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A stylized map of West Africa is the central focus, filled with horizontal stripes in shades of yellow and orange. The map is set against a background of light blue squares. The text is positioned in the lower-left quadrant of the map area.

RICH PICKINGS

**WEST AFRICA'S
RESOURCE WEALTH**

West Africa is a territory rich with promise for miners looking for a wealth of resources, but what are the pros and the cons of going into this still developing area of abundance?

WEST AFRICA'S MAIN draw is in the baldest of terms is the richness of the pickings. The abundance of West Africa's mineral wealth is incontrovertible.

While examples like Ghana's oil trade show that the region is by no means virgin territory, as a bonus, large swathes of the region are underexplored, meaning prospectors are more likely to find what they seek. On top of those points is the fact that labour is cheap and permitting extremely rapid by Western standards. On the other hand infrastructure is poor, governments are still finding their feet, conflict is a recent reality not a distant memory and those toiling in nations still carving their way are keenly aware they are one regime change away from losing all they've worked for. Nonetheless miners feeling disenchanted with high first world salaries or feeling abused by newly imposed industry-specific taxation regimes can find a kind of refuge in this more unstructured space.

Speedy Permitting

Nolan Watson, CEO of Sandstorm Gold, a company that finances mining projects



NOLAN WATSON, PRESIDENT AND CEO OF SANDSTORM GOLD

globally, sees other, theoretically more stable jurisdictions in which permits can take five to ten years as a driver of the flight to newer territories. In territories in which permits can take several years to secure, the need to save time – and the attendant expense associated with interest, personnel and other ongoing expenses is often enough for some to roll the dice.

“You have to compare those risks to other risks,” he says, “and having the government take away your assets is no worse than a government

“Mining is probably the only industry that can completely, and in the short term, upgrade these economies and get them kickstarted.”

—Bruce Shapiro, President of MineAfrica

telling you you’re not going to ever get your permit, which happens in North America all the time. You’re trying to get the best risk and the best return. I would argue that permitting risk is huge in North America.”

(In)stability

Explorers drawn by the lure of underexplored territories and speedy permitting have to weigh those factors against the perils associated with working in a developing nation.

“The challenge of course has been political instability,” says Alan Novak, director of metals and mining for Emerson Process Management, which provides machinery, health technologies and reliability-based monitoring for critical mining assets. “Without regional stability, it’s hard to put plans together; [these countries] know they have extensive mineral wealth but how can they exploit that?”

Indeed some degree of certainty is a critical piece of the puzzle for miners intent on carving out a 20 to 30 year plan.

“Countries that are able to put frameworks

into place will get the first benefit... I don’t know that anyone has yet.”

Meanwhile Nolan is laconic at the idea of such regional concerns, as long as the mine is incidental to it. “If you can find a permit you and the investor feel good about, the social instability is less of a concern. If you’re not the source of the focus of the instability – if it’s not specifically mining-related – it doesn’t affect you too much.

Cheap Labour

Low African wages were invoked by Australian mining magnate Gina Reinhart in her now-infamous filmed speech for the Sydney Mining Club in which she insisted the high wages of Australian workers were making the country an uneconomic territory, in contrast with her assertion that African workers would work for “\$2 a day.”

While the figure of \$2 a day might be slightly farfetched, there’s no denying that low-skilled labour comes pretty cheap on the dark continent.

But Watson regards that cost savings as only part of the picture “the advantages stop there.



BRUCE SHAPIRO, PRESIDENT OF MINEAFRICA

What people don't understand is that in remote areas, where infrastructure and water are hard to come by it's much more expensive to build things. You lose out elsewhere."

Infrastructure

Indeed chief among the disadvantages associated with working in any developing country is the lack of such basics as roads and other transportation corridors, power and even water.

Infrastructure – or more accurately, the lack of it – so often a bugbear of the would-be miner as it is, is all the more front-of-mind in an area where facilities are unfailingly poor. Typically the miner needing transport has to pay for its provi-

sion themselves and this must factor into the equation when choosing a sufficiently strong project to justify the expense, making the bar all the higher.

