CAPE TOWN 36°C
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INVESTING IN AFRICAN MINING INDABA™

Daily News

Tuesday | 9 February 2016 | Issue 1

Platinum may Shine Sooner than Expected

By Rory Sheldon
Access Africa

The market outlook for Platinum Group Metals looks bleak, but optimism prevails with countries like India holding considerable promise. This is according to experts from the world's top platinum producers, who gathered at the opening day of the Mining Indaba to share their views on the year ahead.

In September last year, platinum prices fell below the $900 representing a seven-year low for the commodity. While low share prices highlight an oversupplied market, the case of platinum is peculiar in that there is a current 5% global market deficit for the mineral.

According to Paul Wilson, CEO, World Platinum Investment Council, the fundamentals do not support what is happening, and something is very wrong.

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North West Province Earmarked for Special Economic Zone

By Dominic Piper
Editor, Paydirt Media Pty Ltd

A special economic zone will be established in South Africa's North West province before the end of 2016 as the SA Government ramps up its efforts to capture more value from the country's massive platinum reserves.

Speaking at an investment seminar held on Mining Indaba's opening day, Minister for Trade and Industry Dr Rob Davies said he was confident the special economic zone would be in place this year, allowing South Africa to develop expertise in emerging technologies.

"A special economic zone is being established in North West Province with aim of bringing fuel cell technology and other technologies which use platinum to South Africa," Davies said.

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Minister Dr Rob Davies

Investing Beyond the Mining Cycles

By Jonathan Moore
Managing Director, Mining Indaba

I am very pleased to have the honour of welcoming you to the 2016 Investing in African Mining Indaba™, an event committed to the mining industry for over 20 years. As we begin the 2016 Mining Indaba, we are reminded that mining is cyclical, and that the actions and activities we engage in today will dictate our success as we move beyond the current cycle. This year's event will focus on *Investing Beyond Mining Cycles*, delivering on its promise of uniting mining companies, governments and investors to drive investment into the mining industry on the African continent.

The 2016 Mining Indaba will explore what the sector is doing to strengthen its position in the current environment – how innovation and development are creating new opportunities for investors. More than ever, we intend to spark extensive dialogue on how the industry can design investment strategies that allow the sector to flourish at any stage in the cycle.

This year the Mining Indaba leads with stronger content and a more personalised experience for investors. The launch of our "investor programme" and creation of our Director of Investor Relations role have been lauded by the market. In a capital restrained market, we are delighted to have one of our strongest representations from the investment community to date. Our tailored approach has ensured we have more direct access to the pulse of the market and as a result, a more personalised experience for participating investors.

Our Ministerial Forum continues to be unparalleled in the industry, bringing mining ministers from across Africa to share the latest insights on mining within their regions.

To ensure that you get maximum value from attending, we have focused and strengthened our content to accommodate the requirements of our diverse clientele and address the unique challenges the sector faces.

Some highlights for your schedule:

- An extended agenda starting first thing on Monday morning
- Main stage keynotes from leading African businessmen with credited success on the continent
- Interactive discussions with the CEOs of the leading mining companies operating in Africa
- A more comprehensive series of sessions focusing on innovation and sustainability within the mining sector via special information sessions, networking roundtables, main stage panels and our dedicated sustainable development agenda
- Enhanced networking opportunities by way of the commodity-specific speed networking sessions on the exhibition floor and the themed networking roundtables dedicated to sustainability and infrastructure
- Launch of our Young Leaders Career Development Programme providing a platform for the next generation of mining leaders

All of this is supported by the networking and deal-making that sets the Mining Indaba apart from all other events. With the participation of the industry's top executives, government leaders and investors, the Mining Indaba remains THE platform for mining investment in our sector.

We would like to take this opportunity to thank you for your continued support of the Mining Indaba. The next four days will be filled with meetings, information gathering, networking and deals. Make the most of everything that is on offer, take advantage of this unique gathering of leaders and, as always, do not hesitate to ask any of our Mining Indaba team should you have any questions.

We hope you enjoy your stay in Cape Town and your decision to invest in the future of your business.

