



# SUSTAINING MINING INVESTMENTS IN WEST AFRICA

A KEY FOR REGIONAL DEVELOPMENT

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# Key Messages

- West Africa is the largest gold producing region globally, although exploration budget still lags behind the rest of the world.
- While the region would continue to attract investments, the current geopolitical context of the energy transition would demand critical minerals from the sub-region.
- Opportunities for participation in upstream exploration and project development in critical minerals are relatively better for local investors than in gold due to a number of factors. This should increase investments by local mining companies.
- West Africa mining industry should leverage the Africa Continental Free Trade Area (AfCFTA) to increase investments as well as add value addition to the vast potential for critical minerals in the sub-region.



# Outline:

- I. The State of Mining Investments in West Africa: Exploration and Project Development
- II. Key Challenges facing Mining Investments in West Africa
- III. Opportunities for Mining Investments presented by critical minerals
- IV. Leveraging the AFCTA for Mining Investments and Development
- V. Conclusions/Way Forward





# I. The State of Mining Investments in West Africa



# I. The State of Mining Investments in West Africa

## A. Mining Exploration/Project Development Pipeline

- The West African region is one of the fastest growing mining jurisdictions in the world, and the largest gold producing region globally. (new jurisdictions such as Burkina Faso and Côte d'Ivoire).
- The fourth largest gold exploration focus globally (behind Australia, Canada and Latin America) in 2020;
- The region ranks as the first in exploration success, with over 50 million ounces of gold reserves discovered between 2009 and 2019, compared nearest rivals of Canada (36 million ounces) and Ecuador (24 million ounces).



## Investments in Selected Mineral Exploration Projects in the World

Mineral	2021		2022	
	Total Expenditure (\$Million)	Number of Projects	Total Expenditure (\$Million)	Number of Projects
Gold	6202.2	1329	7008.7	1443
Lithium	248.8	111	467.4	194
Nickel	422.9	184	615.2	249

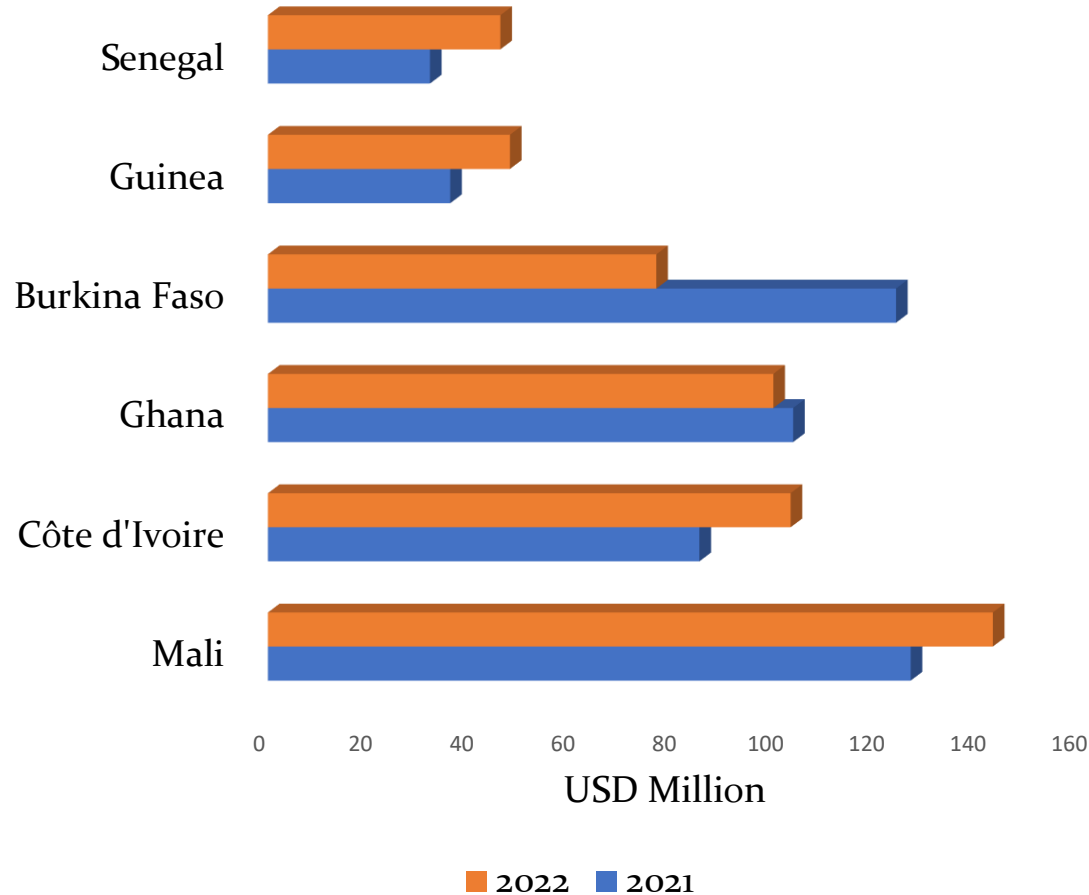
Source: S&P (2023)

