

Australia-Africa Mining & Energy News Brief

SUPPORTING AUSTRALIAN MINERALS AND ENERGY SUCCESS IN AFRICA



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Africa - General

Gold worth billions smuggled out of Africa

Every year, billions of dollars' worth of gold is being smuggled out of Africa through the United Arab Emirates (UAE) – a gateway to markets in Europe, the United States and beyond. Customs data shows that the UAE imported more than US\$ 15 billion worth of gold weighing some 446 t from Africa in 2016 (up from 67 t in 2006), more than any other country and accounting for nearly one-fifth of its GDP.

However, no large mining companies seem to send gold there and its black-market provenance seems evident. The great majority of the gold arriving in the UAE was not recorded in the export records of African states from which it originated, and no taxes were being paid to these states for the gold, derived principally from artisanal mining activities. This appears to be the main reason that no UAE refinery is accredited by the London Bullion Market Association (LBMA), the standard-setter for the industry in Western markets.

African governments are trying to work out how to manage artisanal mining (and the resulting illicit trade) that, whatever its risks, does provide a livelihood for many of their citizens. It is an activity that moreover could be harnessed positively as a source of revenue for these impoverished African countries.

Maybe Australian authorities' early experiences in handling problems during the gold rushes of Victoria and NSW are no different and this knowledge could be transmitted to African governments to good use?

Report based on source: 'Gold worth billions smuggled out of Africa'. Reuters online, 24 April 2019
https://www.miningweekly.com/article/gold-worth-billions-smuggled-out-of-africa-2019-04-24/rep_id:3650

Africa - General

Glencore faces yet more investigation with the US's CFTC probe

Glencore announced 25 April, that it was under investigation by the US Commodity Futures Trading Commission (CFTC) as to whether Glencore and its subsidiaries may have violated certain provisions of the US Commodity Exchange Act and/or the US CFTC Regulations through corrupt practices in connection with commodities. The probe comes after the London-listed company was subpoenaed last year by the US Justice department (DOJ) for 'shady' dealings in Nigeria, the Democratic Republic of Congo and Venezuela. In its annual report, Glencore disclosed that it incurred \$24 million of legal costs last year related to last year's DOJ investigation. Glencore's shares have declined about 8% since that 2018 probe began and, as a result, investor sentiments towards the company are believed to have turned negative.

Over the last ten years companies and individuals from across the world have suffered the aggressive pursuit of American legal and financial regulatory bodies, and some countries the unilateral imposition of US embargoes (somehow, and without any other country's or international body's specific approval, the USA has become the economic policeman of the whole world).

These pursuits were instigated, and penalties often followed, on the mere suspicion of fraud, embezzlement or human rights violations. Many of the 'offending' commercial entities have been subjected to exorbitant fines of hundreds if not billions of dollars, simply on the fact that they were dealing with countries such as Cuba, Iran, Libya, North Korea, or as in the case of Glencore, Venezuela.

The simple use of the US currency as a means of international exchange, use of an American ATM to draw out cash, or use of an internet server residing on America soil, or even the employment of a person who happens to have been born within the USA, is as a motive for the US authorities to consider an entity as falling under the jurisdiction of American lawmakers.

In fact, a massive and growing number of extra-terrestrial legal impositions have been erected, all in the cause of bringing peace and harmony in the world through the efforts of a benevolent power, the USA, a country that can only 'bring good to the world'.

However, American policymakers must now realise that this is an aggressive and destabilising extraterritorial policymaking strategy, especially so for trade and progress in developing countries.

These US policymakers must be made aware that the geopolitical consequences of such an avenue of unilateral comportment towards 'foes and friends' alike, are yet to emerge and may very well turn back and sting its very instigators?