Jonathan Moore
Managing Director
Investing in African Mining Indaba

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09:00	Special Information Session – World Bank Group (Auditorium II)	*Auditorium II*
09:05	Keynote – Tendai Biti	*Main stage*
09:30	Special Information Session – Holman Fenwick Willan LLP	*Suite 1.43*
10:50	Panel – Alternative Forms of Financing	*Main stage*
11:30	Networking Roundtables – Sustainability	*Suite 1.41*
13:30	Keynote – Namrata Thapar (*Westin)*	*Grand Ballroom*
13:45	Keynote – Dr. Harry G. Broadman	*Main stage*
14:00	Special Information Session – Mining Dialogues 360^0	*Suite 1.43*
14:00	African Mining Ministerial Forum	*Auditorium II*
15:00	Panels – M&A Prospects; Women in Mining	*Main stage*

SHOW DAILY Mining Indaba™ | www.miningindaba.com

The official daily newspaper covering the 2016 Investing in Africa Mining Indaba™ conference and related events, including special activities by sponsors, exhibitors, and attendees.

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INVESTMENT IN AFRICA
Short-term Challenges, Longer-term Opportunities

Max Gebhardt and John Lisle
FTI Consulting, a member of the Business Council for Africa (BCA)

Indaba delegates are gathering in Cape Town at an uncertain time for the local, regional and global economies. Low commodity prices, weak demand and infrastructure deficiencies pose challenges for both South Africa and the wider continent. There are, however, still significant opportunities for investment in Africa for those willing to make the effort to fully understand what they are investing in and take a long-term view.

The current economic climate, with recent downgrades of the IMF 2016 forecasts for growth in South Africa (from 1.3% to 0.7%) and the sub-Saharan African region (from 4.3% to 4%), creates a challenging investment environment.

For investors looking at Africa, low prices for key commodity exports, weak global demand and infrastructure challenges, including disruptions in electricity supply, stack on top of traditional concerns about political instability, corruption and poor regulation.

Yet there remain reasons to be optimistic. Political stability has improved in many countries over the last decade. The peaceful political transition of power in Nigeria is particularly significant, given its large population and economy.

Sub-Saharan Africa's underserved population, emerging consumer class, and rich pool of human and natural resources continue to present opportunities. Notwithstanding the recent down-grade, the IMF's growth forecasts for sub-Saharan Africa in 2016 remain higher than all other regions of the world outside of Asia.

Given that, there should be opportunities in Africa, especially for retail and consumer products businesses. We believe that smart investments in, and acquisitions of, African businesses can pay off. But finding the right strategy will be tricky.

What is required is not simply money, but also executive leadership that sets an example for improved corporate governance and drives sustained success.

In June 2015, FTI Consulting surveyed business leaders at the World Economic Forum conference in South Africa. About half of those surveyed labelled investment in Africa as "important but risky."

Despite the perceived high level of risk, 88% said the overall investment outlook was positive, with the greatest opportunities in East Africa (91% positive) and West Africa (89% positive).

According to survey results, key criteria that would encourage investment are:

- Government support for investment projects (88%)
- Availability of public-private partnership opportunities (83%)
- Market accessibility, size and growth prospects (80%)

However, administrative procedures for opening and running a business (57%) and business running costs (47%) stood out as the factors most likely to discourage investment.

A study commissioned by the African Private Equity and Venture Capital Association found that private equity investors have been progressively more successful in finding exits, including sales to other private equity investors.

The results revealed a record year for private equity exits in 2014, with 40 transactions concluded. This represented a 38% rise over 2013 and a return to pre-crisis levels (there were 34 exits in 2007).

This is an encouraging sign. Investors that put money into African businesses have increasingly been able to retrieve a profit. At the same time, buyers need to be aware that seemingly promising acquisitions in Africa can go bad.

Firms embarking on M&A in Africa must be prepared to persist through business cycles. That means investments should be made for the long term. Beyond the purchase price, the successful development of an acquisition target is likely to include putting money into improving operational capabilities, infrastructure and management training.

The opportunities in Africa are real, but the investors that will profit the most will be those that take the time to fully understand what they are buying or investing in.

Organisations like the Business Council for Africa (www.bca.com) can help investors to understand and to negotiate the local business environment in order to successfully exploit opportunities in unfamiliar territory.

The research was conducted online by the Strategy Consulting & Research team at FTI Consulting from 15-20 May 2015, involving n=78 opinion leaders on Africa attending the World Economic Forum, South Africa in June 2015.

AT A GLANCE
Angola

Angola's mining industry is Africa's third largest producer of diamonds and it has undeveloped potential for copper, gold, iron ore, nickel, uranium, vanadium, zinc, and other minerals.

