

“Exploration, Investment and Development for Miners, Financiers and Investors – Canada as a Source of Investment for African Mining”

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promoting trade & investment
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A. Why should Africa’s mines turn to Canada?

1. Toronto is the mining finance capital of the world

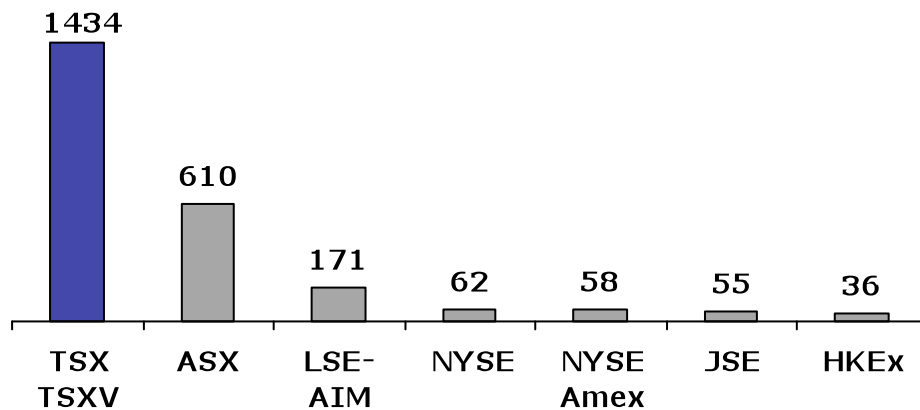
Canada is a global leader in the mining industry and Toronto is the world's most active centre for mining equity finance. Over the past five years, issuers listed on both the Toronto Stock Exchange (TSX) and the TSX Venture Exchange have led all international stock exchanges in mining equity financings, with over 10,000 transactions, which represent 80% of the volume of all mining equity financings in the world. To emphasize the importance of Toronto as a source of mining equity, its competition is the ASX at 9% and LSE-AIM at 8.5%. US markets combined are at 0.35%. These TSX-TSXV equity financings saw mining and exploration companies raise US\$136.9 billion, being 33% of the value of the world mining equity financing during the five-year period, 2005-09. A record \$22.2 billion was raised on TSX and TSX-V in 2009 alone.

During this period, TSX and TSX-V captured on average:

- 80% of total number of mining financings (US\$136.9 billion)
- 36% of total equity capital raised globally
- 27% compound annual growth rate in number of listings

The graph and table below show the superiority of Toronto in terms of total issuers to date as compared to the other exchanges.

Total number of listings as of 2009



Number of New Mining Listings 2005 to 2009

	TSX/TSXV	LSE/AIM	ASX	NYSE Amex	NYSE	HKEx	JSE
2009	104	4	22	1	1	1	0
2008	138	29	9	5	3	3	2
2007	186	142	33	13	3	n/a	4
2006	112	70	55	14	6	n/a	10
2005	86	53	67	17	3	n/a	6

The table shows a consistent increase in the number of new listings on the TSX and TSX-V from 86 in 2005 to 104 by last year. On the other hand, listings on the competing exchanges have been going down.

Many mining sector leaders are listed on TSX as shown in table 2.

Top 10 Caps on TSX & TSX-V

TICKER	COMPANY	MARKET CAPITALIZATION 31.DEC.2009
ABX	Barrick Gold Corporation	\$40.8B
POT	Potash Corporation of Saskatchewan Inc.	\$33.9B
G	Goldcorp Inc.	\$30.3B
TCK	Teck Resources Limited	\$21.7B
K	Kinross Gold Corporation	\$13.5B
CCO	Cameco Corporation	\$13.3B
AGU	Agrium Inc.	\$10.3B
AEM	Agnico-Eagle Mines Ltd.	\$8.9B
YRI	Yamana Gold Inc.	\$8.8B
ELD	Eldorado Gold Corporation	\$8.0B