Report based on sources: 'Glencore faces new corruption investigation with CFTC probe'. Report by Bloomberg in Mining Weekly, 26 April 2019 https://www.miningweekly.com/article/glencore-faces-new-corruption-investigation-with-cftc-probe-2019-04-26/rep_id:3650 and

Géopolitique, Le Débat: 'Extraterritorialité des sanctions américaines: les enjeux géopolitiques', by Marie-France Chatin 14 April 2019 <http://www.rfi.fr/emission/20190414-etats-unis-extraterritorialite-sanctions-americaines-enjeux-geopolitiques>

OPEC provides USD81-million to fund projects in four African countries

The Organization of the Petroleum Exporting Countries (OPEC) will provide USD81-million support to four African countries, the Emirates News Agency revealed. The new support will be provided to Burkina Faso, Ethiopia, Guinea and Malawi via the OPEC Fund for International Development (OFID). It will help develop the infrastructure and agriculture sectors as well as support poverty reduction activities. The first tranche of USD19-million will be provided to Burkina Faso for the renovation of 94-km Tougan-Ouahigouya road, thus improving the connection between production zones and the capital city Ouagadougou. It will also facilitate access to basic services for up to 250,000 residents.

Source: Ecofin Agency

In the Maghreb, lots of announcements but no reforms to diversify away from petroleum

Rent from the exploitation of hydrocarbons remains the main source of income for many countries of the Maghreb (also known as Northwest Africa or Northern Africa). If this resource is valuable, it is not limitless, and to prepare for a post-oil era is necessary. In her book, 'L'après-pétrole dans le monde arabe et musulman. De la dépendance aux stratégies alternatives' (L'Harmattan, 2018), researcher Nassima Ouhab-Alathamneh spells out the challenges of this situation.

Some countries are already beginning to exhaust their reserves and depend heavily on high oil price. In the case of Algeria and Libya, this price needs to be around US\$ 85 and that price level has yet to return, their national budgets feeling the heavy burden.

One of the major issues that these and other oil-producing countries face is the diversification of their economies. While some are in the process of attempting to begin exploiting other natural resources, they all continue to depend essentially on oil revenues. 'Black gold' has lulled these governments to rely almost solely on a single source of revenue, petroleum, and finding an alternative has become increasingly urgent but requires an inevitable transformation in the mode of thinking of decisionmakers.

This is where mining companies may find opportunities and some Australians are already on that path; e.g. Celamin Holdings, Kasbah Resources and Resolute Mining. Are the rest of us being too timid?

Report based on source: 'Après-pétrole : Au Maghreb, il y a eu des annonces mais aucune réforme pour diversifier l'économie'. Jeune Afrique online, report by Arianna Poletti 19 April 2019
https://www.jeuneafrique.com/745094/economie/apres-petrole-au-maghreb-il-y-a-eu-des-annonces-mais-aucune-reforme-pour-diversifier-leconomie/?utm_source=newsletter-ja-eco-abonnes&utm_medium=email&utm_campaign=newsletter-ja-eco-abonnes-19-04-19

Algeria

Corruption cases in the petroleum sector to be reopened

In a speech to military officers broadcast on the public television channel on Wednesday 10 April 2019, the head of the Algerian army said that the law courts would reopen old investigations into cases of corruption, particularly in the public petroleum company, Sonatrach.

Several scandals such as the suspended Sonatrach 3 case in which Chawki Rahal, former Vice-President of Sonatrach were quoted. This case is considered the biggest corruption scandal in the contemporary history of Algeria.

An ex-Oil Minister Chakib Khelil and several of his close collaborators within Sonatrach were also quoted. In 2016, the Algerian justice, without giving convincing explanations, had abandoned a prosecution against Chakib Khelil after having issued an arrest warrant against him in August 2013.

On 23 April, the unresolved prosecution files against ex-minister Chakib Khelil were forwarded to the Supreme Court. According to a communiqué circulated by the Court, "the dossiers relate to cases of foreign exchange offences and the transfer of capital to and from Algeria", and to "the conclusion of the Sonatrach contracts with two foreign companies".

