ECOWAS Federation of Chambers of Mines (EFEDCOM)

Prospectors and Developers Association of Canada (PDAC) 2017

At the Invitation and sponsorship of the African Union, the Executive Director of EFEDCOM participated in the Prospects and Developers Association of Canada (PDAC) from 5th March to 8th 2017 in Toronto, Canada.

He participated in three (3) key events, namely:

i. A panel member in a discussion hosted by the Canada Africa Chamber of Business and Mines. The discussion was on the theme "Is Africa Ready for the upturn?" An open and interactive discussion on opportunities and critical issues in African mining.

ii. Participated in the 18th African Mining Breakfast and 15th Investing in African Mining Forum. The Executive Director gave a presentation and profile the ECOWAS Federation of Chamber of Mines at a breakout session.

The other members of the panel included:

i. ***Guinea:*** His Excellency Magassouba, Minister for Mines and Geology, The Republic of Guinea
ii. **Egypt:** His Excellency Engineer Tarek El Molla, Honourable Minister of Petroleum and Mineral Resources, Arab Republic of Egypt
iii. **South Africa:** Tim McCutcheon, Chief Executive Officer and Director Mineral Promotion and International, South African Department of Mineral Resources
iv. **African Union:** Frank Mugyeni, Senior Industry Adviser, African Union Commission, Department of Trade and Industry.

The Highlights of the panel discussion have been captured succinctly by the "Mining Weekly" in the next pages of this report.

The 18th Annual Mining and Breakfast Forum were very well attended with the opening address delivered by Issa Dominique Konaté, the Special Mining Advisor to the President of the Republic of Burkina Faso. Mr. John Doward, President and Chief Executive Officer of Roxgold in his presentation, debunked the myths of Mining in Africa. This was followed by presentations by some Mining Ministers from Africa and Mining Companies.

STAKEHOLDER ENGAGEMENT KEY TO AFRICAN DEVELOPMENT SUCCESS

TORONTO (miningweekly.com) – Capital for development ebbs and flows with global economic cycles, pushing to the fore the need for long-term regulatory security when it comes to multinational miners developing projects in Africa, said Ashanti Gold CEO and director **Tim McCutcheon** during a panel discussion on Africa's mining industry on the sidelines of the Prospectors and Developers Association of Canada's yearly convention**.**

He pleaded with African host countries to be more patient when it comes to mine development, reminding the panel that private companies are in the business for profit. From that standpoint, he said, the attitude of a government could make or break a project, reflecting the critical importance of managing relationships from the outset.

However, the time required from drill bit to gold pour has lengthened to ten years on average. It is not similar to oil and gas where returns might be realized sooner.

CARRIED INTERESTS

He noted that African governments could well benefit from better articulating their carried interest requirements, for which they had a notoriously bad record.
McCutcheon suggested States should consider converting these to stocks, as it was easier to realize value. He explained that, while it was true that, when building a mine there was a lot of time before cash flow, or even whether one knew for certain one had a mine, often the expectation among locals that when drill rigs arrived they "we're going to be rich" led to subsequent actions to ensure their participation that hampered a projects very development.

McCutcheon stressed the need for education to support critical positions to be filled by professional locals. "Business is not charity. The biggest threat to investment is uncertainty," he said.

If success does happen, people often think "it was always meant to be". But this is not true, he argued. "The odds of being successful are very low and stacked against you. And the bigger the government's free carried interest, the less return to the investor," McCutcheon said, reminding the panel that all host countries were in competition with other jurisdictions.

TRUST DEFICIT

African Union Commission Department of Trade and Industry senior industry advisor **Frank Mugyenyi** said that, despite 150 years of modern mining on the continent, many communities still lived in abject poverty. From this, the African Mining Vision was born, to foster development by looking at regional approaches to industrialization.
"Why can't Guinea add value to bauxite and convert it to aluminum for a regional manufacturing sector?" he asked.