STATUS OF THE MINING CODE
SOURCE: CANADIAN EMBASSY, ANGOLA

Corporate Income Tax Rate	25%
Royalties (Precious Stones)	5%
Royalties (Others)	2-4%
State Participation	10%

MINING SECTOR CONTRIBUTION TO GDP
SOURCE: AFRICAN ECONOMIC OUTLOOK

2009 **0.6%** 2013 **0.9%**

MINERAL PRODUCTION (2013)
SOURCE: BRITISH GEOLOGICAL SURVEY

Diamonds	9,360,470 ct
Salt	200,000 mt
Gypsum	40,000 mt

AT A GLANCE
Mozambique

Mozambique is a signicant global producer of aluminium, ilmenite, tantalum and zircon, and has production or potential for coal, gold, copper, iron ore, vanadium and other minerals.

MINING SECTOR CONTRIBUTION TO GDP
SOURCE: AFRICAN ECONOMIC OUTLOOK

2009 **1.6%** 2013 **3.6%**

MINERAL PRODUCTION (2013)
SOURCE: BRITISH GEOLOGICAL SURVEY

Aluminium	562,000 mt
Bauxite	7,500 mt
Bentonite	1,500 mt
Beryl	60 mt
Coal (bituminous)	40,926 mt
Diatomite	550 mt
Gold	180 kg
Lead	1,700 mt
Salt	130,000 mt
Tantalite	150 mt
Titanium Minerals	724,000 mt
Zirconium	31,400 mt

AT A GLANCE
Namibia

Namibia's mining industry forms a significant part of its economy: the country is the world's second largest producer of diamonds in terms of value, and the world's fifth largest producer of uranium. It also produced copper, gold, lead, manganese, silver and zinc, and has potential for iron ore.

STATUS OF THE MINING CODE
SOURCE: THE CHAMBER OF MINES OF NAMIBIA

Foreign Ownership Allowed	100%
Corporate Tax Rate (diamonds)	55%
Corporate Tax Rate (non-diamonds)	37.5%
Royalties (Precious Stones)	10%
Royalties (Gold and Others)	2-3%

MINERAL PRODUCTION (2013)
SOURCE: BRITISH GEOLOGICAL SURVEY

Copper	4,896 mt
Diamonds	1,762,378 ct
Fluospar	90,000 mt
Gold	2,045 kg
Lead	10,851 mt
Manganese Ore	42,000 mt
Salt	826,985 mt
Silver	2,010 kg
Uranium	4,328 mt
Zinc	187,500 mt

Factsheet created by Global Business Reports for the Mining in Africa Country Investment Guide.
For more information go to: http://macigindaba.com/

African Governments Must Pay Their Dues

Industry executives call on government leaders to create the right environment that will attract foreign investment

By Dominic Piper
Editor, Paydirt Media Pty Ltd

Africa's mineral prospectivity is such that the continent will continue to attract investment but African governments must play their part in ensuring that this investment is retained.

The recent commodities downturn has affected exploration budgets across the world. This means that Africa and governments must work to attract greater investment, said Resolute Mining's chief executive John Welborn.

"Africa has massive mineral endowments and can deliver more opportunity than anywhere else but it needs stability and incentives to invest," said Welborn, whose company runs the Syama Gold Mine in Mali. "We want to look at new opportunities and talk to African governments about opportunity."

African Natural Resources Centre director Sheila Khama said companies had to communicate to government how the mining industry was structured.

"In many cases, governments and communities think that every miner has large amounts of money in the bank, ready to explore and then develop projects. They don't know that the exploration sector is about finding an ore body and then finding the money to exploit it," Khama said.

Governments in turn must concentrate on creating the right environment for the industry to thrive in the long term.

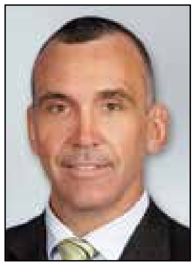
For Khama their most important contribution to industry is in providing stability and security of tenure.

"Security of tenure is vital in resources development," she said. "Companies which have long-term projects need security because they make investments based on the stability of tenure and the tax regime. If companies don't feel secure, they will take a short-term view on their investment. When a country can prove it has a strong track record in stability and security of regulatory and legal frameworks, it has a good chance of attracting further investment."

Randgold Resources chief executive Mark Bristow has long been a vociferous voice for the need for investment stability. He said that by providing stability governments will go a long way in ensuring positive economic outcomes from their mining sectors.

"You contribute nothing to your host countries unless you make profits," Bristow said. "Building a school may be good but it costs around $100,000. In Mali, we cover the entire public sector payroll with our contribution and we have to educate government on that contribution, showing it is a positive thing."

"Africa... can deliver more opportunity than anywhere else but it needs stability and incentives to invest."



