Mining Investment and Financing in Africa: Recent Trends and Key Challenges

Africa’s Mining Industry: The Perceptions and Reality, Toronto
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1. Introduction - Africa in statistics

**In which of the following frontier markets do you see the biggest opportunity?**
- Africa (e.g. Nigeria, Kenya): 66%
- Frontier Asia (e.g. Vietnam, Mongolia): 44%
- Latin America (e.g. Argentina, Colombia): 29%
- Middle East (e.g. Oman, Lebanon): 22%
- Central and Eastern Europe (e.g. Estonia, Serbia): 17%

Source: Invest AD-IBU survey, August & September 2011

**Sub-saharan Africa: Real GDP growth**
(% change, year on year)

- 2005: 8%
- 2006: 7%
- 2007: 8%
- 2008: 6%
- 2009: 4%
- 2010: 3%
- 2011: 2%
- 2012: 1%

Source: Economist Intelligence Unit.

**Africa in figures**
- 54 countries, hosting 29 stock exchanges
- Over 1bn people, speaking over 1,000 languages, with 41% under the age of 15
- 52 cities of at least 1m people, with mobile phone penetration of about 50%
- Over 300m people now classified as “middle class”, up 27% from 2000
- 60% share of the world’s arable land yet to be cultivated
- 10% of world’s oil reserves, 40% of gold reserves, and 80-90% of chromium and platinum group metals
- Average in inflation during 2000s was 8%, down from 22% in 1990s
- Average government debt as a percentage of GDP was 59% in 2000s, compared with 81.9% in 1990s
- During the same period, average budget balances have narrowed from -4.6% to -1.8% of GDP

Sources: McKinsey, IIM, Ernst & Young, African Development Bank, Research and Markets

Source: Economist Intelligence Unit.
Introduction - Recent African Mining M&A deals

- USD2.5 million acquisition by Vale SA of 51% stake in BSG resources (April 2010);
- USD4.7 billion sale of Bunge fertilizer business to Vale SA (May 2010);
- USD8.765 billion acquisition of Lihir Gold by Newcrest Mining Limited (September 2010);
- USD6.8 billion takeover of Redback Mining Inc by Kinross Corporation (September 2010);
- USD3.4 billion takeover of Western Coal Corporation by Walter Energy (December 2010);
- USD 8.4 billion merger of Uralkali and Silvinit (December 2010);
- USD3.825 billion takeover of Riversdale Mining by Rio Tinto (April 2011);
- USD7.66 billion takeover of Barrick by Equinox (April 2011);
- USD986 million acquisition of South Africa’s Taung Gold by Wing Hing International (Holdings) (April 2011);
- USD1.55 billion acquisition of 25.6% majority stake in Imerys SA by GBL (April 2011);
- USD 3 billion acquisition of 75% stake in Berau Coal and 25% stake in Bumi Energy by Vallar (June 2011);
- USD279 million acquisition of further 8% stake in Ivanhoe Mines subsidiary Beales by Itochu (July 2011);
- USD90 million acquisition of 51% interest in Liberia’s Western Cluster Ltd by Vedanta (August 2011);
- Exxaro Resources has offered to buy African Iron Ore for AUSD338 million.
Introduction – Some recent transactions on which Webber Wentzel advised