# Selected New Mining Projects in West Africa

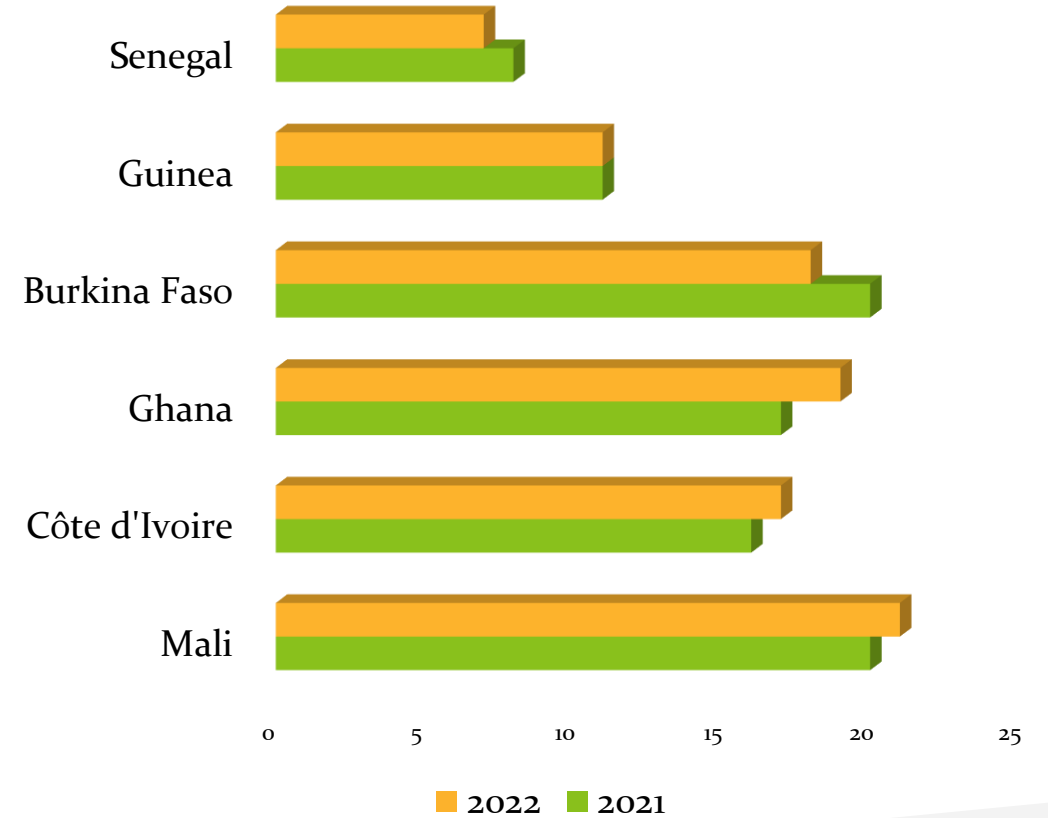
Name of Mine	Country	Company	Asset Status	Start Year	Type of Mineral	Planned Production (tons per year)
Lafigue	Côte d'Ivoire	Endeavour Mining / Gov't of Côte d'Ivoire / SODEMI	Construction	2024	Gold	6.3
Ahafo North Mine	Ghana	Newmont	Construction	2025	Gold	10
Kalana Gold	Mali	Endeavour Mining/ Gov't of Mali	Pre-Feasibility	2026	Gold	4.7
Cardinal Namdini	Ghana	Shandong	Construction	2024	Gold	7.9
Ewoyaa	Ghana	Atlantic Lithium	Early Construction	2025	Lithium	365,000