Report based on sources: : Ecofin online, 'Algérie : des affaires de corruption dans le secteur pétrolier seront rouvertes'. Report by Olivier de Souza, 11 April 2019
<https://www.agencecofin.com/gestion-publique/1104-65336-algerie-des-affaires-de-corruption-dans-le-secteur-petrolier-seront-rouvertes-chef-de-l-armee> and

Jeune Afrique, 24 April. https://www.jeuneafrique.com/766915/societe/corruption-en-algerie-le-dossier-de-chakib-khelil-transfere-a-la-cour-supreme/?utm_source=newsletter-ja-eco&utm_medium=email&utm_campaign=newsletter-ja-eco-24-04-19

Angola

TAAG The national airline again allowed to fly in the European skies

On Tuesday 16 April, the European Commission removed the Angolan national airline from its black list, and it will once again be allowed to operate its aircraft in EU skies.

The Angolan airlines TAAG Angola and Heli Malongo, both subject to operating restrictions since November 2008, have also been withdrawn from the black list.

Competition may open up cheaper flights and bring inquisitive investors to Luanda, potentially giving a boost to a faltering economy in a time of change?

Report based on source: Jeune Afrique and AFP, 17 April.
<https://www.jeuneafrique.com/763993/economie/angola-la-compagnie-nationale-autorisee-a-voler-dans-le-ciel-europeen/>

Côte d'Ivoire

Côte d'Ivoire embarks on the construction of 90 local sports centres

According to the national sport plan adopted in 2017, no Ivorian is to be more than 3 km from a sports infrastructure. This ambition has led to an extensive stadium construction program, the pilot centre of which is to be inaugurated in Koumassi, in the heart of Abidjan, in early June. This centre will be the first socio-sporting complex of the 'Agora program', to be inaugurated in early June.

The Koumassi Sports Complex will serve as a model for the implementation of 90 other centres throughout the Ivorian territory. "Our exchanges with sports federations have revealed the importance of infrastructure needs," says Yao François Alla, the Chief of Staff at the Ministry of Sports. "The demand is very strong. Everywhere in the neighbourhoods, young people play on the street".

Rugby is among the eight selected sports to be prioritised and Australian firms in Côte d'Ivoire could do no worse than be interested in this avenue of corporate involvement in the socio-economic development of their host country?

Report based on sources: 'Plan national du sport : la Côte d'Ivoire se lance dans la construction de 90 centres sportifs de proximité'. Jeune Afrique online, report by Natacha Gorwitz 12 April 2019 <https://www.jeuneafrique.com/757189/societe/plan-national-du-sport-la-cote-divoire-se-lance-dans-la-construction-de-90-centres-sportifs-de-proximite/> and

Jeune Afrique magazine, No 3039, 7 April 2019. Page 6

Roxgold acquires gold exploration permits in Ivory Coast

Roxgold has completed its previously announced acquisition of 11 exploration permits in Ivory Coast from Newcrest West Africa Holdings. The acquisition, which includes the Séguéla gold project, is valued at USD20-million. Roxgold will pay an additional USD10-million in cash following gold production from any area within the acquired tenements. The total acquired prospective exploration permits encompass an area of 3,298km². With near-term development potential, the flagship Séguéla project features the Antenna deposit hosting a mineral resource containing an inferred resource of 5.8Mt at 2.3 g/t Au for 430koz Au. Additionally, it includes several other satellite opportunities.

Source: Mining Technology

DRC

The Islamic State group claims its first attack on Congolese territory

Social media releases published 18 April by Amaq, propaganda body for the Islamic State, claim that on 16 April, "ISIS fighters" participated in an attack of army barracks in Bovata, near Beni in the

northeast of the DRC. The death of two soldiers and one civilian during an attack that took place on 16 April, have been officially confirmed.

A spokesman for the Congolese army has refused to confirm or deny the reality of the involvement of ISIS in the attack, suggesting that instead these communiqués are from the ADF-NULA, a terrorist group weakened by field operations of FARDC (the armed forces of the Republic of the Congo), in a region where endemic violence has been occurring for some time. This caution is shared by the civil authorities in Kinshasa, which will not let the country be dragged into a supposed religious war.

Whether an actual or supposed connection, this supposed attack by ISIS may cause the socio-political fragility of the DRC to be seen as further deteriorating?