- Advising Vale Logistics in USD1 billion rail concession agreement with the Government of the Republic of Malawi;
- Acted as South African counsel for Coal of Africa Limited (CoAL) in a private placement to raise gross proceeds of approximately GBP66.3 million through the placement of 130 million new ordinary shares in the capital of CoAL;
- Advising Vale, in acquiring from BSG Resources, a 51% interest in BSG Resources (Guinea), which holds iron ore concession rights in Guinea, in Simandou South (Zogota) and iron ore exploration permits in Simandou North and Blocks 1 & 2 and in Liberia (Deal value USD2.5 billion);
- Acted for Umcebo Mining Shareholders in the acquisition by Glencore International for ZAR900 million;
- Acting for Anglo American Platinum in the transaction relating to the indigenisation of its Zimbabwean subsidiary, Amzim Holdings Limited through the establishment of a community share ownership trust which will hold a 10% stake in its Unki project in Zimbabwe;
- Advised Anglo American Platinum, on the implementation of its ZAR3.5 billion BEE deal;
- Advised BNP Paribas in relation to the South African legal aspects of the USD155 million secured financing of the acquisition by Puma Energy Southern Africa Holdings LLC of BP subsidiaries in five southern African countries;
- Advising Credit Suisse A.G. in relation to the South African legal aspects of a USD40 million working capital facility in favour of Great Basin Gold Limited and Southgold Exploration (Pty) Ltd for the construction and operation of the Burnstone Gold Mine in Mpumalanga, South Africa;
- Advised Credit Suisse A.G. in respect of the USD47 million secured financing of Great Basin Gold Limited and Southgold Exploration (Pty) Ltd for the construction and operation of the Burnstone Gold Mine in Mpumalanga, South Africa;
- Advising Globeleq Advisors Limited on its investment into several wind projects and solar photovoltaic projects in relation to the renewable energy RFP process currently underway in South Africa (three preferred bidder projects);
- Advising Ferrostaal AG and Solar Millenium AG on their EPC roles in various solar photovoltaic projects in relation to the renewable energy RFP process currently underway in South Africa;
- Advising Uranium One & ARMZ on Mantra’s Mkuju River Project in Tanzania.
Introduction - Hot commodities:
2. Mining hotspots: Investments and investors

• A number of African countries are opening up to new mining investments or expanding existing projects, including:
  – *Mauritania* (100% acquisition of Sphere Minerals by Xstrata);
  – *Burkina Faso* (Australian company, Golden Rim, has set aside USD6.9 million for an exploration program together with Abu Dhabi company Royal Falcon Mining in Burkina Faso and Mali);
  – *Tanzania* (100% acquisition of mantra Resources by Russian company Atomredmetzoloto); and
  – *Eritrea* (Nevsun Resources has been progressing in its gold, copper and zinc Bisha Project; Chalice Gold has agreed to sell 60% interest in the Zara Gold project (including the Koka deposit) to China SFECO Group, pending the latter’s due diligence finalisation).

• West African Iron Ore Belt:
  – Worldwide crude steel production for the 59 countries reporting to the World Steel Organisation was at 117 million tonnes for January 2012 and worldwide iron ore use for 2009 was over 1 billion tonnes;

  – Prices for iron ore delivered to China have more than doubled over the past three years. China’s steelmakers, who steer the exponentially expanding iron ore sector expansion, are predicted to increase imports from 679 million tonnes in 2011 to 1.25 billion tonnes over the coming decade (according to the Raw Materials Group);

  – Australia and Brazil currently dominate iron ore exports, and Mauritania was the first of the West African Iron Ore Belt to export the mineral;
Mining hotspots:
Investments and investors (continued)

• West African Iron Ore Belt (continued):
  – The majority of Africa’s iron ore reserves are found in the West African iron ore belt (Precambrian iron ore belt) with considerable high-grade deposits being located in and around Guinea, Liberia, Gabon, Mauritania, Nigeria, Sierra Leone, Republic of Congo, Cameroon and Côte d’Ivoire;

  – The grade of the ore in this belt is 65% iron (similar to Australian and Brazilian deposits).

  – Logistical and political issues are decreasing and are not as great a deterrent as previously, with many countries in the region recovering from civil wars, being some of the world’s poorest countries and having governments open to investment although imposing some more stringent requirements;

  – Companies already involved in mining the West African Iron Ore Belt are: BHP Billiton, Vale, Rio Tinto and Chinalco. Other notable projects are Sundance’s Nabeba project and Core Mining’s Avima Project in the Republic of Congo, Mbarga in Cameroon, and CMEC’s Bellinga Project in Gabon.