"We have to have smart partnerships to get geologic information, then coordinate law and policy formation, followed by a harmonization of regional policies to get to the regional development goals.
Western African Federation of Chamber of Mines Executive Director **Sulemanu Koney** argued that there a trust deficit existed between governments, communities and the private sector when it came to realizing value from the minerals industry for community investment.

“If companies are not transparent, or engage in unethical practices, it breeds mistrust, and this is similarly true when governments renege on prior accords," he noted.

"Mutual agreement on the development goals by all stakeholders is critical to ensure sustainability. We are in for a long-term journey together,” Koney said.

“Investors seek profit; governments want value for the people – it takes two to tango,” he quipped.

“One doesn’t want communities that just tolerate you, but jealously guard your projects,” South Africa's Department of Mineral Resources chief director for mineral promotion, **Setepane Mohale**, said.

South Africa, emerging from an historical position of extensive mining industry development, is pushing a transformation agenda, which has seen the country enshrine development objectives in its Mining Charter, requiring foreign operators in South Africa to have a 26% indigenous ownership structure.

Mohale lamented companies employing transfer pricing to declare little or no profit in host countries, but then the parent or affiliated structures showing huge profits elsewhere in the world, derived from activities in the country. "That breeds a lot of distrust,” she stated.

MINERAL LAW REFORM

Egyptian Petroleum and Mineral Resources Minister **Tarek El Molla** reminded the audience that Egypt had one of the oldest mining histories in the world, dating back thousands of years.

Following two recent revolutions and two regime changes between 2011 and 2013, the country adopted a new mining law at the end of 2014, replacing a 1956 law. The new iteration of the country’s mining code was not typical, El Molla explained, saying it outlined a flexible relationship between government and the private sector.

“It gives flexibility to implement whatever model works best for both parties,” he said. "We have strong policies in place to place investors in secure positions. In Egypt, all rights are secured into law, ratified by Parliament and signed by the President."

He said government was not interested in the tax and royalty model, rather opting for the production sharing model, in which it can take up to an 80% stake. This results in no tax or customs levies on miners, which is carried by the mining authority.

Republic of Guinea Mines and Geology Minister **Abdoulaye Magassouba** said that despite the country having notable endowments of iron-ore and gold, the country had been struggling to turn these assets into real value for the people since it gained independence in 1958.

Since the first democratic election in 2010, government had been working on a new mining code, with the goal of creating an environment conducive to attracting the kind of foreign direct investment the local market could not provide.

The new law was adopted in 2013, and outlines measures to combat corruption, while also providing fiscal incentives. The country is also looking to incentivize processing and beneficiation.

Guinea has also implemented institutional reforms, that led to the creation of a modernized public cadaster system, opening a one-stop shop for miners and developing a responsible extraction policy, with a key focus being exploration.

Mohale, meanwhile, pointed out that South Africa was in the process of aligning its mining laws with international best practice. A key theme being the need to transfer ownership to the indigenous people. The key legislation, the Mineral and Petroleum Resources Development Act (MPRDA), is in the final stages of a ten-year updating process. The work is expected to be complete by June.

A key theme is the transfer of mineral ownership to indigenous people, with a “use it or lose it’ provision having released from private ownership thousands of mineral rights since 2004.

Section 100 of the Constitution deals with social development in communities around mines and the Mining Charter holds the upliftment of communities as a key condition of the issuing of mining permits.

Mohale also noted that Section 26 encourages miners to vertically integrate; however, the country understands that miners are not always manufacturers and one can’t squeeze the mining sector to boost manufacturing. There’s a fine balance to be maintained.

"We want to promote investment, but provide clear unambiguous rules for operators."
South Africa has also opened a one-stop shop providing one permitting window for water, land and environmental licenses, supported by rich information platforms.

Government has created industrial zones to encourage manufacturing, combined with fiscal incentives to attract beneficiation, with a prime example being the establishment of a development zone with specific investment incentives to capitalize on the growing domestic platinum industry.