

There's gold - and more gold
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June 11, 2011

This upbeat description of Africa's mineral wealth greeted delegates to MineAfrica's seminar Investing in African Mining – Focus on West Africa. Introducing one of the world's most complex mining regions, Terry Ortslan, Chairman of Minerals Resources Analysts Group (MRAG), explained that while gold production in the rest of the world was in a slump, West African gold was set for a real increase over the next few years. One fact, however, was clear – the day of low-cost gold was over, not least in the current world political climate.

This climate was summarised by Control Risks' CEO Richard Fenning. He took up the question "Why is the world so dangerous?" – and demolished it. The lesser-known areas of healthy African economic activity contradict the perceived pattern of difficulty while other countries such as Afghanistan, Yemen and Japan also "present a catalogue of misery." Fenning pointed out that there were fewer wars and less terrorism than there had been ten years ago and Africa was to witness almost 20 elections this year.

Richard Fenning also declared that people lacked the right mindset when it came to Africa. They were confusing the calculations involved under risk with the emotional reaction of fear. Short-term pragmatic alliances were also clouding the issue, enabling people to form their own destiny but with no-one sure of the end-outcome – were the states in rebellion to end up as Pakistan or Saudi Arabia or Turkey? What is certain is that the old picture of Africa is inaccurate.

And then, of course, there is China, a key buyer of minerals. She had transformed a massive country in just a few years, when other had needed generations. Maintaining economic growth is China's paramount concern, and control of a healthy supply of minerals was just one aspect of that.

Ghana's long-standing role as a key gold producer was underlined by Darren Lindsay, President and CEO, Castle Peak Mining. This Canadian-based company working in Ghana enjoyed the latter's stable mining-friendly jurisdiction. Reflecting the exceptionally busy times for TSX-V, Castle Peak is a very recent trader, only starting this March. Lindsay outlined how his company was benefiting: as well as a normal

management team of say geoscientist, chartered accountant, law partner and corporate relations specialist, perhaps even more important was the presence in the team of a native Ghanaian with several years experience in responsible mining positions.

Advantages for investors in Ghanaian gold streamed forth: favourable tax and mining codes, no import tax on mining machinery, eight producing mines in Ghana already demonstrating her advantages, and easy transportation of Castle Peak's mineral to Ghana's second port, Takoradi.

The seminar's resident pun came in the shape of *The Great Quest to grow West African agriculture*, referring to Great Quest Metals' extracting phosphorus for the world's major food-growing projects. Co-founder and chairman Victor Jones put the function of phosphates in their context. Mali, as an example, is land-locked but still needs to feed its exponentially growing population; phosphates come into the equation as enhancers and increasers of locally-grown food, reducing dependence on foreign imports.

Phosphates are found in sedimentary deposits; those found in Morocco are regarded as standard, lying up to 3m below the surface. It is clear that on present trends the three main producers (USA, China, Morocco) will ultimately run out. Enter Mali's Tilemsi deposits – known to exist but never explored in depth. Great Quest's remote sensing data shows high-grade deposits up to 1.7m thick.

Consumers will soon benefit from Tilemsi's phosphates, as 800 holes are now being drilled. Great Quest appreciates the need to involve and work hard with local interests. Its philosophy is summed up with the statement, "You can't feed the people without feeding the plants."

An eye both legal and linguistic was cast over the proceedings by Nkikia Moshesh, a partner of Webber Wentzel LLP. Canada has a strength in bilingualism, which helps her understand the requirements of African countries where many languages can be classified as official.

In the legal context, there had been recent achievements. Recognising there were benefits to a host nation from mining eg, community and infrastructure development, and improvements to the environment and health and safety, legal regimes are having to change to meet all of these.

Current issues are reviewing the role of the state, tax/royalty regimes, mining codes, concession agreements and anti-corruption enforcement. Many countries, too, are saying that they are not getting a big enough slice of the minerals income. This is where developing countries look to each other's experiences.

As if all the above were not enough, factors such as debt financing, security of tenure, host governments being more insistent on compliance with agreements made during negotiations over a concession, and even the validity of an agreement after a change of government, all demand consideration and the involvement of all departments rather than just the head of state.

Kim Harris, President and CEO, Midlands Minerals Corporation, reflected on social responsibility, which she classifies as a "key issue." Dealing with chiefs at the right level and forming and adhering to policy were also crucial. Her own company was well aware of the need for such relations; it had grown from needing \$1million financing in 2005 to \$8.5million in 2009. Gold was, to put it mildly, important to Midland Minerals, which operates in Ghana and Tanzania, respectively the second and third highest gold producers in Africa. Tanzania's Lake Victoria gold field offers over 50 million oz in reserves; Ghana's Sian-Praso and Kaniago are set to yield 600,000 oz from plots measuring 156 km and 46 m respectively. Once again, Midland Minerals is another company that stresses and involves a strong Ghanaian staff component.

There was even one comment from Harris which could be construed as a "dig." Mining has been taking place for over 200 years in Ghana, which is even longer than in Canada...

Tom Wilson, Senior Analyst, Africa, Control Risks, had recently assessed potential problems from bauxite, gold, uranium and many others. Demand for minerals had been buoyant for 18 months, a real contrast from ten years ago when the Liberian civil war was affecting the stability of her neighbours. Offset against the high level of stability was the factor of mining now becoming more remote and more complex.

For Wilson four issues are relevant. Firstly, there is political stability in all its unpredictability. A democracy can be weak, with reforms slow or non-existent, and socio-economic conditions generally poor. This can prevent some mining from taking place. Gold prices can be affected by

social unrest; the latter can in turn be affected by food prices. The FAO index results can be directly correlated to such shortages.

Risk two takes in reform, red tape and regulation: all set Africa aside as a more difficult market than usual to do business with, although the prospect of unpredictability can actually be more difficult to cope with than the scale of unpredictability. Very often, obsolete regulations need to be updated.

Risk three is terrorism. This used to be an indirect factor as its victims were only rarely connected with mining. These days, miners and high-profile staff may be subject to direct attacks. Watson's believes that Northern Mali is more susceptible than most other areas where high-profile kidnappings are concerned.

Finally, there is the third risk, infrastructure deficiencies. Some roads, for example, become impassable. More complex infrastructure has to be negotiated.

As if more proof was needed of the role of local staff, Pelangio Exploration's Vice President of Corporate Development, Brendan Cahill, profiled his senior staff. Ghanaians made up the exploration manager and the two project geologists. Major recent discoveries in Ghana are Ahafo (16million oz) and Akyem (8.5million oz). Projects are overwhelmingly opencast (ten pits) but there are three underground mines revealing gold at 100-500g/t. Quite simply, Pelangio is claiming that it is currently drilling in the largest vein-hosted gold deposit in the world.

And then Senegal. David Mallo, Vice-President Exploration (Minerals), Oromin Explorations, gave a breakdown of Senegal's Oromin joint venture, where Oromin and Bendow? jointly own 87% of the project and Badr Group the remaining 13%. Total extent of the project is a 250km area.

Eastern Senegal is new but while she is unexplored and only has one producing mine, approximately 10million ounces of gold are expected to be identified over the next three years. Following on the five deposits explored last year, which indicated 2.45Mt at 1.73g/t, the Goulouma deposits and highly varied, what with results showing deposits at 17g/t right up to 421g/t; finds are mainly in double figures for g/t, a indication of the future significance of African minerals.