• Recent West African iron ore projects:
Mining hotspots:
Investments and investors (continued)

• Recent West African iron ore projects (continued):
  – The iron ore exports from the Marampa mine (London Mining Plc) and the Tonkolili mine (African Minerals (AMI) Ltd) are projected to expand Sierra Leone’s economy by 51% in 2012 (the most rapid predicted pace of any nation according to the International Monetary Fund):
    • AMI has said that initiating iron ore shipments in 2011 “would not have been possible without the support of our investors who have funded this USD1.5 billion project and the government of Sierra Leone who have created a positive investment climate for mining in the country.”
  – Rio Tinto is laying out USD1 billion on the first phase of its Simandou project in Guinea whose projected output is at 95 million tonnes of ore by 2015. The Simandou project is Rio Tinto-Chinalco joint venture which involves building a 650km Trans-Guinean railway and a new deepwater port in south Conakry’s Forécariah prefecture:
    • Mines Minister Mohamed Lamine Fofana has said “the direct impact is hugely beneficial to our population: about 10 000 jobs, local sales, subcontracting. And indirectly, we get a lot of taxes.”
  – Exxaro Resources has offered to buy African Iron Ore for AUSD338 million.

• Interest from emerging markets in mining in Africa has been increasing exponentially. Such nations include:
  – India;
  – China
  – Turkey;
  – United Arab Emirates; and
  – Brazil.
3. Developments inspired by Resource Nationalism

- Host governments want a better “upside” from natural resources investments and are looking to natural resources companies to mitigate budget deficits created by the reduction in aid flows and remittances from Western countries struggling with deep recession and sovereign debt problems.

- As established mining jurisdictions such as Australia assert their resource nationalism, less established mining jurisdictions implement similar policies with less fear of a relative loss of foreign direct investment.

- It is only natural that nationals rightfully demand to be involved in benefitting from their country’s natural resources but such demands should be reasonable and seek benefits spread over the long-term.

Facing resource nationalism:

- “Resource Nationalism Ranks Top Of Mining, Metal Concerns” Ernst & Young’s Business Risks Facing Mining & Metals 2011-2012 report.

- “Tax levels of the 1980s and the 1990s? Who can continue to defend that?” Alexandre Chambrier, Gabon’s minister of mining, at a World Bank conference about natural resources in June 2011.

- “If by defending the interests of the country people think we are being protectionist, well then I agree”; “Now I plan to clean up the mining sector and will conduct a review to remove unconscionable provisions in certain contracts and ensure we have balance and fairness” Mohamed Lamine Fofana, Ministers of Mines of Guinea in an interview with Reuters on 12 September 2011.
Developments inspired by Resource Nationalism (continued)

• Developments:

(a) New legislation:

• **Angola:** (approved on 23 September 2011; coming into force on 22 December 2011):
  – It simultaneously captures existing dispersed rules and repeals a number of laws and decrees, with the aim to give mining activities a more modern, comprehensive and coordinated regulatory framework.
  – Debates around this reform were driven, among others, by the need for greater national participation, facilitation of mining activities, increase of fiscal revenue and local community development.
  – New investment and tax & customs regimes have been adopted under the code.

• **Tanzania:** (20 May 2010) - including subsidiary legislation (Mineral Rights Regulations, 2010) which contain a Model Mine Development Agreement.

• **Guinea:** (Adopted and promulgated on 9 September 2011).

• **Mozambique:** new mining law in preparation – to be sent to parliament for approval in April 2012.

(b) Free carry requirements:

• Government as a shareholder: participation or partial or majority expropriation by African governments, with or without compensation, has occurred in the past and is taking place again now:
  – **Zambia:** concerns raised at announcement of “reviews” of semi-public companies privatised by the previous government although Mines Minister Wilbur Simuusa has lately denied rumours of nationalisation of the mining industry.
  – **Guinea:** New mining code entitles the State to an overall shareholding of up to 35%. Participation is separated into a 15% free carry and the ability to acquire an additional 20% for due consideration - possibility to avoid 20% tranche in return for higher taxes. Requirement for shareholders’ agreement to regulate decisions that cannot be taken without prior consultation with the Guinean State.
Developments inspired by Resource Nationalism (continued)

(c) Local shareholding:

- Increasing state demands for local ownership may occur through formal codification of such requirements or may be more informal in that it is a condition precedent to the grant of any mining rights. Locals are shareholders - Indigenisation quotas
  - **South Africa**: under the Mining Charter, mining companies are required to ensure that a minimum target of 26% Historically Disadvantaged South African (“HDSA”) ownership is achieved by March 2014.
  - **Zimbabwe**: “indigenisation policy” – 51% local ownership of foreign-owned mining entities; for now 10% of shares put aside for community trusts; 30 foreign-owned mines have been given until mid-March to comply with the Indigenisation and Economic Empowerment Act.
  - **Tanzania**: possibility for IPO requirements.

