

# AFRICA FACES INCREASED COMPETITION FOR INVESTMENT

*President of the Canada-Southern Africa Chamber of Business, Bruce Shapiro, says that Africa suffers from the perception where many people see it as a homogenous entity as opposed to 55 individual countries.*

“It means if a problem occurs in one part of the continent, the whole of Africa gets painted by the same brush. African countries need to work hard to establish their own identities and avoid such perceptions.”

However, Shapiro says that Canadian investors do have a fairly strong tolerance for risk. This is borne out by how much they have invested in the Democratic Republic of the Congo (DRC). “In July 2010 we released a white paper that showed it was the top destination in Africa in terms of financings out of Canada. And looking at where the money points, Canadian investors will risk capital under the right circumstances, where the potential returns merit this,” he says.

It also illustrates how the options in Africa have diversified. “About ten years ago only a handful of countries were realistic destinations for mining investment, with options limited to South Africa, Botswana and one or two others. But with reasonable governance and improved laws, a lot of other countries have become realistic attractive destinations for investment.”



President of the Canada-Southern Africa Chamber of Business, Bruce Shapiro.

Shapiro warns about the implications for South Africa if it does not work hard to retain and attract investment. “South Africa is now only one of several destinations in Africa and, in addition, Canadians do not care if they are investing in Africa, South America or elsewhere. South Africa is competing with jurisdictions all over the world, and while it has a magnificent endowment of minerals and other resources, there are other competing jurisdictions that are more interested in attracting investment finance,” he says. “It means South Africa, in a vastly more competitive world, is no longer the automatic destination of choice.”

He says this as the Canadian stock exchange reached an all time high (during November 2010), taking into account that Canada is a resource based country and the largest financier of new mining investment in the world. “Over 40% of the 3,600 companies listed on the TSX and TSXV are focused on mining,” Shapiro notes. “London is where a lot of the old time money still is, referring to companies such as BHP and Anglo, but if you are looking at newer evolving



MineAfrica booths at the 2010 PDAC trade show.

companies over the last 15 to 20 years, and in particular investment in mining exploration, the TSX is the dominant exchange by far. It raised on average 36% of total new mining equity capital raised globally in the last 10 years.”

Shapiro says that the market is hot at the moment, but for all the wrong reasons, as investors are looking at anything that might protect them from a potential financial crash, US dollar devaluation and currency uncertainty. “It means that there is an appetite to provide finance for the right commodities such as precious metals, oil, gas, copper, rare earths, and iron ore among others.”

The evolution in Canadian investor interest in Africa is reflected in the evolution of the Canada-Southern Africa Chamber of Business, which previously was the Canada-South Africa Chamber of business. “We track where our members are and they are typically active in more than one destination in Africa,” Shapiro says.

The chamber’s aim is to facilitate business relations and interactions between Canada and Africa. “We will deal with any African country that can communicate with us. That means we will assist where can – though we don’t have the capacity to speak French. Obviously mining is a large focus, but we are also very active in sectors such as infrastructure, tourism, agriculture, ICT, etc. and have just relaunched a chapter in Ottawa, Canada’s capital.”

The chamber hosts and facilitates functions and events to achieve this. The highest profile of these is its Indaba, not to be confused with the Mining Indaba held in Cape Town

in February each year. The chamber’s Indaba takes place in Toronto. It is a high level business networking event and takes place annually between early September and late October. At the event a person of the year award is presented and is currently sponsored by Hatch. It is given to someone as recognition for work done in promoting Africa and the principle of socially responsible economic development on that continent.



Wayne Floreani MineAfrica vice president.

