Announcement sets forth a fair and accurate view, we do not undertake any obligation to update or revise any forward-looking statements, whether because of new information, future events or otherwise.