Report based on source: 'RDC : pour la première fois, le groupe État islamique revendique une attaque sur le territoire congolais'. Jeune Afrique online, report by Stanis Bujakera Tshiamala 19 April 2019 https://www.jeuneafrique.com/764953/politique/rdc-pour-la-premiere-fois-le-groupe-etat-islamique-revendique-une-attaque-sur-le-territoire-congolais/?utm_source=newsletter-ja-actu-abonnes&utm_medium=email&utm_campaign=newsletter-ja-actu-abonnes-19-04-19

Ghana

Ghana urges more equitable mining practices

The first African Head of State to address the INDABA conference in February 2019, President Afuko-Addo of Ghana laid out a vision for African mining which included fairer tax and investment terms, room for local capital to invest and allowances for downstream value-addition.

Africa, up to now, handicapped in negotiations with mining companies by political instability, bad reputations and sometimes incompetent or corrupt representatives, the Ghanaian President urged the mining sector to redress centuries of exploitation and work with African governments and communities to build more equitable contracts and fiscal regimes..

Report based on source: Australian Paydirt magazine, March 2019. Pages 56-57
<http://africangeopolitics.com/en/ghana-urges-more-equitable-mining-practices/>

Guinea

Beny Steinmetz and Alpha Condé friends once again – with the help of Nicolas Sarkozy

Former French President Nicolas Sarkozy met with Guinean President Alpha Condé in Conakry on 21 February. At the heart of their exchanges: Beny Steinmetz, the Franco-Israeli businessman in conflict with Conakry since 2008.

A mediation by the former French President seems to have borne fruit and on 25 February, BSGR (Steinmetz's company) issued a communiqué announcing that it had concluded a settlement of their dispute over mining concessions and licence with the Republic of Guinea, whereby the company "waives its rights on blocks 1 and 2 in Simandou", both parties abandoning all accusations and

proceedings in progress.

Beny Steinmetz is also no longer 'persona non grata' in Guinea, as at the request of the Republic of Guinea, a new group of investors headed by Beny Steinmetz and Mick Davis, former CEO of Xstrata, have been granted the iron ore deposit of Zogota (see below, 'Liberia').

Much smaller than Simandou, the Zogota deposit should prove easier to develop and exploit. The proposed Zogota Mine is close to the Liberian border and its ore will be more readily able to be exported 'downhill' to the Liberian Coast, unlike the much more remote and landlocked Simandou deposit.

Report based on source: 'Nicolas Sarkozy, « facilitateur » de la sortie de Beny Steinmetz de Simandou'. Jeune Afrique online, report by Jeune Afrique 25 February 2019

<https://www.jeuneafrique.com/mag/740090/societe/guinee-nicolas-sarkozy-faciliteur-entre-alpha-conde-et-beny-steinmetz/>

Liberia

Mick Davis moves closer to iron-ore mining with Liberian deal

Mick Davis has signed an agreement with the Liberian Government for his vehicle Niron Metals to allow the use of a Liberian rail and port to export iron-ore from the planned Zogota Mine in neighbouring Guinea, bringing both massive cost reductions and efficiencies to the development of this landlocked region and its vast resources(cf., Simandou).

Davis made his name as Xstrata's CEO, where he took a debt-laden coal miner and built it into a \$50-billion giant before a friendly takeover by Glencore. As a dealmaker, he has indicated "the plan is to complete a feasibility study within six months and continue to work with relevant stakeholders to bring Zogota rapidly into production for the benefit of all". The planned transport of ore through Liberia, underscores the fact that the economic viability of any bulk mining project in that part of southern Guinea rested on cost savings by shipping ore out via Liberia using existing infrastructure (Ports of Monrovia, Marshal or Buchanan?). Alternatively, it could be slurried/barged 'downhill' through Côte d'Ivoire along the Bafing Sud/Sassandra River to the southern port of San Pedro, a much shorter route than to the coast of Guinea far to the northwest.

The rail and port are currently operated by steelmaker ArcelorMittal, which has its own iron-ore mine on the Liberian side of the border. The company has previously said it would let other companies use it 'assuming there's spare capacity, or they pay for upgrades'. The Liberian government said that it will start discussions with the steelmaker.

