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## Renewed confidence for year ahead

By Ian Coles and Rachel Speight

The mood at Mining Indaba was more positive than it has been in the last decade, aided in part by mining exploration seeing something of a revival in 2017, led in particular by a planned increase in gold exploration, which saw gold prices hitting a three-month high.

However, a wide variety of challenges are presented by investing in specific countries. Such issues most often arise from the result of considerations on a local political level. Such considerations usually take the shape of adjustments to the economic basis on which mining licenses are granted to companies wishing to explore and exploit. If such issues are ever to be put to rest, differences must be settled between those with the interests of their country and those outside looking to invest and make a profit from the country's natural resources.

In South Africa, those in the mining sector have opposed the new Mining Charter, however any resolution of this issue has been delayed under the new government.

Zimbabwe's mining sector, which declined under Mugabe's rule, has real potential for revival under the new government. Evidence of change, however, will take time.

The Democratic Republic of Congo proposed changes to its mining code, but the issue facing investors is the ongoing political instability in the country.

Tanzania has also proposed changes to its mining code and made financial claims against a number of mining companies, which have been met with criticism.

Over the years, Zambia has tried to go against the mining companies; however there seems to be an understanding between the state and the mining sector.

Despite these challenges in established mining nations, countries hoping to move into mining and shedding a positive light on the sector include Ethiopia, Angola, Mozambique, Nigeria and to a lesser extent, Sudan. Morocco is also continuing to expand its phosphate and tin mines.

The outlook on the various commodities mined on the African continent was also a hot topic of debate during the conference. While future copper mining might focus in Latin America, for now at least, Africa still has a lot of potential as an exporter. Similarly, there is a lot of potential for iron ore, with mining projects for the metal remaining unexplored. The outlook on gold is less clear, due to it being closer to a currency than a commodity. However, in West Africa, production remains strong. Lithium and cobalt were singled out as the two most important resources as they will make up the main component of batteries to power electric cars. As demand for food increases along with an ever expanding global population, so will the demand for potash and phosphorus, two elements found in fertiliser.



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Source of capital, particularly equity capital for exploration, has remained a persistent theme over the past decade at Mining Indaba. China remains the largest investor in the industry, while Toronto is considered one of the most sizeable sources of equity for exploration.

The function of technology and artificial intelligence was also a significant point of discussion, in terms of how it could affect sustainability on the continent and local competencies. This links to how the use of personnel, equipment and technology imported from abroad for the development and operation of a project is no longer considered acceptable, and most leading organisations will make it an imperative to utilise local personnel and equipment in order to enhance local growth. Those at boardroom level are considering this to be a vital component of the investment programme, as is working closely with local communities, and contributing to development plans.

Two issues that received little recognition at the conference however were legal systems and options of debt providers. While many lawyers, including myself, made an appearance at Mining Indaba, the conference mainly focused on trade and investment. Legislation should not be entirely forgotten however, as a stable legal system is the foundation of a stable regime. The message from debt providers however could not be clearer, straight debt financing is no longer the only or even preferred source of non-equity, even if sometimes it appears to be the only practical option.

Virtually all the obstacles facing the African mining industry were addressed and debated at Indaba, and I believe delegates left the conference with a renewed sense of confidence for the year ahead.

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