## Exploration Expenditure on Gold Projects in West Africa



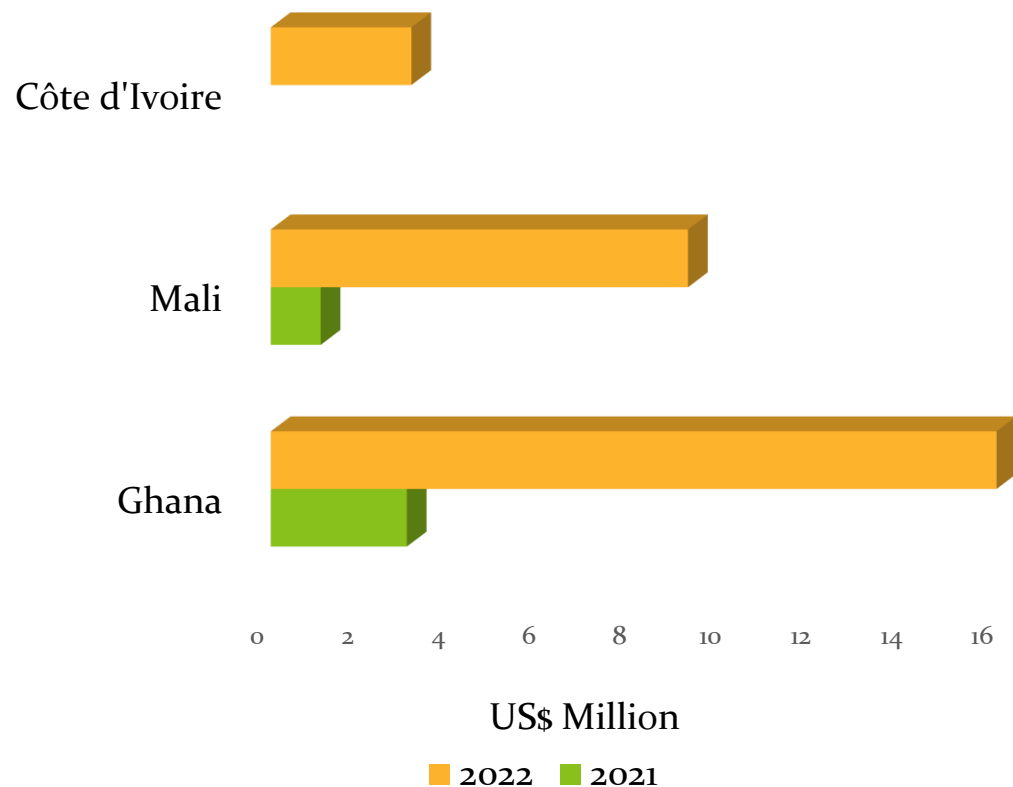
## Number of Gold Exploration Projects in West Africa







