

Australia-Africa Mining & Energy News Brief

SUPPORTING AUSTRALIAN MINERALS AND ENERGY SUCCESS IN AFRICA

in collaboration with



Africa - General

The Copper Industry: Supply Deficit and Price Increase for 2019 and Beyond

According to Ivan Arriagada, CEO of the Chilean company Antofagasta, the global copper industry will be shaken by more disturbances in the next twelve months than in 2018. This could contribute to a supply deficit while demand for red metal continues to increase. In an interview with Reuters, on the margins of the world copper Conference in Santiago, Chile, he said that world copper production will be reduced by about 1 million tonnes this year, compared to 600 000 tonnes last year. Advanced causes include labour disputes, extreme weather conditions and unexpected project delays. Heavy rains in the arid desert of northern Chile and the sustained two-month protests of indigenous communities at the Las Bambas mine managed by MMG in Peru are already weighing heavily on potential supplies from South America. According to Mr. Arriagada, this will strengthen the price of copper in the context of global trade tensions. "We are going to have a supply deficit that will begin to be felt over the next 24 months, which will not only support the current copper price, but also bring it up," he said.

There is therefore great opportunity for African copper-producing countries if they are able increase their production volumes, recalling that the DRC is the first producer of red metal on the continent, and that Zambia is not far behind.

Report based on source: Ecofin online, 'L'industrie du cuivre sera secouée en 2019 : déficit d'approvisionnement et hausse des prix en vue'. Report by Louis-Nino Kansoun, 13 April 2019
<https://www.agenceecofin.com/cuivre/1204-65355-l-industrie-du-cuivre-sera-secouee-en-2019-deficit-d-approvisionnement-et-hausse-des-prix-en-vue>

Africa - General

10 Major M&As That Can Shake up the African Mining Sector According to PwC

The global mining industry seems to have recovered from the 2015 commodity crisis and with regained industry vigor, the time has come for the temptation of mergers and acquisitions (M&A). Will these M&A be aggressive actions as many in the past, or would they be carried out with a sense of realism and prudence? Ten M&A operations have been announced in recent months which affect the industry in Africa:

1. Barrick Gold et Randgold Resources (Or)
2. Newmont Mining et Goldcorp (Or)
3. Zijin Mining et Nevsun Resources (Cuivre, Zinc)
4. China Molybdenum et BHR Newwood DRC (Cuivre, Cobalt)
5. Zijin Mining et Nkwe Platinum (Platine)
6. Chengtun Mining et Nzuri Copper (Cuivre, Cobalt)
7. Universal Coal et Ata Resources (Charbon)
8. SEMAFO et Savary Gold (Or)
9. Roxgold et Séguéla (Or)
10. Desert Gold et Ashanti Gold (Or)

Andries Rossouw, partner at PwC, delivered his expert opinion in an interview given to Agence Ecofin, referenced below.

Report based on source: Ecofin online, 'Les 10 grandes fusions–acquisitions qui peuvent chambouler le secteur minier africain : le point de vue de PwC'. Report by Louis-Nino Kansoun, 11 April 2019
https://www.agenceecofin.com/hebdop2/1104-65324-les-10-grandes-fusions-acquisitions-qui-peuvent-chambouler-le-secteur-minier-africain-le-point-de-vue-de-pwc?utm_source=newsletter_10122&utm_medium=email&utm_campaign=ecofin-hebdo-n-073-semaine-du-12-au-19-avril-2019

Ghana – West Africa

West Africa Mining Security Conference on 11-12 June

The Australian High Commission, Accra, in partnership with the Australia-Africa Minerals and Energy Group (AAMEG) and MS Risk, will host the **West Africa Mining Security Conference on 11-12 June**. This is a unique opportunity to hear from some of the most informed and experienced security, political and economic analysts covering West Africa. The conference will provide mining industry management and security professionals with the detailed and up-to-date information and analysis required to make strategic security and investment decisions in West Africa. With the generous sponsorship of GEODRILL, Resolute Mining, Azumah Resources, Perseus and Newmont Ghana, along with the Department of Foreign Affairs and Trade's Consular and Crisis Management Division, we've

been able to keep the cost of the conference down to US\$300 per participant. This includes a buffet lunch on both days, a conference dinner at the Movenpick Hotel, and networking BBQ.

For further information and registrations, please contact Deputy High Commissioner, Mr Glen Askew on tel., +233 544 330 386, email glen.askew@dfat.gov.au, Second Secretary and Consul, Ms Jillian Suggate on tel., +233 244 312 832, email jillian.suggate@dfat.gov.au or Project Assistant, Mr Michael Apraku Amoah, tel., +233 302 216 400, email michael.amoah@dfat.gov.au.

Registrations are now open until 10th May

Africa – General

British Supreme Court authorizes legal action against Vedanta

The Supreme Court in London has ruled that the Anglo-Indian group Vedanta and its subsidiary Konkola copper mines, accused of pollution in Zambia, will be able to be sued in the UK.

Some 1 800 Zambian citizens will be able to sue Vedanta – a shareholder of Anglo American – in an English Court, following a decision of the Supreme Court of the country issued on 10 April. During a judicial battle that lasted almost four years, Vedanta had sought to limit this lawsuit to its only subsidiary Konkola copper mines (KCM), which would be less able to pay damages, and to the Zambian courts, where the complainants would have had access to more limited legal aid. But the Court held that Vedanta could be held liable for the actions of its subsidiary, because of its control over it, and that England would be more conducive to the holding of a fair trial.

This decision opens the way for other lawsuits against British companies with subsidiaries in Africa.