Zogota, which could potentially produce about 20 million tons a year, is unlikely to be the only target of Niron, but ArcelorMittal's cooperation may be a stumbling block for Mick Davis and his project?

Report based on source: 'Liberia - Mick Davis moves closer to iron-ore mining with Liberian deal'. Bloomberg online, report by Thomas Biesheuvel 25 February 2019

<https://www.bloomberg.com/news/articles/2019-04-18/mick-davis-moves-closer-to-iron-ore-mining-with-liberian-deal>

Libya

Economic consequences of Haftar's assault on Tripoli

The current assault on Tripoli is having immediate economic as well as security consequences. Much of the current focus from Haftar's assault on Tripoli is on the rising death toll, refugee crisis and insecurity. All important factors.

However, the economic implications will be key drivers for Libya's long term stability.

Report based on source: 'Libya: Economic consequences of Haftar's assault on Tripoli'. Menas Associates online 17 April 2019 <https://www.menas.co.uk/blog/haftar-assault-on-tripoli/>

Madagascar

Kraoma wants to revive its chrome mine in a questionable relationship with a Russian firm

Kraoma S.A., a State-owned company responsible for chromium mining in Madagascar, wishes to resume its activities with the help of a new Russian partner, Ferrum Mining. However, questionable clauses in the joint venture contract and doubts as to the collaboration linking the two companies had pushed employees of Kraoma to go on strike under banners chanting " Russians, go home!".

Although the strike has broken and workers resumed their activities at minesite and offices, as of 24 April the strikers resolved that they will push to participate in a renegotiation of the joint venture contract, they will continue to express their fears and delve into Ferrum Mining, and will also question the ambiguous role that some Malagasy decisionmakers may have played in the signing of the contract.

Beyond questions relating to the contract and to the suspicion of embezzlement born of its opacity, the strikers also question the realities of the proposed project. The agreement between Kraoma and Ferrum Mining provides for the extraction of three million tonnes of finished product over the next six years. This represents approximately 6 million tonnes of untreated ore, an extraction of about 2,700 tonnes per day. Doubt has been expressed by high-level employees 'in the know' as to the amount of ore that is actually in place to meet this proposed production.

Report based on source: 'Madagascar: la Kraoma veut se relancer malgré les zones d'ombre du partenariat russe'. Jeune Afrique online, report by Emre Sari 24 February 2019 https://www.jeuneafrique.com/766250/economie/mines-a-madagascar-la-kraoma-veut-se-relancer-malgre-les-zones-dombres-du-partenariat-russe/?utm_source=newsletter-ja-eco&utm_medium=email&utm_campaign=newsletter-ja-eco-24-04-19

Mali

Will there be stability after the resignation of PM Soumeylou Boubèye Maïga?

Prime Minister Soumeylou Boubeye Maïga announced his resignation and that of his government on 18 April. After consulting both the majority and opposition in parliament, President Keita (IBK) nominated outgoing Minister of Finance, Boubou Cissé, as Maïga's successor with the charge of rapidly forming a new government.

After 1 year and 108 days in office, Maïga was considered the strongest of IBK's Prime Ministers and the international community viewed him favourably as a mature and able politician, evident when compared to other politicians that have filled the position in the past.

In the international press, Maïga's resignation is interpreted as a result of the massacre of 160 ethnic Fulani in central Mali in March this year, an ethnic group that has been often been victimised. The issue of ethnicity is further fuelled by the Peulh ethnicity of his replacement. However, the deteriorating security situation in central Mali was likely only the straw that broke the camel's back.

Both President IBK and Maïga were already under pressure from the clerical establishment of Mali over the Prime Minister's perceived liberalism on social issues. Coming from an minor political party, Maïga also suffered from insufficient support among politicians, his elevation creating rivalries with other parties' elites in the coalition supporting IBK.

The appointment of the Peulh politician, Boubou Cissé, will not resolve Mali's most pressing security problems, Cissé being an financier and inexperienced in these matters, and a continued deterioration of Mali's crisis is the most likely outcome.