JOHN WELBORN
Chief executive, Resolute Mining

"Governments in turn must concentrate on creating the right environment for the industry to thrive in the long term."

SHEILA KHAMA
Director, African Natural Resources Centre

"By providing stability governments would go a long way to ensuring positive economic outcomes from their mining sectors."

MARK BRISTOW
Chief executive, Randgold Resources

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The African Union (AU) Heads of State and Government have taken deliberate steps to address the weak integration of Africa's mining sector into national economic and social activities through the endorsement of the Africa Mining Vision (AMV) and the establishment of the African Minerals Development Centre (AMDC) to provide strategic operational support.

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Publicly Listed: NED, Johannesburg Stock Exchange; NBK, NSE
Market Cap: ZAR 119.5bn

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Publicly Listed: RRS, London Stock Exchange; GOLD, NASDAQ

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Publicly Listed: SBK, Johannesburg Stock Exchange
Market Cap: GBP 13bn

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The UK is the leading global source of mining finance and possesses a broad range of professional services organisations and companies providing world class solutions to the global mining industry. Through skills, learning and knowledge transfer to local communities and businesses, the UK helps deliver sustainable economic prosperity. Join us on stand 1316.

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CONNECTED MINING
SPECIAL INFORMATION SESSION

10 FEBRUARY 2016 | 14:30-16:00

LOCATION: SUITE 1.41

Discovering the Latest Innovations in Technology and Communications for the Mining Industry.
Technology and innovation are expected to be critical to the future development of the mining industry. Companies seeking efficiencies and cost improvements will increasingly look to technological advancements to drive their success. This session will explore the latest ways connectivity, communications, cloud computing and data analytics are being applied to the mining sector to drive productivity and results.

[Moderator]

ANDREW LANE
Africa Mining Industry Leader
Deloitte

MIKE CROSS
Group IT Manager
Gold One International

PIETER LE ROUX
Group IT Manager
Metorex

SCOTT MUMFORD
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This session will include a case study presentation, a panel discussion and interactive dialogue with attending delegates
Refreshments will be served

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AFRICA OUTLOOK
Attack Remains the Best Form of Defence

By Matthew Staff
Editorial Director, Africa Outlook

African Mining Indaba remains an essential source of optimism and constructive collaboration within the ever-pivotal mining sector in Africa, providing the perfect platform for discussion, sharing of knowledge and forward-planning. However, such a forum for positivity has had to be transformed into a problem-solving session over the past two years, with a hefty sense of realism added to the mix.

Speaking after the 2015 event, Mining Indaba managing director Jonathan Moore said the outlook was still on the positive side of crisis, adding that he believed there was potential for growth despite the sector slowdown.

"One of the things that was very pleasant about the 2015 event was that the story from an industry perspective is actually quite a bit rosier on the African continent than in other jurisdictions around the world," he noted. "One of the interesting things about this downturn compared to others is the relative stability of the economies in Africa, despite the fact that the typical downturn in the sector has been so pronounced."

And there lies the saving grace. While the industry remains depressed, the sector elite are still not hitting the panic button. Instead they are in a position to not only survive the hibernation, but to also strengthen and stabilise themselves in preparation for more fruitful times to come.

"One of the things that was thematic of the 2015 event was that as the sector begins to come back, these economies are going to be in a much better position to take advantage of it," Moore stated almost a year ago. And so it has transpired.

In the months that followed the Indaba, Africa Outlook profiled numerous industry protagonists – the majority of whom were in attendance – and the echoing of strategy across the board paints an extremely streamlined picture of the sector, despite the inevitable need to outdo each other ultimately.

Essentially, the philosophy remains that attack is the best form of defence, and now is the time for internal overhaul, not external sulking.

"With economic, industry and regional challenges always a consideration, the need to remain entrepreneurial and quick to react is as pivotal as ever," said the former general manager of Atlas Copco Zambia, Daniel Banister.

"There was a significant drop over the past two years in Zambia in regards to customers purchasing equipment, but a strong focus on the aftermarket services side. We therefore looked at our organisation and how it needed to adapt to fit this level of business."

This alludes to a reliance on flexibility and entrepreneurship across each enterprise, rather than a one-size-fits-all approach to capital expenditures. However, the themes of efficiency, sustainability, and – above all – diversification remain consistent among all.

"You must be very clear in the commodity market, having a focus with both eyes on upcoming trends and happenings, and most importantly, do not keep all of your eggs in one basket," affirmed Met Group commercial director, Hein Jantzen.