Report based on source: 'La Cour suprême britannique autorise une action en justice contre Vedanta'. Jeune Afrique online, report by Olivier Holmey 12 April 2019 <https://www.jeuneafrique.com/762214/economie/mines-la-cour-supreme-britannique-autorise-une-action-en-justice-contre-vedanta/>

Africa - General

Chevron spreads its presence in Africa with purchase of Anadarko

The American Chevron, the second largest oil and Gas Company, has announced the takeover of its American competitor Anadarko, reinforcing its presence on the African continent and most notably in Mozambique and Algeria.

Anadarko is one of the principal partners of Sonatrach in Algeria, where it operates the Hassi Berkine blocks 404 and 208, as well as the El Merk blocks in the Illizi Basin, producing a total of some 260,000 barrels per day in Algeria where Chevron has never set foot. In Mozambique, Chevron will be getting hold of one of the largest planned LNG operations projects in Africa.

Chevron announced on Friday, 12 April, that it is acquiring Anadarko for US\$ 33 billion (~AUD 46 billion), proposing US\$ 16.25 cash and US\$ 0.3869 Chevron action for each Anadarko share. Such a proposal values the Anadarko share at around US\$ 65, representing a premium of 39% to the closing price on Thursday, 11 April 2019.

The company will also take over the US\$ 15 billion of Anadarko's debt, thus proposing a total equivalent value for Anadarko of US\$ 50 billion (AUD 70 billion). This operation is expected to generate some US\$ 2 billion in savings, including US\$ 1 billion in synergies, from the first year following finalization of the proposed transaction. Chevron also intends to divest US\$ 15 to US\$ 20 billion of assets by 2022 in order to reduce its debt, pamper its shareholders by paying dividends and redeeming its own shares.

This merger, which is expected to be finalized in the second half of 2019, must still be approved by the Bureau of Competition (the office that monitors anti-competition practices within the US Federal Trade Commission), the boards of the two companies as well as the shareholders of Anadarko.

Report based on source: Jeune Afrique online, 'Hydrocarbures : en rachetant Anadarko, Chevron pose un pied en Algérie ', report by Jeune Afrique and AFP, 15 April 2019

<https://www.jeuneafrique.com/763151/economie/hydrocarbures-en-rachetant-anadarko-chevron-pose-un-pied-en-algerie-et-renforce-sa-presence-en-afrique/>

Ethiopia

Africa Corrupts China (into Drinking Coffee!)

An Ethiopian Embassy delegation led by Ambassador Teshome Toga, Ethiopia's Ambassador to China, paid a visit to China Coffee Association (CCA) on Thursday, April 4. The Ambassador held discussions with the leadership of CCA in Beijing and exchanged views on forging a joint partnership to enhance the development of Ethiopian coffee exports to China's markets.

Ambassador Teshome highlighted the prominence of Ethiopia's globally-known top-echelon specialty coffees in terms of aroma, organic nature and variety. He pointed out that Ethiopia, as the original home of coffee, was currently more than ever ready to provide the burgeoning coffee market in China. Ethiopia, he said, offered ample opportunities to "develop a win-win relationship" for Chinese coffee importers and consumers... and thus, giving back some of the same spiel to the Chinese!

Report based on source: Embassy of Ethiopia, "A week in the Horn", 14 April 2019

<https://mfaethiopiablog.wordpress.com/category/a-week-in-the-horn/>

Africa - General

Post-Cotonou Agreement 2020: continuation of ACP-EU negotiations in Kingston

Negotiations in Jamaica between the ACP Group of States (Africa, Caribbean and Pacific) and the European Union are to reach a "post-Cotonou" agreement by 2020. The Cotonou Agreement was a treaty signed in June 2000 in Cotonou by 78 ACP countries (Cuba did not sign) and the then-fifteen member states of the European Union. It was aimed at a reduction and the eventual eradication of poverty by contributing financially and in kind to sustainable development and to the gradual integration of ACP countries into the world economy. It was also concerned with the promotion of criminal justice through the International Criminal Court.

In contrast to the current manner of evaluating needs and allocating assistance, the future agreement will emphasise strategic regional priorities, basing its contributions on the needs and specificities of each geographical area, thus recognising that the 79 countries forming the ACP block are not uniform in their requirements.

The talks are being held to reach an arrangement consisting of a common core agreement with three regional partnership agreements. The common part of the agreement applicable to all members will list objectives, priorities and general principles and will enhance cooperation at the international level. The regional partnership agreements, by contrast, will be set specific regional priorities aimed at strengthening regional dynamics in line with the increased importance of each region; African, Caribbean and the Pacific.

Report based on source: Post by Prof. R. Dussey, 16 April 20199 <https://robertdussey.com/en/post-cotonou-agreement-2020-continuation-of-acp-eu-negotiations-in-kingston/>

Burkina Faso

Scattering of jihadists - When Telephones speak!

The authorities in Burkina Faso have alerted their neighbouring countries to the risk of seeing suspected jihadists retreat into their territory, as since early March their armed forces carry out a vast counter-terrorism operation in the eastern part of the country.

The Burkina Faso intelligence services believe that some presumed jihadists have fled with their relatives to Benin, Togo and Ghana. In recent weeks, they have observed that several individuals they monitor in eastern Burkina Faso making an increasing number of telephone calls to these three countries, while their telephone contacts abroad had hitherto been confined to Mali and Nigeria. In the face of this new cross-border threat, the Burkina Faso has strengthened its cooperation with authorities in Benin, Togo and Ghana to identify and monitor these suspects.

Report based on source: Jeune Afrique magazine, No 3040, 14 April. Pages 11

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 Mr. Beny Steinmetz have been granted and will exploit the iron ore deposit of Zogota "according to an accelerated timetable".

Much smaller than Simandou, the Zogota deposit should prove easier to develop and exploit. The Zogota Mine is close to the Liberian border and its ore will be more readily 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-facilitateur-entre-alpha-conde-et-beny-steinmetz/>