Report based on sources: 'Mali : le Premier ministre Soumeylou Boubèye Maïga jette l'éponge'.

Jeune Afrique online, report by Jeune Afrique and AFP 19 April 2019

https://www.jeuneafrique.com/764914/politique/mali-demission-du-premier-ministre-soumeylou-boubeye-maiga/?utm_source=newsletter-ja-actu-abonnes&utm_medium=email&utm_campaign=newsletter-ja-actu-abonnes-19-04-19

Africa Insiders' Newsletter by African Arguments africanarguments@substack.com

Mozambique

Mozambique to appear in the top 10 global LNG suppliers list

GlobalData, a data and analytics company, stated that Mozambique is expected to become one of the top 10 LNG producers in the world by the mid-2020s. LNG projects will come from the ultra-deepwater Rovuma Basin, where more than 125 Tcf of recoverable natural gas resources have been discovered – and more is to be found.

GlobalData added that +30 mtpa LNG will be produced in Mozambique by 2020, on a par with Nigeria and Algeria. By comparison, Australia produces some 70 mtpa (~17 mtpa from WA's NWS Project) and Qatar, the largest LNG provider, is planning to be soon producing in excess of 130 mtpa.

Report based on source: Oil Review Africa, 17 April 2019.

<http://www.oilreviewafrica.com/downstream/downstream/mozambique-to-become-world-s-top-10-largest-lng-supplier-says-globaldata>

Nigeria

Government delays taxes despite revenues challenges

Nigeria's revenue authority denies plans to increase Value Added Tax (VAT), despite the Finance Ministry's recently flagging that he intends to raise VAT and other taxes.

The Senate recently recommended that the Federal Government consider increasing taxes on luxury goods in a bid to boost revenues. It did so while approving the Federal Government's medium term expenditure plans for 2019-2021. In the proposed expenditure plan for 2019, the Senate approved a total expenditure of ₦8.83 trillion (US\$24.5 billion) which is in line with what is contained in the 2019 budget.

The expenditure is expected to be financed by ₦6.97 trillion (US\$19.4 billion) of proposed revenue and assumes a deficit of ₦1.86 trillion (US\$5.2 billion). Revenues are based on the assumption that the government will be able to sell 2.3 million b/d of crude oil at an average price of US\$60 a barrel in 2019 as well as receiving taxes on non-oil activities.

The government's challenge is the very low tax base and resultant collection rate. Fear of a political backlash is preventing the government from making these difficult but necessary decisions even as it is obvious that its earnings need a significant boost from new sources of taxable income.

Report based on source: 'Nigerian: Government delays taxes despite revenues challenges'. Menas Associates online 17 April 2019 <https://www.menas.co.uk/blog/nigerian-government-delays-taxes-revenues/>

South Sudan

\$3 billion needed to develop the energy sector

The current 'low' production of 190,000 barrels per day is identified as due to a lack of foreign investment, and Awow Daniel Chuang, Director General of the Ministry of Petroleum in South Sudan, reported that the country is presently seeking to attract US\$3 billion over the next five years to develop its petroleum industry and increase production to some 300,000 barrels a day.

At 7 billion barrels, the country has the third largest proven oil reserves of the African continent. Despite the various peace agreements between President Salva Kiir and his rival Riek Machar, the continuing poor security situation is very much dampening the enthusiasm of potential investors, the insecurity further highlighted by the fact that Riek Machar will not return to Juba 'without proper security arrangements in place' .

Chuang announced that the country is preparing to launch geological studies, the first commissioned by the youngest country in the world. Its objective is to prepare a tender for a maximum of eight oil and gas exploration blocks.

It may be only the brave that will venture, but it could be a parallel opportunity to Hardman Resources' entry into Mauritania in 1996?

Report based on source: : Ecofin online, 'Soudan du Sud : 3 milliards \$ d'investissements nécessaires pour développer le secteur énergétique'. Report by Olivier de Souza, 19 April 2019

<https://www.agencecofin.com/investissement/1904-65526-soudan-du-sud-3-milliards-dinvestissements-necessaires-pour-developper-le-secteur-energetique>