

It is time to get South Africa's ducks in a row – Shapiro

MARIAAN WEBB | DEPUTY EDITOR ONLINE

Unless South Africa manages to get its proverbial ducks in a row, the country is going to have difficulty attracting junior mining companies, which are typically the ones that take the most risk and find the world-class assets that bigger players eventually mine.

This is according to business development, seminar and marketing company MineAfrica president **Bruce Shapiro**, who says South Africa could lose out on investment, especially in the critical junior mining sector, if it does not settle issues that are unnerving to investors.

“South Africa needs to get its ducks in a row. It cannot be in a state of continued flux.”

“It is not 30 years ago, where if you wanted to mine in Africa, you didn't have much choice – you pretty much went to Ghana or to South Africa. Today, most of the jurisdictions in Africa are competing for mining investment,” he adds.

Shapiro, who is also president of the Canada-Southern Africa Chamber of

Business, stresses that outstanding legislative issues and a labour pool that is antagonistic, and often prone to strike, are not doing South Africa's investment profile any favours.

“The risk of changing legislation is a big risk. People go in on one basis and the next minute it is changing again; companies do not like that,” he says.

The warning from Shapiro comes as the mining world, especially junior firms, are finding it increasingly difficult to raise finance for their projects, underscoring the importance of a favourable country risk profile. “Only those countries with the lowest risk profile are going to be able to attract money unless the opportunity is absolutely irresistible.”

The Canada-Southern Africa Chamber of Business hosted by **Kgalema Motlanthe** in Toronto in November, where the South African Deputy President promoted the country's mining sector. Flanked by Labour Minister **Mildred Oliphant** and Mineral Resources Deputy Minister **Godfrey**

Oliphant, Motlanthe told the audience that South Africa is committed to continue improving its mining legislation, to tackle inefficiencies and to enhance domestic levels of beneficiation.

The authoritative Fraser Institute's yearly Survey of Mining companies, which looks at whether mining policies in 96 jurisdictions around the world encourage investment, placed South Africa in sixty-fourth position in 2013 with regard to its investor-friendliness, compared with a ranking of fifty-four in 2012. At least six African countries outperformed South Africa on the survey's policy potential index. However, most African countries surveyed are occupying bottom-half positions on the index.

When asked about how African countries could improve their attractiveness for mining investment, Shapiro was quick to point out that bribery and corruption had to be stamped out. “It is becoming more and more difficult to be able to find what one would call a ‘clean deal’, so the due diligence on a deal becomes very expensive and very difficult.”

Bribery and corruption is also affecting mining companies' ability to secure money from the World Bank and other international financing institutions, especially since the introduction of anti-bribery legislation in the US and UK, which have implications for companies from those countries operating abroad.

The MineAfrica president further says bribery and corruption is opening the playing field to Eastern companies, which do not necessarily place the same importance on corporate social responsibility and development programmes as businesses from Western countries, such as Canada.

“I think that the West is shooting itself in the foot, because they have one structure that purports to fit 54 countries in Africa and I don't think that is reasonable. You cannot take a country that has no experience with democracy and transparency and say ‘tomorrow you have to do this’. They do not have the capacity to do it.”

Shapiro suggests that the World Bank and international financing institutions that are strapped by various anti-bribery rules and regulations, consider a more flexible approach



BRUCE SHAPIRO AND KGALEMA MOTLANTHE

South Africa's Deputy President addressing the Canada-Southern Africa Chamber of Business in Toronto

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for companies going into countries that are not democratic and transparent. He proposes that deals be structured along milestones, so that the West could provide financing and avoid being pushed out by the East.

Of the more than 300 foreign-listed companies operating in Africa's resources sector, 70% are from Canada or the UK, where MineAfrica runs its highly regarded seminars on African mining.

Although investors' perception of African countries has an impact on companies' ability to raise money for projects on the continent, negative market sentiment is an industry-wide issue, affecting many junior companies operating in different parts of the world. "Higher commodity prices tend to cover

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of proper planning, especially in the Ring of Fire. "We have one chance to get things right in the Far North. It's imperative that the Ontario government makes sound choices about the Ring of Fire, and that these choices are anchored in solid knowledge of what's going on there."

The commissioner concedes that road and rail access will create a new world of possibilities for the Far North, opening a new frontier for exploration, development and activities like hunting and fishing, but questions what the development will mean for the largely pristine, intact ecosystem of the Far North.

The region is a stronghold for biodiversity, its peatlands are important carbon stores and its forests comprise part of the largest block of boreal forest still free from large-scale human disturbance anywhere in the world.

The Environmental Commissioner's report lists some potential environmental effects of mining and mining-related infrastructure in the Ring of Fire that should be evaluated, including, among others, the potential impact that mines will have on the habitat of species, such as caribou, wolverine and sturgeon, and the impact on groundwater flows and wetlands. It also says that the impact of associated infrastructure, such as all-season roads or railways, should be evaluated. It lists concerns such as the fragmentation of both terrestrial and aquatic habitat; ongoing disturbance to wildlife owing to noise, traffic and dust; impacts on stream morphology and flow; increased access and traffic to wilderness areas; increasing fishing and hunting pressure; fragmentation and disturbance of major rivers, wetland areas and protected areas; and increased greenhouse-gas emissions from transportation fuels.

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up all kinds of problems and now that they have crashed, you will see more write-offs and only the very best projects being able to raise funding," Shapiro says.

MineAfrica at PDAC 2014

Meanwhile, Shapiro says MineAfrica will use the Prospectors and Development Association of Canada (PDAC) 2014 convention to help mining companies, service providers and African governments promote themselves. "Our specific focus on Africa means that 100% of our audience is in a room because they are interested in mining in Africa – they are in effect 'Africa friendly'."

MineAfrica is hosting its twelfth annual Investing in African Mining seminar on

March 4, in conjunction with the Canada-Southern Africa Chamber of Business' fifteenth annual Mining Breakfast. The opening speech will be delivered by the Deputy Minister of Mines from Tanzania.

Last year's breakfast attracted a record 385 participants and the seminar featured 20 presentations. Shapiro says 52% of the audience represented mining companies or financial institutions. The majority (51%) of the audience was from Canada, 32% from Asia and 11% from the UK.

In addition to the seminar and breakfast, MineAfrica also has a mini-pavilion consisting of six booths at the sold-out PDAC trade show, which it makes available for sublease to companies, governments and associations. It is a mini African Pavilion.

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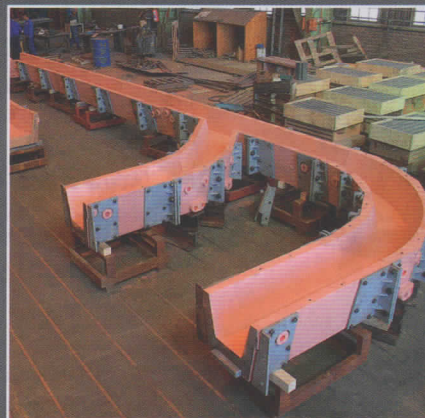
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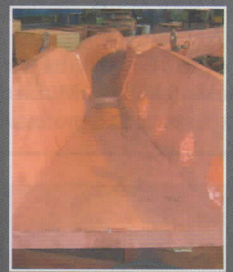
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Tel: +27 13 246 9100 • Fax: +27 13 246 1151

Edwin Dreyer: edwind@thosbegbie.com

Harry Müller: harrym@thosbegbie.com

Joubert Groenewald: joubertg@thosbegbie.com

www.thosbegbie.com