Major Drilling's Southern African regional manager Greig Rodger added: "With commodity prices dictating the general slowdown in business being endured by all players in the market, the need to find other differentiators and focuses is vital."

The mineral wealth of the continent is undeniable, but with the discussion shifting away from purely what's in the ground, to all the infrastructural processes that go on in the lead up to extraction,

"...the need to remain entrepreneurial and quick to react is as pivotal as ever."

DANIEL BANISTER
former General Manager of Atlas Copco Zambia

"...the need to find other differentiators and focuses is vital."

GREIG RODGER
SA Regional Manager, Major Drilling

the current mining cold war that is taking place exists as a harmonious calm before the storm, as everyone gears up for the next industry boom.

Moore's 2015 prediction of an imminent resurgence was perhaps too optimistic, but the fact that there is internal optimism within Africa's mining industry at all, is an indication of how far the sector has come in handling general global downturns and prolonged challenges.

Moore's prophecy of a prosperous future therefore remains perfectly intact.

"The resources are there, the infrastructure continues to advance as the economies continue to develop, and there are more and more opportunities to feel comfortable about putting capital to work in regions that were off limits a few years ago," he enthused. "All of those things paint a bright picture for the Mining Indaba and the Continent at large."

Infrastructure Spend; A Much Needed Catalyst

Private/public partnership projects set to become major conducive force behind both regional development and private sector growth

By Rory Sheldon
Access Africa

The diverse infrastructure that supports a mine is intrinsic to ensuring profitability, regardless of market outlooks. Indeed, with current mineral prices, many mining companies are beginning to understand the importance of improving basic infrastructure as a means to secure future profits. Whether this is through direct investment in infrastructure or via an indirect beneficiary, mining companies cannot ignore the importance of infrastructure for the future.

Linsey Dyer, business development manager for infrastructure at DRA Global, explained: "In many cases infrastructure costs represent more than 50% of the project value for a mine. Historically mine owners have ignored the fact that their infrastructure capital expenditure was more than their mining and processing capital expenditure. However, with the mining crunch at the moment, the time of that happy ignorance is now over."

While mining companies and project stakeholders have a vested interest in investing in infrastructure on site, these same players stand a chance to greatly benefit through public/private partnerships (PPPs) on infrastructure spend.

Moe Shaik, general executive for international finance at the Development Bank of Southern Africa (DBSA), said African governments are onboard and open to discussion. "Private/public partnerships will lead the increased investments into infrastructure. And governments require the capacity to be able to ensure that they provide the proper oversight that is necessary for mega projects."

If indeed PPPs are the future for fast-tracking infrastructure projects, both public and private bodies will have to revaluate how infrastructure is perceived on the Continent, as well as the potential of partnership projects to become a conducive force behind both regional development and private sector growth.

The DBSA recently made a commitment to accelerate infrastructure projects in sub-Saharan Africa along with the US Trade Development Agency (USTDA). These large-scale projects will be prioritised towards the bankability phase through project preparation grants, capital funding, and other funding mechanisms. While power, transport, and information and communication technology infrastructure projects will be given preference, the infrastructure acceleration will benefit mining by delivering increased energy availability, and of course, by opening passages for mineral transport by road and rail.

Beyond the DBSA, the International Development Corporation (IDC) in South Africa is looking to provide funding for a number of infrastructure projects related to mining across Africa in 2016.

"We are working alongside the mining and metals value chains, and analysing how we can best help to prepare for the future. We are in long-term partnerships with our clients, and in terms of commodity prices we feel we need to invest now and consolidate infrastructure in order to prepare for the upswing," says Lizeka Matshekga, head of the industrial infrastructure SBU at the IDC.

In the rest of Africa, memorandums have been signed by the governments of Botswana and Namibia to build the Trans-Kalahari Railway. The 1 900km railway line will link Botswana's coalfields to the port in Walvis Bay, improving the future viability of new coal project opportunities. The proposed venture will also offer the opportunity to carry Botswana's copper and nickel exports, resulting in improved operating margins. Beyond this, multiple railway and road projects are currently planned and underway in Zambia, Zimbabwe, Mozambique, the DRC, and up into East and West Africa.

Large scale infrastructure projects loom large, and investing in such projects, or planning investments around such projects, is where mining companies could begin to improve profitability. Roger Baxter from the South African Chamber of Mines made it clear that: "We need to make sure that our infrastructure is available, especially with regards to electricity and rail transport. Progress (in South Africa) is being made to resolve these challenges, but they have to be cost effective and they have to be manageable. There is no point in having the infrastructure available if it becomes too expensive."