Any financial advantage earned via the availability of low cost unskilled workers can be wiped out in a stroke by the need to choose between building a power station or pay for pricey diesel to keep generators running. Water is also notoriously difficult to come by and building anything in remote reaches is far more expensive than the same project in a populated area would be.

"Infrastructure is part of the equation when you're examining the feasibility of a mine," says Bruce Shapiro, President of MineAfrica. "Roads do happen and where they don't the robustness of the project must take that into account."

The prospect of such upfront spending can cast quite a chill on a miner all-too aware of the fact that it could be years before the project turns a buck.

Resource Nationalism

The threat of Resource Nationalism can never really be completely discounted in a developing nation but miners need only look at the example of Australia's MRRT to see that first world status is by no means lends a territory immunity from the threat.



ALAN NOVAK, DIRECTOR OF METALS AND MINING
FOR EMERSON PROCESS MANAGEMENT

Lack of Skilled Workers

The scarcity of skilled personnel in West Africa is another factor affecting miners. Over time this situation will no doubt right itself, but in the meantime, miners breaking new ground are the canary in the coalmine.

Novak is dismissive of the savings to be had from labour and points to the advent of automation and remotely controlled items of plant as a means of cutting down on personnel on site in such remote reaches altogether. “In mining the cost to manage outweighs any other. Mining is a capital intensive industry and that tends to dwarf the cost of labour.”

Skilled workers are no less necessary, automated trucks etc. notwithstanding, and so must be wooed to remote locations bereft of amenities with other inducements, be it with more money in the pay packet or the lure of company-provided amenities (which of course at those reaches also represent the spending of a company-sponsored pretty penny.)

CSR and the attendant expense

The need to build infrastructure and the scarcity of skilled personnel meet in the shape of Corporate Social Responsibility, which depending on how interpreted could straddle both.

One aspect of CSR that neatly covers both components while also qualifying as “corporate intelligence,” according to Bruce Shapiro, is the notion of up-skilling local workers, thus contributing to the economic wellbeing of the community while also guaranteeing local expertise is available to the miner. Shapiro puts forth the very clear example of Rand, who having trained the locals in many of their operations across Africa seem to have found themselves untouched by the labour disputes besetting so many of their fellows. More to the point is the fact that the benefit of training locals, and thus cutting down on the need for expensive imported professionals and the inducements necessary to keep them, are easy to

“Mining, more so than any other industry, has the highest potential to better people’s lives if done well or to hurt people’s lives if done poorly.”

—Nolan Watson, President and CEO of Sandstorm Gold

discern, especially on a mine that might operate for decades

CSR, once seen as either a public relations exercise or an example of corporate charity, has assumed steadily greater importance as a means of safeguarding the longevity of projects and ensuring miners curry favour with the locals, invest in the longer term and don’t wear out their welcome.

“If you can significantly enrich the lives of those around the mine,” says Nolan, “then you significantly increase the local support for the project and can make more money because of it.”

Shapiro is emphatic on the necessity for CSR, or as he terms it “intelligent self-interest. You protect yourself to the maximum you can, intelligently, and one of the things you can do is start up CSR. The most important aspect of any project is the genuine social licence to operate –that SLO has nothing to do with licencing from the mining department. The country wants you makes a difference. [Insurgents] don’t go into rich environments where everyone is satisfied. People who are intelli-

gent will protect their investment, and part of how you do that is by ensuring local content in labour and supply. It’s simple business intelligence – you want the country to want you and you want everyone to be happy.”

Mining-Friendly

Rich as it is, West Africa is augmented by mining-friendly jurisdictions keenly aware of the fact that their nation’s wealth lies underground.

Shapiro is adamant on the prosperity that can be bought to a developing country still struggling with independence. “Mining is probably the only industry that can completely, and in the short term, upgrade these economies and get them kickstarted,”

Nolan sees things similarly. “Mining, more so than any other industry, has the highest potential to better people’s lives if done well or to hurt people’s lives if done poorly.” **IRJ**