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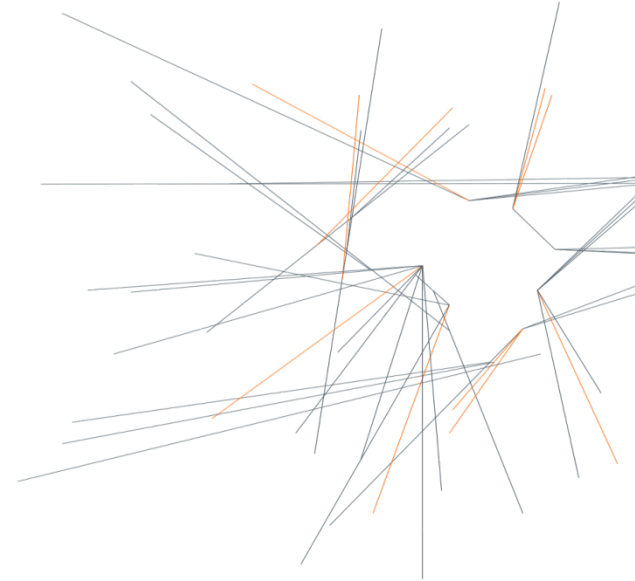
## MINING PROJECTS IN AFRICA

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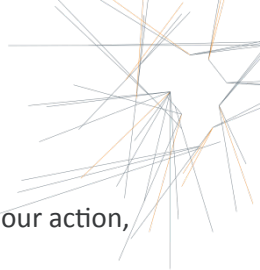
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South Africa

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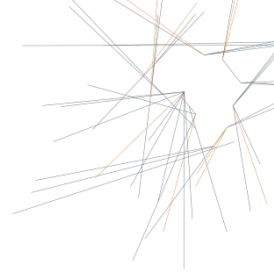
# THE ARENA



- High potential in mining & associated infrastructure but the last 3 years have seen a decline owing to local cost pressures, labour action, and a continuing downswing in commodity prices but there are signs of recovery
- Diverse continent in terms of languages, culture and systems of law. Some similarities and increasing economic and legal harmonisation
- Africa remains a volatile playing field with some 24 general elections in 2017 (according to EISA)
- Shifting political arena brings with it a review of:
  - the State's role in the industry – passive regulator/ active player
  - Tax and royalty regimes approved in May 2016 (Zambia)
  - Mining Codes (adopted in Guinea in April 2013/ Angola in September 2011/ Tanzania in 2017/ Mozambique in September 2014)
- Accountability, transparency and the sustainable development of finite natural resources for the betterment of the populace as a whole are key in elections with a shift against those in power seeking to grab as much of the pot for themselves
- Compliance with and the enforcement of anti-corruption laws (both local and international), as well as sanctions against rogue states and individuals are making their presence felt. The FCPA has become more prominent, as well as the UK Bribery Act
- Transparency is receiving greater attention through the Extractive Industries Transparency Initiative



# MINING PROJECTS IN AFRICA



# RESOURCE NATIONALISM



- Foreign investment by the mining sector plays a fundamental role in the growth of many of the developing economies on the continent
- Host governments are forming strong views on the role that mining companies should play in sustainable development
- Increasingly important for African countries that they derive lasting benefit from the exploitation of their finite mineral resources
- Benefits are being sought on various levels:
  - Ownership\* (SA, Guinea, Zimbabwe, Tanzania)
  - Community development\*
  - Infrastructure development\*
  - Employment and skills transfer
  - Health, safety and the environment
  - Beneficiation\*
- Other key actions taken by host governments include:
  - resource rent taxes, increased royalties or other taxes (Zambia, South Africa, Burkina Faso, Zimbabwe, Mozambique)
  - greater controls over foreign investment
- Economic equilibrium - mitigate risk through balanced arrangements – profitable for all stakeholders (investors, shareholders, host country and population)

# OWNERSHIP

- A number of countries are reviewing the manner in which they and their citizens participate in mineral projects. Views vary from the State acting as passive regulator through to calls for nationalisation
- Local ownership requirements becoming prevalent, be it through the formal enactment of such requirements or more informally through such requirements being incorporated as a condition of the grant of rights
- Requirements may take several forms:
  - Requiring citizens or companies controlled by citizens to own equity in the company granted the mineral title (South Africa, Botswana, Mozambique, Namibia, Zimbabwe). Inherent tension in maintaining local equity component versus funding requirements
  - Free carry for the State or State owned entities with or without an option to take-up a further interest on a commercial basis (Guinea/ Botswana)
  - Reserved activities for locals only – usually small scale mining activities determined according to, amongst others, size of mining area, value of the investment, production capability or specific areas set aside therefor



# BENEFICIATION

- Increased emphasis on extracting greater value from mineral products, with mineral beneficiation being seen as a driver of employment, skills and industrial development and ensuring maximum value from mineral products accrues to local fiscus
- Shortage of power remains a major constraint
- Requirements may take several forms:
  - Investment in and development of an industry in the country - requirement to develop diamond cutting in Botswana, local gas industry in Mozambique
  - Access to mineral products – requirement to supply State and/or local processing entities
  - Obligation to establish processing installations, for example, steel mills
- Value shifting being closely monitored – generally an explicit requirement to provide services, sell mineral products on arm’s-length terms
- Taxes adjusted to promote local beneficiation – tax benefits for set up of local installations - penal / increased tax rates for export of unbeneficiated minerals



# OPPORTUNITIES IN THE MINING INDUSTRY



Ghana	Zimbabwe
Ghana has had a recent oil-fueled growth	Zimbabwe has undergone a recent regime change. As such, many in the international community are eager to invest.
The national government has committed oil revenues to support small-scale agriculture.	Zimbabwe has the geological resource base to step up production of lithium. However, investors are still hesitant.
In rural Ghana more than a million people work in informal mining activities, many of whom are also small-scale farmers. There may be ways to benefit from the formalization of small-scale mining	There is great opportunity to invest in Zimbabwe while others are still nervous about the regime change.
Ghana was the best performing mining jurisdiction in Africa, ranked 22nd out of 91 jurisdictions globally in the annual Fraser Institute's Annual Survey of Mining Companies.	It has been suggested that Zimbabwe's mining sector has the capacity to generate \$18billion per annum from its 800 mines, whereas currently it is reportedly only generating \$2billion per annum



# OPPORTUNITIES IN THE MINING INDUSTRY



South Africa	Botswana
Jacob Zuma has been replaced by Cyril Ramaphosa as president of South Africa which has also lead to a cabinet reshuffle resulting in Gwede Mantashe being made Minister of Mineral Resources	Botswana’s mining policies are “clearly defined and obtaining all required mining permits is relatively quick and straightforward compared to most countries worldwide”
Markets have reacted positively to the change in leadership in the Presidency and the ministerial position. This move has been seen as a move toward stability in the mining sector	Botswana will head to the elections in 2019, which always brings with it political uncertainty.
Government has a renewed vigour to resolve the regulatory impasses in the mining industry. This will result in much needed clarity for potential investors.	Botswana could soon have a new Mines and Minerals Act
The change in leadership, past infrastructure, recovering mineral prices and the natural resources of South Africa, creates the perfect opportunity for investors	Draft suggestions are in line with modern mining laws, detailing matters such as security on return for investors, government participation in mining projects, progressivity of the fiscal regime, environmental obligations, local procurement of labor and services, and rehabilitation

# OPPORTUNITIES

- Countries across Africa are making a move to encourage investors to return to their shores.
- Although changes in regimes bring uncertainty, opportunity is inherent in times like these.