(d) Taxes:

- Tax incentives, tax holidays, tax stabilization are less prevalent.
- Licence fees, environmental levies and reconstruction tolls.
- Change in tax basis, resource rents, windfall profit taxes, royalties - primarily taking the form of royalties on gross revenues rather than taxes on profits:
  - **Zambia**: base metal royalties doubled to 6% and precious metal royalties increased from 5% to 6%;
  - **South Africa**: proposed introduction of a 50% windfall tax on mining “super profits”; 50% capital gains tax on the sale of prospecting rights;
  - **Burkina Faso**: setting a 20% tax on revenue from the purchase or sale of mining rights; intention to introduce a proportional tax on mineral extraction;
  - **Zimbabwe**: gold royalties have increased form 4.5% to 7%; platinum royalties have increased from 5% to 10%.
  - **Mozambique**: Minister for Mineral Resources ~ government will not “tamper” with mining taxation (instead, infrastructure investment in mine’s operating region is compulsory). Tax stability for the life of the project, as provided for in the current Mining Law, has been supressed in the draft mining law.
(d) Taxes (continued):
   – **Tanzania**: Royalties increased and now calculated on gross value, being the market value of minerals at the point of refining or sale. Ignores, amongst others, marketing and distribution costs. June 2011 announced that a “super profits” tax on the profits of minerals as a way to the five year plan to finance development plans.

(e) Contract reviews/audits:
   – **DRC**: review of mining contracts & audit of Gecamines JV agreements.
   – **Guinea**: cancellation of mining rights and review of contracts.
   – **Zambia**: talk of audit of all semi-public companies privatized by the former government.

(f) Local beneficiation and restrictions on mineral exports:
   • Viewed as driving industrial development, beneficiation is a rising trend in an effort to draw higher value from mineral products - may take the form of export restrictions; skills training; obligation to build mills or processors or supply raw material to such mills or processors.
   – **Tanzania**: banned exports on rough tanzanite stones in an attempt to spur the local cutting and polishing industry (although this has fuelled local artisanal mining and illegal smuggling).
   – **Guinea**:
     • Mining companies producing unprocessed minerals are required first to supply processing entities in Guinea. The terms and conditions of the participation of each mining company in this supply will be determined by a decision of the Minister of Mines, after advice from the Council of Ministers;
     • Mining title holders are encouraged to set up processing installations and are granted tax benefits if they do so;
     • The base for the tax on iron ore is no longer the FOB value of iron ore, but the LME Official 3-Months Seller Steel Billet Price.
4. Developments inspired by a greater need for transparency, accountability and good practice

- Legislation newly enacted, or more stringently enforced, in non-African and African countries affect mining practices on the continent.

- **Anti-corruption legislation:**
  - UK Bribery Act 2010:
    - New offences:
      - Bribery of a public official;
      - Failure to prevent a bribe being paid to someone associated with the entity.
    - Effect:
      - Prosecution against the entity will occur no matter the country in which the UK-based company contravened the Act;
      - Proviso: unless the entity has adequate procedures in force aimed at preventing bribery.

  - Foreign Corrupt Practices Act of 1977: increased enforcement

  - Extra-territorial anti-bribery scope in more and more jurisdictions:
    - South Africa, Canada and Australia (parties to the OECD Anti-Bribery Convention);
    - Russia (signed the OECD Anti-Bribery Convention – will become 39th party on 17 April 2012);
    - China (amendment to the PRC Criminal Code in May 2011).