## Exploration Expenditure on Lithium Projects in West Africa

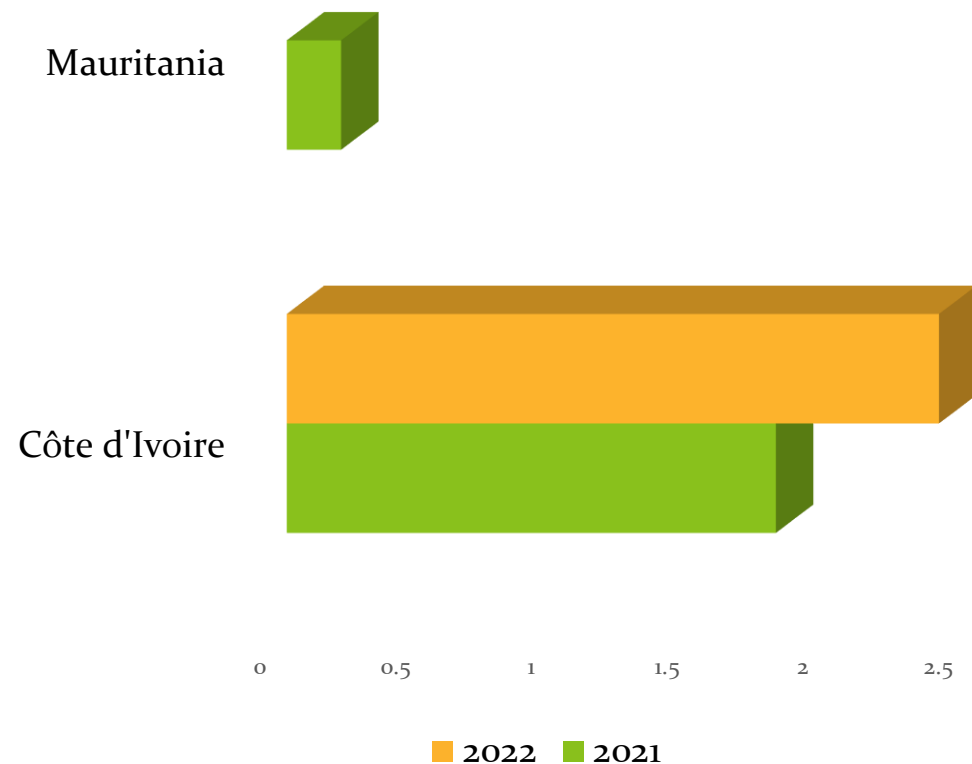


## Number of Lithium Exploration Projects in West Africa

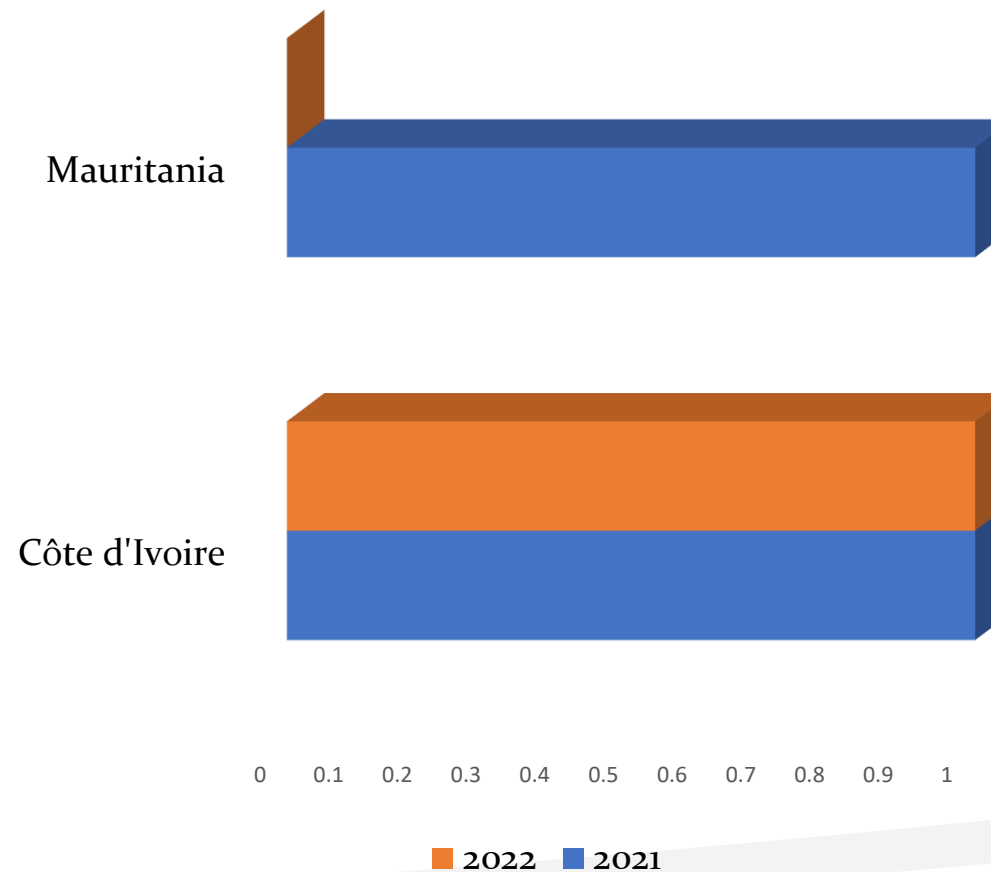


Source: S&P (2023)

## Exploration Expenditure on Nickel Projects in West Africa



## Number of Nickel Exploration Projects in West Africa





## Investments in Critical Minerals versus other major minerals (Au, Cu, Fe)

Exploration budget for critical minerals is relatively smaller in West Africa, although growing rapidly in Mali, Ghana and Cote d'Ivoire - leading the region; Mali is already producing Lithium as Ghana is about to go on production.

Exploration budgets for critical minerals usually lower than major minerals – due to geological and technical reasons but also the time frame is longer from exploration to project development.

Generally, major mining companies have made lower investments in critical minerals exploration than mining juniors who have crowded the critical minerals exploration landscape. There are other reasons – access to capital- which this presentation will focus on later.

For geopolitical reasons (not geological), certain regions receive critical minerals exploration investments (USA, Canada, Australia, Pacific Asia) than other regions (Africa).



# Challenges facing Mining Investment in West Africa

## Risks to Investors in West Africa Mining

- Lack of transparency and high corruption profile
- Constraints from the lack of infrastructures
- Bureaucracy/red tape
- Resource nationalism and risks of nationalization
- Security and environmental concerns
- Fiscal regimes - high rates of taxes and resource rents
- Mining and labour regulations
- Political instability and the risks of armed conflicts
- Community awareness and demand for social licence to operate



## II. Key Challenges facing mining exploration and project development in Africa



## II. Key Challenges to Upstream Project Development (1/5)

- A. The upstream exploration and mining project development phase are necessary precondition to investments in mining operations and downstream processing. The inadequate project pipelines are attributable to the following challenges:
- Exploration activities in **Africa are dominated by international junior miners** using their financial access to **global financial and capital markets**;
  - Africans holding **prospective licenses have limited financial capacity** to add value to their projects before acquisition by a foreign Junior mining company;
  - The challenge to transform these **prospecting licensing properties into exploration projects is compounded by the absence of financial infrastructure** for local mining exploration and project development.



## II. Key Challenges to Upstream Project Development (2/5)

### B. Inadequate access to financing by **international Capital Markets**

- Critical minerals development projects have attracted Junior companies that usually acquire 100% equity in mining properties in Africa.
- Reporting against international codes CRIRSCO, JORG, i-403-101; SAMREC are usually costly to local entrepreneurs.
- The lack of financing avenues is compounded by the low-risk appetite by local investors in exploration activities.