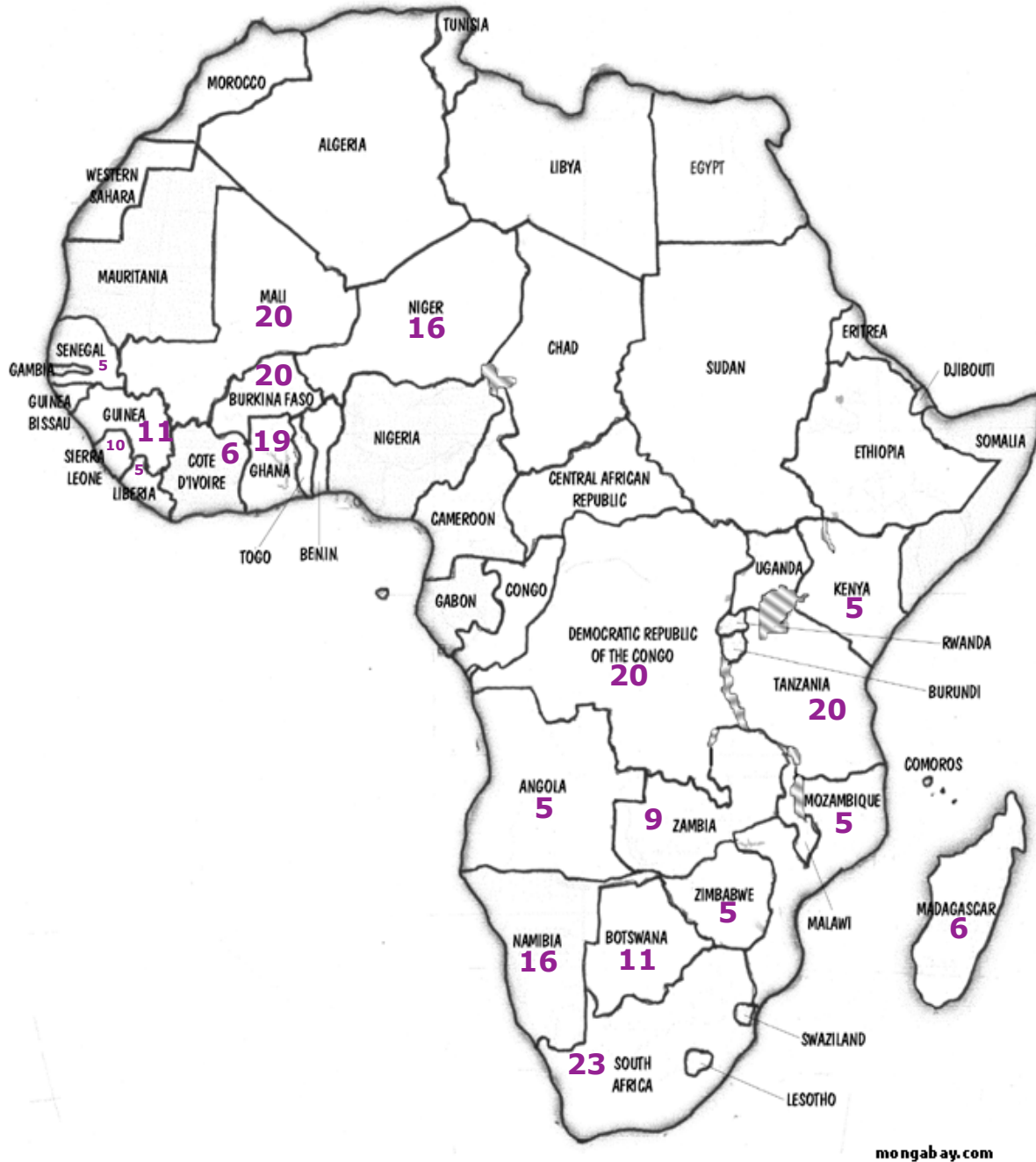
TSX/TSX-V and Africa

Toronto is the top exchange for mining in Africa with 169 mining companies listed on the TSX and TSX-V with 681 mining properties as of 2009. These listings have raised \$2.6 billion in equity capital through 68 financings for projects in 44 countries.