In terms of energy, it is no secret that mining across Africa has been hampered by shortages in electricity production. The Africa Progress Report projects that national governments across the region need to invest US $55 billion annually in order to get the Continent back on track. The problem is widely understood, and a number of different power projects are underway that will ultimately aid the mining industry.

South Africa is making progress in the renewable sector and investing in fuel cells, hailed by energy experts as the future of power for mining. Countries such as Zambia and Tanzania are making head-way to address shortages by developing new energy projects. Botswana is expanding current capacity at the Morupule Power Station and Namibia has renewable energy plans. There are also moves afoot to expand nuclear plants in South Africa and inaugurate nuclear power in Nigeria and Kenya. Still, whether or not these projects will survive international scrutiny and pass planning phases remains to be seen.

Beyond energy, it goes without saying that mining across Africa will benefit from increased rail infrastructure spend by the public sector. Transnet has already allocated a US $2 billion for 2016. Industry experts such as PwC director Andries Rossouw expect this capital to be invested into new rolling stock, as well as maintenance projects to service tracks and eventually enable a network to service the mining industry.

"Throughout Africa diversification is key, and investments into road, rail, and electricity projects will be essential for the future of mining. We are 'debottlenecking' in order to make the mining sector work and infrastructure is the driver to get that right," said Rossouw.

South African Platinum Miners; Between a Rock, a Hard Place and the Unions

By Oliver Heathman
Head of Mining Research, Metals Focus

South Africa is blessed with some 70% of the world's known PGM resources. However, ongoing production cost inflation and the recent deterioration in the outlook for platinum demand have weighed heavily on the country's platinum miners.

Cost inflation has largely been driven by ongoing wage increases for the sector's highly unionised labour force, as well as repeated electricity tariff hikes.

Based on an analysis of the Metals Focus PGM Mine Cost Service, average platinum equivalent total cash plus sustaining capital costs of South African producers rose by over 10% per annum in Rand terms between 2010 and 2014. This left the sector in a very challenging position.

It became even more apparent following the price downturn in the second half of 2014, which cut deep into the cost curve, and meant that, versus an average platinum price of R433,257/kg in 2015, a sobering 70% of South African platinum output was loss making on a sustaining basis.

However, despite these pressures, South African production bounced back strongly last year (+27% y-o-y), albeit from strike affected 2014 levels. Furthermore, meaningful rationalisation (mine closures), first suggested by Anglo Platinum back in 2012, appeared unlikely to transpire amid such strong union opposition.

That said, the mining industry is undoubtedly suffering. Two of the largest platinum miners, Impala Platinum and Lonmin, both returned to the equity markets last year.

Of particular note was Lonmin's rights issue, which was heavily discounted. The Public Investment Corp and Government Employers Pension Fund also increased their combined stake to some 58%.

One saving grace for the mining industry in South Africa is the ongoing depreciation of the Rand, which is helping to mitigate the weakness in dollar-denominated platinum prices.

This, however, does present a double-edged sword. Without meaningful production cuts, prevailing supply-demand deficits will scarcely cut into sizeable above-ground platinum stocks. This, in turn, will help to cap any potential gains in platinum prices in the foreseeable future.

Streams and Royalties Reach Record Highs

By Dylan Stewart
Mining Weekly

Investments in mining companies through streams and royalties have reached record highs in the past year, notwithstanding the current capital-challenged environment where there is extreme scarcity of equity and debt capital.

This is according to Sandstorm Gold cofounder and senior executive VP David Awram, a panellist in the session on alternative funding for resource companies at the Mining Indaba.

Sandstorm has five royalty interests in Africa – two in Burkina Faso, two in South Africa and one in Ghana. "The largest African contributor to cash flow in 2016 will be from our gold stream interest in True Gold's Karma project in Burkina Faso, which is expected to begin producing gold this year," said Awram.

True Gold has defined five mineral deposits that comprise the Karma project, with probable gold reserves of 949 000 oz. Construction of Karma's major mining infrastructure began in September 2014 and includes a heap leach pad that will process leachable material from five open pits. The mine is expected to produce an average of 97 000 oz/y of gold over eight and a half years.

Endeavouring to Build Business in Burkina Faso

By Kimberley Smuts
Mining Weekly

Intermediate gold producer Endeavour Mining plans to make a construction decision for its Houndé Project in Burkina Faso in the first quarter of this year, and intends to start construction in the second quarter. Gold production will start in the last quarter of 2017.

