

# Environmental rehabilitation liability of BCL deters buyers

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Botswana's state-owned miner and smelter BCL, the subject of the country's largest liquidation, has a large environmental rehabilitation problem that has made a sale of the assets nearly impossible. But there are plans to try to reduce the liability that contributed to the crippling of the badly managed company.



Photo: *Daily News*

While 46 parties expressed interest in BCL's assets, which include suspended underground mines and the smelting complex - one of the world's largest nickel smelters - barely any of them were worth the paper they were written on. The more serious parties were unwilling to proceed once they became aware of the environmental liability of more than 3-billion pula (\$285.9m).

The provisional liquidator essentially has two options to present to the government, the largest creditor to the failed company that represented 4% of Botswana's GDP and employed more than 5,000 people. It could close everything and let the state pick up the rehabilitation bill.

Alternatively, it could reduce the liability, which combined with a rising nickel price and improved sentiment towards the electric vehicle-battery mineral, could entice a buyer to restart the mines and the smelter. This could take up to five years.

BCL was placed in final liquidation in June.

It is not yet clear whether the government, already greatly exposed to BCL, would be willing to take a bet on the KPMG liquidator, the effective owner of the assets, coming up with a strategy to find a solution to an environmental legacy built up over decades - and made worse by the BCL leadership dipping into the rehabilitation fund to pay operating costs in 2015, according to a report from the provisional liquidator released in October.

The report was damning in the way BCL was managed, hamstrung by directors with limited knowledge of mining and the metals markets, the inability to effect a muchneeded restructuring to reduce employee numbers, and the neglect of the resources to replace mined tonnes, which a new owner would have to rectify at a large cost by drilling and ramping inferred resource up the confidence rankings to mineable reserves.

"The main identified reasons for the company's insolvency, so far, are that it was due to very poor and inadequate governance and management," the provisional liquidator's report in October to about 800 creditors read. "The board exercised poor governance over strategic direction and executive management. This was coupled with a weak, incompetent and inexperienced management team that was unable to adapt to changing market circumstances," the report read.

Due to the closure of the mines and smelter, there was a loss of 10,400 direct and indirect jobs representing 3% of the total formal employment in Botswana. Underscoring the mismanagement of BCL, the report highlighted that despite its pitiful financial state, BCL entered two transactions with Norilsk Nickel, buying Tati, a mothballed mine, and an unconcluded \$271m deal to buy the Russian company's 50% stake in SA's Nkomati Nickel shared with African Rainbow Minerals. Norilsk, eager to quit Southern Africa, is pursuing the Botswana government in court.

Attempts in 2017 by the government to secure a buyer for BCL from the Middle East were stillborn. There is interest in Tati. While the government is likely to want Tati to be included in the BCL assets bought by an investor, there is an argument to be made for Tati to be separated and sold individually, creating a source of nickel concentrate for the Selebi Phikwe smelter.

Another consideration is bringing in a company to reprocess the tailings to extract nickel and copper and pumping the residue into a large, closed pit, eliminating one of the major environmental liabilities.

**Source:** *Business Day*

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