Top 10 Financings into Africa in 2009

1. Paladin Energy Ltd.: \$400 million raised for uranium in Namibia
2. First Quantum Minerals Ltd.: \$345 million raised for copper and diamond in DRC, Mauritania, Zambia
3. IAMGOLD Corp.: \$345 million raised for gold in Burkina Faso
4. Katanga Mining Ltd.: \$282 million raised for copper in DRC
5. Anvil Mining Ltd: \$200 million for copper in DRC
6. Equinox Minerals Ltd.: \$184 million for copper in Zambia
7. Red Back Mining Inc.: \$165 million for gold in Ghana, Mauritania
8. Banro Corporation: \$117 million for gold in DRC
9. Centamin Egypt Ltd.: \$98 million for gold in Egypt
10. Mantra Resources Limited: \$52 million for uranium in Tanzania, Mozambique

Map of Africa with Number of Canadian Projects in each country



<http://www.fraserinstitute.org/>
<http://www.nrc-cnrc.gc.ca/eng/index.html>

2. Expected Canadian mining growth to boost foreign investment

As in most other jurisdictions, the Canadian mining sector suffered losses during the recent financial crisis. According to the Canada Mining Report 2010, Canadian mining industry shrank by some 10% year-on-year. However, already there are predictions of an average annual growth of 7.4% for the next four years. Although that growth is projected to come mostly from the local industry, it goes without saying that there will be investment outflows to foreign development and Africa should aim to capture as much of this as possible.

<http://www.reportsandreports.com/market-reports/canada-mining-report-2010/>

3. Leader in CSR in the mining sector

Canadian mining companies have also been working with the federal government on a Corporate Social Responsibility Strategy, which aims to help developing countries reduce poverty and build their economies through responsible development of their natural resources. Released in March 2009, the CSR Strategy for the International Extractive Industry in Developing Countries sets out the government's expectations with regard to social responsibility, environmental stewardship, and health and safety. In addition, Canada's mining industry has its own independent CSR program, Towards Sustainable Mining, which involves consultations, public reporting and third party verification.

<http://www.vancouversun.com/business/Will+mining+suffer+Bill+becomes/3072115/story.html>

B. How different jurisdictions can access Canadian finance

1. Listing on the TSX and TSX-V

Stock listing is a proven way to raise capital, particularly for junior miners. Not only is it a way to raise funds, it is also a way to attract long-term investment and expert advice in project finance and management. The process of listing on the TSX and TSX Venture is not very different from listing on any other exchange.

i) Below is a table of costs associated with listing in Canada, which vary depending on the requirements of each listing.

Listing Costs

	Toronto Stock Exchange	TSX Venture Exchange
Listing Fees	\$10,000 - \$200,000	\$7,500 - \$40,000
Accounting and Auditing Fees	\$75,000 - \$100,000	\$25,000 - \$100,000
Legal Fees	\$400,000 - \$750,000	\$75,000+
Underwriters' commission	4 - 6 %	Up to 12 %

Other fees to consider include:

- Securities Commission fees
- Transfer agency fees
- Investor relations costs
- Geological or engineering reports
- Printing and translation costs
- Valuation reports
- Director and Officer liability insurance

ii) The other important information to bear in mind is the approximate length of the listing process.

Listing Timetable (approx)

Event	Weeks
Planning meeting	1
Drafting preliminary prospectus	2-5
Filing	6
Comments from securities commission	7-10
Response to comments	10-12
File final prospectus	13-14
Auditing annual & interim statements & comfort letters	2-13
Ongoing legal work	2-13
Due diligence by underwriters, including review sessions with management, counsel and auditors	2-13
Preparation of marketing documents & presentation	2-10
Investor presentations	10-13
Institutional one-on-one meetings	10-13
Pricing	10-13
Closing and settlement	14-15
Listing	14-15

iii) The pros and cons of listing on the TSX and TSX Venture are not much different from listing on other markets, but liquidity is readily available in Toronto.

http://www.tmx.com/en/listings/listing_with_us/faq/index.html

2. Partnering with Canadian investors

Joint ventures and strategic alliances have become much more common as a source of funding for junior exploration and development companies in Canada. In fact, despite the non-conducive environment last year, the Canadian industry managed to complete 442 such foreign deals worth \$10.2 billion.

Joint ventures with a Canadian "partner" have the added advantage for investors of providing risk-sharing, Canadian knowledge of technical, financing plus legal and regulatory landscape, as well as contacts for a wide variety of purposes, including political, financial, professional, customers and suppliers.