"Endeavour Mining is a consistent performer that has been reaping the benefits of the investments made over the past several years and. With Houndé we are poised to construct our largest mine, with very attractive economics," said business development executive VP Doug Reddy.

The Houndé Project will increase the company's number of gold-producing mines – in Mali, Ghana, Burkina Faso and Côte d'Ivoire – to six, and up Endeavour's collective gold production rate beyond its current 580 000 oz/y.

The TSX- and ASX-listed company estimates the initial start-up capital for the mine at US $325 million, including working capital, import duties and contingency. US $55 million has been allocated to buy or lease a full mining fleet.

The company forecasts a life-of-mine (LoM), all-in sustaining cost of US $717/oz, which includes royalties, rehabilitation and closure costs.

On a 100% basis, Houndé, which Endeavour Mining considers to be the best undeveloped permitted project in West Africa, is estimated to produce 190 000 oz/y of gold over a ten-year mine life, but 248 000 oz/y for each of the first two years.

The project has proven and probable mineral reserves of 2.073 million ounces and an LoM production of 1.906 million recoverable ounces.

The owner-operated open pit mine has reserves of 29.7 million tonnes, grading at 2.15 g/t of gold. Endeavour expects to realise an average process recovery of 92.7% at a milling rate of three million tonnes a year through a semi-autogenous grinding ball mill, gravity, carbon-in-leach circuit.

Endeavour received the Houndé Project mining permit on 5 February 2015. The company will hold 90% and the government of Burkina Faso 10% ownership, upon incorporation of a mining company.

Endeavour Mining CEO Niel Woodyer will speak on the attraction of working in West Africa and the opportunity the company has to build Houndé, which is in the Houndé greenstone belt and just south of Canada-based mining company Semafo's Mana mine.

Exploration Key to Future Growth

By Dominic Piper
Editor, Paydirt Media Pty Ltd

Randgold Resources chief executive Mark Bristow believes cutting costs alone will not lift the gold sector out of its current malaise.

The sector has pulled itself back from the abyss in the last few years thanks to industry-wide cost-cutting initiatives, but Bristow contends that further tightening is not achievable.

"The gold industry is in dire straits because there is no pipeline of projects," Bristow maintains.

"Cost cutting can't pull the industry out because grade is the problem and the industry is not investing in solving such problems. Companies can't just keep sucking away at the above reserve grade ore."

Instead, the industry should concentrate on reinvigorating exploration, a strategy Randgold is already employing. The company has set aside US $S50 million for exploration in 2016.

"At a time when industry is cutting back on exploration, we are expanding," Bristow enthuses. "We have reinvented our exploration strategy and we think we are well positioned."

This reinvention has seen Randgold expand its interests in Côte d'Ivoire, Mali and, more recently, in the DRC.

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Africa Should Invest in Itself

Kudzai Mazvarirwofa
Staff Writer, Mining Indaba

Twenty new mining projects will be developed in Africa by 2018, according to Lamido Sanusi, Emir of Kano and chairman of Black Rhino Group. These projects – being set up between 2015 and 2018 – would require over $20-billion in capital investments for infrastructure, energy, project development and other expenses associated with new mining projects.

His prediction was welcome, coming as it did before a panel discussion on global exploration – challenging trends and models to drive investment into grass root exploration. The general consensus shared by panelists was that by investing in itself, Africa – already viewed by investors as appealing – would strengthen its appeal to investors.

By investing in infrastructure and more stable political environments, Africa would save investors up to $3-billion, and so allow them to focus on effective extraction and development.

David Twist, a partner in Africa Mineral and Energy Development Fund, pointed out that if an exploration project was in a nation associated with issues such as corruption, political instability and lack of sufficient infrastructure associated with extraction, the appeal decreased significantly.

DAVID TWIST
Partner, Africa Mineral and Energy Development Fund

Botswana would be his ultimate country for mineral exploration as the country had attempted to invest in itself by improving its infrastructure. It also had less risk associated with political instability as it was strongly anti-corruption.

Steven Fox, the chief executive of Veracity Worldwide, echoed his words, saying there would be a general reluctance to invest in a project in a nation associated with "baggage".

Uncertainty Dictates Tough Choices

By David McKay
Miningmx

Uncertainty about market conditions means that mining firms could not rely on a reversal of the slump in prices, according to Mark Cutifani, CEO, Anglo American.

Addressing Mining Indaba in Cape Town, Cutifani said the group would within days detail plans to withdraw from a number of mining investments "in several countries around the world".

