

## **Politics or risky geology**

**Peter Koven, Financial Post**

Published: Saturday, March 01, 2008

Miners finding success in Africa are often the ones that show some creativity and a willingness to go where others will not. Herewith, some success stories:

### **LUNDIN MINING CORP.**

A moderator at the 2008 Indaba conference introduced Vancouver-based Lundin by saying "they operate in the most fascinating places in the world." That's an understatement.

Sudan, Eritrea, Niger -- there is no country with too much political instability for the Lundin Group of Companies. Its strategy is to target countries with mineral potential, get there ahead of the competition and stay around long after others have given up. Lundin has developed a skill at doing this and sees no dilemma in operating in unstable places.

"We think the best thing for developing countries is industrial development," says Paul Conibear, senior vice-president of projects. "So, if we find a good opportunity in a place like Sudan, we would invest there. We'd do it transparently and with high standards."

Lundin is one of the key players in the always-interesting Democratic Republic of Congo. It holds a stake in the massive Tenke Fungurume cop-per-cobalt project, which holds 235 million tonnes of measured and indicated reserves.

On a much smaller scale, Lundin has become the first major mining company to invest in Eritrea, a country with great mineral potential but a repressive government. Lundin has acquired stakes in two junior companies exploring the country, Sun-ridge Gold Corp. and Sanu Resources Ltd. If the investment climate in Eritrea improves, Lundin is poised to be a big winner.

### **CIC ENERGY CORP.**

The big news in southern Africa these days is the massive power crisis, which is crimping economic growth. Eskom, the feckless state utility, seems incapable of dealing with the problem.

That's where CIC steps in. The TSX-listed company, headed by Toronto entrepreneur Warren Newfield and partner Greg Kinross, is putting together a mammoth integrated coal mine and power station in Botswana. The \$9.5-billion Mmamabula Energy Complex is the largest private-sector transaction in Africa. Production is scheduled to begin in 2012 and the financial closing on the first phase of the project is expected at the end of 2008.

"This is the only company of this nature in this part of the world," Mr. Newfield says.

As the project has grown, it has also become more complex. The company had to get two acts of Parliament changed in Botswana to make the project a go, and the scope has expanded so that CIC is now looking at ways to convert some of the coal into a variety of downstream fuel and petrochemical products.

Despite the size and scale of Mmamabula, the CIC team has proven to be up to the challenge. Tau Capital, the investment firm run by Mr. Newfield and Mr. Kinross, has already hit home runs with AfriOre Ltd. and Platexco Inc., two companies built from scratch and sold for a combined \$698-million.

#### FIRST QUANTUM MINERALS LTD.

The central African copper belt is starting to feel like Times Square with all the foreign companies moving in. But First Quantum was first on the scene in 1996, just as Zambia was emerging from a socialist period. The Vancouver-based company remains the standard for the others to live up to.

Since putting the Bwana Mkubwa mine on the Zambia-DRC border into production in 1998, the company has seen remarkable growth that will allow it to produce more than 300,000 tonnes of copper this year, and more than 400,000 by 2011. It produced just 41,000 tonnes in 2004. After starting in Zambia, First Quantum has expanded to the DRC and Mauritania.

Clive Newall, president, says there is no one reason for the company's success. He says First Quantum builds the same project everywhere it goes, and gets a little better at doing it each time. "It means we can build quickly and we know it will work because the one we built last year works," he says. "And it means we don't require the recourse of the engineering firms, and they're not particularly capable anyway."

First Quantum has also managed to stay out of the political issues in the countries in which it operates. In Zambia, that means a lot of communication with Lusaka. In the more difficult DRC, it means paying taxes and royalties and staying hands-off.

First Quantum has expanded through an equal mix of organic growth and acquisitions, but Mr. Newall expects more of the latter as the company has already made most of the easy discoveries on its properties. It recently bought a minority stake in fellow Zambian miner Equinox Minerals Ltd., and once did the same with Anvil Mining Ltd. before selling it.

#### URAMIN INC.

UraMin is the kind of overnight success story that can happen in Africa. Stephen Dattels, a former lieutenant at Barrick Gold Corp., built this company from scratch in 2005 and

sold it just two years later for US\$2.5-billion. The deal has earned Mr. Dattels, a Canadian, plenty of admirers. At mining conferences, everyone in the uranium business, it seems, drops his name.

The UraMin team sought out previously explored uranium properties all over the continent that had since been neglected and could be snapped up for discount prices. They redrilled and re-engineered them, and sat back and watched as the price of uranium shot from US\$20 a pound to US\$140. "Why the big uranium companies didn't go after these assets is very strange," Mr. Dattels says.

His big thing now is coal, which he feels will be needed more and more because of power demands in such emerging markets as China. He is involved with a pair of coal companies, Regent Pacific Group Ltd. and Polo Resources Ltd., which are focused on China and Mongolia.

But he hasn't forgotten Africa. With his partner, Mike Beck, Mr. Dattels has founded a new company called Emerging Metals Ltd., focused on the "minor metals" such as tungsten and germanium. They have identified about \$2-billion of germanium and gallium in a property in Namibia, and expect to go public in a few months.

They like the minor metals because China, the biggest exporter of them, is clamping down on exports so as to keep the supply for domestic use.

"To us, it looks a little bit like uranium did three years ago," Mr. Beck says. "You're going to hear more about this and it will be a very hot topic."

## THE JUNIORS

When a new African country opens up for foreign investment, junior companies are often first to jump in. They take on the risk, and the majors watch what happens before taking a plunge.

One of the great junior successes is Centamin Egypt Ltd. Egypt is restarting its gold industry by redrilling ancient deposits that date to the time of the pharaohs. Centamin has a measured and indicated resource of nearly 7.5 million ounces of gold. An industry is now growing around it.

In the Central African Republic, AXMIN Inc. is developing the first serious gold-mining operation in the country's history after democratic elections were held in 2005.

The C.A.R. is not a country that makes the news very often. It is extremely poor and has very low population density. With about 250 local workers, AXMIN is the biggest private employer in the country and hopes to have a producing mine by 2010. But as far as the

company is concerned, what really makes the Central African Republic appealing is its untouched resources and the potential for expansion.

"We're only scratching the surface," says Mario Caron, chief executive. "We're really just starting and it's the upside potential that will make it a long-life mine well into the future."

[pkoven@nationalpost.com](mailto:pkoven@nationalpost.com)