Joint ventures in the Canadian mining industry typically utilize an unincorporated joint venture structure. In such a joint venture, one "partner" typically retains title over the joint venture assets, subject to holding a proportionate undivided beneficial interest in the joint venture assets for itself and a proportionate undivided beneficial interest in the joint venture assets in trust for the other joint venture partners. Control and operatorship are governed by the terms of a negotiated joint venture agreement.

Another less typical joint venture structure involves the use of a limited partnership model whereby the general partner of the limited partnership typically controls all of the joint venture assets. For contractual purposes, the limited partnership would be the contracting party to any commercial or other agreements, but it would be the general partner that would execute such documents in its capacity as the general partner of the limited partnership. Control over the general partner itself is exerted by the joint venture partners in accordance with their respective ownership interest in the general partner.
<http://www.canadiansecuritieslaw.com/2010/04/articles/mergers-acquisitions/mining-ma-opportunities-and-trends/>

3. Promoting Your Project

To maximize value from listing and joint venturing in the Canadian market place companies must also undertake a concerted marketing strategy to promote themselves and their African project. Each March 22,000 investors, financiers, developers, miners, brokers and governments from around the world participate in the Prospectors and Developers Association of Canada (PDAC)'s annual convention, the largest mining show of its kind in the world. Junior miners particularly enhance their chances of being noticed and attracting potential investment.

The overwhelming size of the convention and the number of competing events, however, make it challenging to promote your project to an appropriate Africa-friendly audience. With this in mind MineAfrica Inc. and the Canada-South Africa Chamber of Business host the largest African focused mining event - a half-day breakfast and seminar - outside of Africa, during the PDAC. The specific focus on Africa means that 100% of the audience is there because they are interested in mining projects in Africa. The breakfast (now in its 11th year) and the seminar (now in its 8th year) drew a record 340 participants in 2010. In addition, MineAfrica sub-leases booth space at its mini African pavilion at the PDAC trade show to African junior mining companies, service providers and governments. This shared booth concept promotes more effective networking among exhibitors and booth visitors.

<http://www.mineafrica.com/miningseminar/mineafripdac2010report.htm>

The Canada-South Africa Chamber of Business holds various African focussed mining events each year and these events attract a significant audience and are exceptional networking opportunities. See www.canadasachamber.com for details.

MineAfrica also organizes seminars outside of PDAC, in both Canada and London, UK focussed on promoting mining investment in Africa. In 2010 this seminar program was expanded to cover the emerging markets of Latin America through MineAfrica's international division – On the Ground Group.
<http://onthegroundgroup.com/index.htm>

There are numerous other promotional opportunities in Canada however none of them other than the Chamber and MineAfrica events are focussed strictly on Africa.

C. Africa's mining sector: competing against global leaders

1. Advantages – Abundant resources

Africa's mineral resource endowment is well known. However, other lesser known resources are also abundant in Africa. The International Development Research Centre (IDRC) reported early this year that Africa is the new frontier for innovation. The report stated that: "In the 21st century, Africa is emerging as a dynamic and innovative continent. This new Africa boasts a reservoir of young talent, a growing market for cutting- edge technologies, and a source of fresh ideas. Despite its well-publicized challenges, Africa is a continent of exciting possibilities."

<http://www.idrc.ca/AfricaNewFrontier/>

Specific to mining, the respected Canadian based think tank, the Fraser Institute, recently released its annual mining survey comparing all mining regions in various categories including policy potential, which, of course, is the main area of concern for investors when it comes to opportunities in Africa. The table below shows the policy potential (a combination of the scores for 13 different policy areas*) for ten of Africa's mining jurisdictions. The Fraser Institute scored them on a progression scale from 2006/2007 to 2009/2010. It also ranked them out of the total of similar jurisdictions measured over the same period. You will notice that there are African jurisdictions that are in the top third, such as Botswana and Burkina Faso and yet there are others that are in the bottom five, e.g. DRC and Zimbabwe.