One of the chamber’s sponsors is MineAfrica Inc. and the two organisations jointly host an annual mining breakfast (the chamber) and Investing in African mining seminar (MineAfrica) during the PDAC mining exhibition and conference in Toronto. The premier sponsor for this combined event is SGS. “The event is now entering its 12<sup>th</sup> year and this past year was attended by 340 ‘African friendly’ people during the PDAC which attracts 22,000 attendees over the four days. The breakfast, followed by a series of presentations with three streams, occurs off-site from the PDAC and concentrates the right people with an interest in mining in Africa in the right spot. It is the biggest Africa focused mining event in North America or Europe,” Wayne Floreani MineAfrica vice president tells *Mining Review Africa*.



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“MineAfrica also takes booth space at the PDAC and subleases this to clients. It is a good value add for those wishing to have a presence at the PDAC, which is traditionally sold out by September with a 97% renewal rate from previous exhibitors,” Floreani says.

He adds, “It is a good way for travellers from Southern Africa to have a presence, but who do not want to be tied down to a full booth. They can have a shared booth, a place to hang their shingle, and work the show. We also help man the booth and can make useful introductions to our contacts. The concentration of Africa-focused booths achieves critical mass making it better for networking. Anyone who wants to know about Africa tends to come to this section, which becomes a central hub for that interest.”

Just prior to the upcoming PDAC event in March 2011, on the 6<sup>th</sup> of that month MineAfrica is hosting an event focused on discussing the current uncertainty in South Africa’s mining sector. The joint premier sponsors are legal firms Webber Wenzel (from South Africa) and Macleod Dixon (based in Canada with an international practice and is Who’sWhoLegal 2010 Mining Firm of the Year). Peter Leon will be the keynote speaker, and the seminar will discuss perceptions among Canadian stakeholders related to investment in South Africa’s mining sector and the facts as they are at that time. “The purpose of the event is to clarify the situation in South Africa and allay, as far as is possible, nervousness among investors,” Shapiro says.

After the chamber and MineAfrica events timed around the PDAC, the next most significant event the chamber hosts is that covering risk mitigation and corporate social responsibility in Africa, with the Canadian minister of international trade having intended to address the most recent event on October 27. However, he was called to parliament that day for the 3<sup>rd</sup> reading of Bill C 300 (which fortunately for Canadian mining companies, was defeated). “Canada is a world leader in corporate social responsibility, and it is a big topic here and for emerging markets,” Shapiro says. “There is a lot of information about it but not a lot relating to tangible ways for junior companies to achieve these objectives. This is an

internationally recognised seminar which will now be held twice a year, once in Toronto and once in Vancouver.”

The Canada-Southern Africa Chamber of Business also hosts about a half dozen or so separate events during the course of the year. “If an interesting person travels to Canada from Africa who has something to say, we will facilitate an event, either a breakfast or a cocktail function. An example is that in January we will host the recently appointed managing director, mining, investment banking, CIBC Capital Markets, Thys Terblanche who was previously head of mining for Standard Bank.”

MineAfrica also hosts an event in London, last held on the 29<sup>th</sup> of November in 2010. Standard Bank is the premier sponsor and has been since the inception of the event in 2007. “About two thirds of the attendees are from the EU and it is an opportunity for Canadian companies to reach a different audience,” Shapiro says. However, it is also not only about Canadian companies active in Africa. “Of the 300 non-African companies involved in mining in Africa, some 160 to 170 are Canadian, but Australia is also a big investor and some of these companies speak at this event. The Association of Mining Analysts UK is a partner in our London event whereas in Toronto our events are sponsored by the Minerals Resources Analysts Group. The result is good exposure to mining analysts for the participating companies.”

Floreani adds, “In London, as with at PDAC, there are three types of speakers; listed and private mining and exploration groups that are promoting their companies; service providers in the fields of engineering, law and finance; and governments. We time the event around Mines and Money so it’s cost-effective for people travelling to London.

“The reason the chamber and MineAfrica have grown so significantly is that the audiences they attracts are 100% Africa friendly. Everyone who attends our events has an interest in Africa, else they would not attend. The chamber has a database of 5,000 people while that of MineAfrica is 8,000 and this provides substantial reach,” Shapiro concludes. **MRA**