## II. Key Challenges to Upstream Project Development (3/5)

C. Insufficient **Upstream project development ECOSYSTEM** in Africa (except South Africa) including the following:

- Explores, Developers, Miners, geoscientists (CPs)
- Financiers, Investors, Fund Managers, Banks, Brokers, and Analyst
- Mining services and Equipment suppliers
- Networks, relationships, lobby groups and exchange of ideas among mining project developers






## II. Key Challenges to Upstream Project Development (4/5)

- D. Lack of Regulatory incentives** by government to create the necessary **supportive infrastructure to incentivize local private exploration and project development** in critical minerals.
- Interventionist policy interventions like **US Inflation Reduction Act., EU Raw Material Act, Australian and Canadian** governments have all created financial incentives e. g. grants, subsidies and taxes incentives to support their juniors into international exploration.
  - Capital Markets investment incentives like “***Flow Throw Shares***” where investors in junior mining companies listed on stock markets like the ASX, TSX-V tax get write-offs.



### III. Opportunities for Upstream mining project development/Investment by local mining companies



### III. Opportunities for West Africa to realize its Potential in Critical Minerals Project Development (1/3)

- An **alternative approach to upstream project development** urgently needed; critical minerals lend themselves to “modular-mining” that is optimal in scale for development:
  - **Relatively lower exploration cost:** through local stock markets/Banks/pension funds and schemes.
  - **Lowering Cost:** lesser capital required for smaller economic deposits that can be mined but deemed by large-scale mining companies as uneconomic.
  - **Time to market shortened:** opportunity to reduce the timeframe for feasibility studies, design, construction, and development.
  - **Phased development:** opportunity for using a modular mining.
  - **Environmentally Sustainable:** modular mining projects have environmental issues determined by scale of mining.
  - **Social License:** community expectations are relatively lower



# IV. Leveraging AfCFTA for mining investments and value addition in West Africa



## IV. Leveraging AfCFTA for mining project development in the context of Energy Transition

### A. ACFTA: Leveraging opportunities provided by the AfCFTA

- African countries should **leverage their rich endowments of critical minerals to enhance value-addition regionally** (downstream processing is difficult in a single market due to high cost of infrastructure (energy) and other production inputs).
- **Cross-Border Special Economic Zones (SEZs)** can reduce the cost per factor inputs into processing, manufacturing, plants value chains.
- **An example for ECOWAS from SADC**, where **Zambia and DRC** have signed an agreement to build a regional value center of excellence to manufacture of electric batteries using minerals coming found in both countries.



## IV. Leveraging AfCFTA for project development in an era of ESG Investing (2/4)

- **What are the key success factors for aligning AfCFTA and Mining with global ESG Sustainability Standards?**
  - A vibrant African investor community both retail investors and institutional (Pension funds, PE, Sovereign Funds e. g. MIIF)
  - A thriving African capital markets across the continent
  - A vibrant financial services sector ready to support local mining projects
  - Ensuring the highest standards of corporate governance and ethics, transparency and accountability in disclosures to the public, investors, shareholders as well as regulators material information.



## IV. Leveraging AfCFTA for project development in an eras of ESG (4/4)

- African countries and stakeholders must now take advantage of ESG standards and require companies to ensure responsible mineral development over the long-term across the sub-region.
- This would ensure the highest ESG standards in the upstream mineral development practices of junior mining companies to be more inclusive, equitable; and minimize exclusion of local entrepreneurs from ownership of mineral development.



# V. Strategic Way Forward





## V. So What is the Way Forward for sustaining Mining Investments?

- West Africa is the largest gold producing region in the world; 6/10 major gold companies have presence in West Africa. Yet the region is the 4<sup>th</sup> largest gold exploration region in implying that it remains underexplored.
- The geopolitics of the energy transition would demand huge volumes of critical minerals from Africa in general and West Africa in particular. Ghana, Mali and Cote d'Ivoire are leading in investments in exploration. Nigeria hosts a significant deposits of Lithium but need investments in exploration.
- Africa's vision of achieving mineral based industrialization through value addition can only be reached by increasing local upstream project development companies to drive the early stages of mineral development value chain. Critical minerals lend themselves to exploration and downstream value addition
- Capitalizing on the same favorable investment conditions for Gold, the sub-region should leverage the ACFTA to propel regional value addition via the mobility of capital, skills, services and manufacturing of mining inputs in the sub-region.