Policy Potential Index

	<u>Score</u>				<u>Rank</u>			
	2009/ 2010	2008/ 2009	2007/ 2008	2006/ 2007	2009/ 2010	2008/ 2009	2007/ 2008	2006/ 2007
Botswana	66.5	64.9	74.3	47.3	21/72	18/71	11/68	38/65
Mali	58.2	53.6	24.7	41.4	27/72	33/71	58/68	42/65
Ghana	53.3	51.3	63.1	45.3	34/72	35/71	23/68	40/65
Burkina Faso	49.6	45.1	45.5	34.5	36/72	42/71	38/68	46/65
Namibia	49.2	52.5	51.4	*	37/72	34/71	33/68	*
Tanzania	44.9	41.8	35.0	41.3	44/72	48/71	49/68	43/65
Zambia	36.5	44.4	49.8	31.0	52/72	44/71	34/68	50/65
South Africa	26.2	40.4	34.6	29.0	61/72	49/71	50/68	53/65
DRC (Congo)	18.9	24.1	34.4	17.4	68/72	63/71	51/68	57/65
Zimbabwe	14.7	19.1	2.9	2.9	69/72	65/71	67/68	65/65

The table above shows the 10 ranked African country's score for the 13 policy areas covered by the Fraser Institute in order of their standing out of 72 major mining jurisdictions surveyed by the Fraser Institute worldwide. The better the ranking, the higher the country's potential to attract new mining investment on the basis of policy.

The 13 categories assess each jurisdiction's potential to improve on;

1. Policy formulation
2. Administration, interpretation and enforcement of regulations
3. Environmental concerns
4. policy inconsistencies
5. Concern on native/aboriginal land claims
6. Taxation regimes
7. Availability of infrastructure
8. Socioeconomic agreements
9. Community development conditions
10. Political stability
11. Labour regulations and agreements
12. Geological data bases
13. Security

Areas of Concern

Table 8 below indicates for each ranked country in Africa areas that are considered concerning by potential investors, the higher the number the greater deterrent to investment.

Area of Concern	Areas of Concern in Africa (%)										Avg
	Bots	BF	DRC	Ghana	Mali	Nam	SA	Tan	Zam	Zim	
Inadequate supply of skilled labour	37	60	93	33	52	45	32	78	46	74	55
Admin & enforcement of regulations	5	18	90	16	30	19	64	41	46	90	42
Uncertainty over the environment	3	6	30	9	9	10	23	18	17	40	17
Taxation regimes	9	21	70	28	63	24	55	52	19	86	43
Infrastructural inadequacies	42	62	98	55	70	51	40	89	70	85	68
Political instability	10	33	99	19	36	15	65	50	59	98	48
Security concerns	5	41	100	25	45	25	78	60	55	95	53

<http://www.fraserinstitute.org/research-news/display.aspx?id=15953>

D. Access to Canadian finance boosted South America's mining sector

1. Increasing investment concentration

Canada has 256 mining companies in South America with 1,015 properties. In 2009, \$3.0 billion in equity capital was raised for Latin American projects through 125 financings.

Top 10 Financings for South American Projects in 2009

1. Mirabela Nickel Ltd.: \$267 million raised for nickel and copper in Brazil
2. Silver Standard Resources Inc.: \$170 million raised for gold and silver in Argentina
3. Kinross Gold Corp.: \$516 million raised for gold in Chile and Ecuador
4. Medoro Resources Ltd.: \$102 million raised for gold in Colombia
5. Andean Resources Ltd.: \$90 million raised for gold in Argentina
6. Jaguar Mining Inc.: \$86 million raised for gold in Brazil
7. Rusoro Mining Ltd.: \$80 million raised for gold and copper in Venezuela and Chile
8. Quadra Mining Ltd.: \$78 million raised for gold and copper in Chile
9. Colossus Minerals Inc.: \$72 million raised for gold and platinum group elements in Brazil
10. MBAC Fertilizer Corp.: \$57 million raised for phosphate and potash in Brazil

Map of South America with Number of Canadian Projects in each country



Policy Potential Index

	<u>Score</u>				<u>Rank</u>			
	2009/ 2010	2008/ 2009	2007/ 2008	2006/ 2007	2009/ 2010	2008/ 2009	2007/ 2008	2006/ 2007
Chile	79.1	79.9	82.0	64.1	7/72	7/71	6/68	27/65
Mexico	58.1	57.7	63.0	64.1	28/72	28/71	24/68	28/65
Peru	47.7	56.6	54.1	30.1	39/72	30/71	28/68	52/65
Brazil	46.1	47.1	45.0	51.2	40/72	39/71	39/68	36/65
Colombia	40.6	43.0	26.3	24.6	48/72	46/71	56/68	55/65
Panama	31.2	42.4	6.1	*	56/72	47/71	65/68	*
Argentina	28.4	33.0	40.3	40.9	59/72	56/71	43/68	44/65
Guatemala	21.9	5.1	*	*	64/72	69/71	*	*
Honduras	20.4	11.8	0.0	*	65/72	68/71	68/68	*
Bolivia	20.1	16.5	7.0	9.2	66/72	66/71	64/68	63/65
Ecuador	10.5	4.1	4.9	30.1	71/72	70/71	66/68	51/65
Venezuela	6.9	3.7	20.3	4.8	72/72	71/71	59/68	64/65