"Transforming the operational performance of the company, while also taking the hard but necessary choices about some of our assets, has been an essential part of turning around the ship in what I have always said would be a five-year exercise," he said.

"We have come a long way already, but we are not there yet and the benefits are harder to see when the market is falling away from you faster than you can deliver the positive change."

Call for Partnerships

By James Lentsoane
Staff Writer, Mining Indaba

Partnerships remain a vital ingredient for survival and success beyond 2016, according to business leaders speaking at the Mining Indaba.

Acadia Mining CEO, Brad Gordon, outlined his company's future plans to curb losses and promote growth. "We will focus on change, promote healthy relationships with communities where our mines are located and localise our people."

"We have partnerships in West African countries such as Burkina Faso and Mali; our exploration in Kenya is also looking good," Gordon noted.

His words were echoed by ZCCM Investment Holdings CEO, Dr Pius Chilufya Kasolo, who encouraged investors around the globe to form partnerships with his company. "Anybody willing to invest in Zambia needs to invest with us. Come with us, we will come with you."

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Strengthen Regulatory Environment and Implement

By Dominic Piper
Editor, Paydirt Media Pty Ltd

South Africa needs to stop scoring own goals and provide more political and regulatory stability if it is to attract more investment into its mining industry.

Speaking at a South African investment seminar, the Chamber of Mines of South Africa president, Mike Teke told delegates international investors were looking for certainty when making investments. "In mining, South Africa competes with Australia, Canada and other African countries for investment and investors only want to put money into jurisdictions where investment conditions are stable," he said.

Tete pointed to the current delays over the MPRDA Bill as an example of how uncertainty left investors wary. "As South Africans, we need to ensure we create stability and in that regard we need to expedite the MPRDA Bill. When I travel the world investors always ask me why it is taking so long. We need to strengthen our regulatory environment and ensure that whatever we agree to must be implemented."

"As South Africans, we need to ensure we create stability and in that regard we need to expedite the MPRDA Bill."

MIKE TEKE
President, Chamber of Mines

Solidarity's Gideon du Plessis agreed, saying South Africa's mining sector was like a football team which mixed spectacular "goals" with lamentable "own goals". He pointed to the failure of AMCU to join wage negotiation agreements and the Government's inability to get the MPRDA Bill through parliament.

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North West Province

Dr Davies said the recent fall in commodity prices meant the country needed to find new ways to extract value from those reserves. "There are structural changes to commodity prices occurring as China's economy adjusts to the 'new normal'. But, if your existing customers are not prepared to pay the same prices for your product, the smart thing to do is find new uses for your product."

Fuel cell technology is one such use and Dr Davies said the special economic zone was designed to encourage the development of such technology in South Africa. "We need to establish a set of industries that make use of platinum. There has been a lot of reasons why beneficiation hasn't happened but we are determined and need to create the conditions to make those industries viable."

Minister for Mineral Resources, Mosebenzi Zwane, agreed saying the Government was looking to platinum to spur mineral development. "With more work we should be able to turn platinum into what gold previously was to South Africa."

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Platinum Group Metals

"Platinum should in fact be very strong and once the market wakes up to this fact, prices will improve," said Wilson.

Stephen Frost, Director and Chairman, SFA (Oxford) Ltd claims that the 50th centile needs a $960/oz Pt price and predicts that that such a price is possible when emerging markets begin to dominate market growth. A big focus for this growth would be jewelry. While the Chinese market for platinum seems to have lowered, the Indian market has assumed the market share.

While jewelry prices are hard to predict, the experts agreed that the diversifying uses of platinum would play a far greater role in bringing about increased prices in the future.

The group also discussed opportunities in the automotive industry, which uses platinum to meet cleaner emission standards. Andrew Hinkly, Executive Head Marketing from Anglo Plc highlighted that the Indian automotive market in particular represented lucrative opportunities for platinum in the future.

While optimism for a future turn-around in platinum prices was shared, thoughts differed greatly on how to deal with the present slump. Still recovering from the Marikana massacre, Ben Magara, CEO of Lonmin says that his company will close all unproductive shafts. "It is critical for us," he says, "to mine for value, not volume. As a result we will focus on four or five productive shafts."

At the same time Gerick Mouton, Vice President and Project Director of Ivanplats, claims his company is currently opening a new mine. "It is a long process and it will take at least four or five years to build the infrastructure. By this time the market will have improved."

Global mining houses have made it clear that platinum, a lot like other minerals, is in trouble. However, through diversification and investing into future stability, these companies will be around to enjoy a turn around in platinum prices.