As in the case of Africa, the table above shows the 10 ranked South American countries in order of their standing out of 72 major mining jurisdictions surveyed by the Fraser Institute worldwide. The better the ranking, the higher the country's potential to attract new mining investment on the basis of 13 policy categories stated above.

2. Comparison of Africa and South America

The policy potential index tables above show that on average, African countries fare better than South American countries when it comes to potential to improve policy. Although Chile ranks 7th out of the 72 jurisdictions, as compared to 21st for Africa's highest ranked country, Botswana, most South American countries are ranked towards the tail end of the ranking scale. On the other hand, a majority of African countries are ranked mid-table. Ecuador and Venezuela are actually ranked 71st and 72nd respectively.

The table below narrows the comparison between the two regions to just five broad categories which show that Canadian investors have a bias towards South America despite the clear potentials advantage that Africa has as highlighted.

Comparison tables

	Africa	Latin America
Canadian Companies	169	256
Mining Properties	681	1015
Financings in 2009	68	125
Capital Raised in 2009	\$2.6 billion	\$3.0 billion

	Africa	South America
Total Companies Exploring	829	729
TSX and TSX.V Companies Exploring	174	279

www.intierra.com

Projects	Africa	South America
	All Co's / TSX Co's	All Co's / TSX Co's
Grass Roots	941 / 302	993 / 564
Exploration	610 / 259	603 / 353
Advanced Exploration	480 / 130	322 / 159
Pre-feasibility / scoping	157 / 48	106 / 69
Feasibility	170 / 54	86 / 38
Construction	62 / 16	37 / 17
Operating	489 / 75	364 / 89
TOTAL	2909 / 884	2511 / 1289

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Capital Raisings	Africa	South America
	All Co's / TSX Co's	All Co's / TSX Co's
Number	273 / 87	202 / 151
Targetted	\$10.9 billion / \$4.8 billion	\$6.7 billion / \$3.6 billion
Raised	\$9.7 billion / \$4.6 billion	\$5.9 billion / \$3.1 billion

www.intierra.com

South America has an advantage over Africa in terms of Canadian funding and there are several reasons why this may be the case.

- 1. History** - Canada started to invest seriously in South America in the 1980s when Africa, particularly the southern region, was still mired in political and military instability. Major investment flows from Canada into Africa's mining sector only started after 2000 when Africa became a hot spot and several countries had improved the environment for mining investment.
- 2. Number of Countries** - In Africa there are 53 different countries while in South America there are only 15. This means it is easier to understand the jurisdictions in South America.
- 3. Policy** - Africa is behind South America in terms of mineral policy changes. Most South American governments have enacted policies that allow a free market approach to mining finance, property development and mineral marketing. These policies are similar to Canadian policies, which makes it easier for investors. Whereas in Africa, there are still substantial problems with policies in certain

countries. For example Tanzania and Zambia have introduced prohibitive mining taxes while the DRC has shown inconsistency in policy determination.

4. **Political stability** – Most Canadian investors favour such South American countries as Brazil and Chile because they have acceptable governance, something that remains a challenge in most African countries.
5. **Geology** – The two regions have almost the same geological attributes, however, the differences in mining policy regimes favour some South American countries.
6. **Other** less important considerations include proximity and different time zones both of which impact on communication and travel costs.

<http://www.fraserinstitute.org/research-news/display.aspx?id=15953>

<http://www.nrc-cnrc.gc.ca/eng/index.html>

E. Sources

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- The Vancouver Sun
- The TMX Group (Toronto Stock Exchange and TSX Venture Exchange)
- Canadian Securities Law
- International Development and Research Centre

F. For More Information

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