  - More and more in-country legislation.
Developments inspired by a greater need for transparency, accountability and good practice (continued)

Disclosure: USA Dodd-Frank Act:
- Key provisions include disclosure as to:
  - whether an entity’s products use “conflict minerals” sourced from DRC or its 9 neighbours;
  - the source of certain listed metals; and
  - payments to governments for commercial exploration and oil, gas and mineral resource development.

Transparency:
- EITI:
  - Compliant countries in Africa:
  - Candidate countries:
    Burkina Faso, Cameroun, Chad, Côte d’Ivoire, DRC, Gabon, Guinea, Madagascar, Mali, Mauritania, Mozambique, Congo, Sierra Leone, Tanzania, Togo, Zambia

Customs Controls

Environmental legislation and good practice:
- The Equator Principles; PDAC e³ Plus guidelines (Environmental Excellence in Exploration guidelines); UN PADELIA (Partnership for the Development of Environmental Law and Institutions in Africa)

International rules and standards:
- International Council of Mining and Metals (ICMM); Global Reporting Initiative (GRI); UNCHR (endorsing the principle of free, prior & informed consent); International Cyanide Code; EITI; provisions of a particular BIT.
5. Other Developments, Trends and Challenges: Infrastructure Needs

- There is a continued, and in some cases increasingly dire, need for establishment or refurbishment of infrastructure – rail, port, road, power, water and telecommunications – and this is of particular concern to companies who need to mine and export the product.
- Emerging markets alone will spend USD6 trillion on infrastructure over the next 3 years (according to Merrill Lynch).
- Electricity demand far exceeds supply with many countries importing electricity: Nigeria, having a population of 150 million, has the same power capacity as Hungary, whose population is at less than 10 million, yet Nigeria is one of the top electricity producers in Africa, exporting millions of kWh per year.

- Considerations when putting infrastructure in place:
  - Variation in sophistication of local legislation regulating different sectors (water, electricity, roads, rail);
  - Land issues;
  - Procurement laws;
  - Government consents;
  - Resettlement issues;
  - Cross-border/regional considerations;
  - Timing;
  - Costs
Other Developments, Trends and Challenges: Infrastructure needs (continued)

Recent infrastructure examples:

- **Mozambique**: Vale spending USD3.4 billion to rehabilitate 680km railway and extend it by 230km to the port of Nacala (the “Nacala Corridor”); Grindrod (Remgro investment) expansion of Maputo port; ENRC intends building the “New Savana” terminal near the port of Nacala as well;

- **Malawi**: Vale Logistics USD1 billion rail concession agreement with the Malawian government;

- **Cameroon and the Republic of Congo**: Sichuan Hanlong Group increased its stake in Sundance Resources’ Mbalm project which requires a deepwater port and a 465km railway line to be constructed;

- **Liberia**: ArcelorMittal has been refurbishing a mine and constructing a 250km railway from the Tokadeh mine to Buchanan port, as well as refurbishing the port, and is involved in building bridges, a school, a hospital, rebuilding roads and installing a new drainage system (cost: USD800 million);

- **Sierra Leone**: African Minerals (AMI) Ltd rebuilt rail network in November 2011 for purposes of exporting iron ore.

- **Guinea**: In return for a 51% interest in BSG Resources, which holds iron ore concession rights in Guinea, in Simandou South (Zogota) and iron ore exploration permits in Simandou North and Blocks 1 & 2 and in Liberia (deal value USD2.5 billion), Vale agreed to rebuild the 650km trans-Guinea Railway.
Other Developments, Trends and Challenges:
Political regime changes

• The political regime changes in Africa:
  – decrease in the number of dictatorships is an attractive feature but changes in entire regimes or influential individuals create uncertainty as to the emerging power, new regulations and political demands;
  – Examples:
    • Libya;
    • Zambia: the new political regime will be reviewing all mining contracts - although nationalisation has been denied at this stage, possible outcomes of the reviews have not been confirmed; mining-related taxes have already increased.
    • Côte d’Ivoire;
    • Senegal
    • Guinea: a new political regime has also sparked a wave of mining contract reviews;
    • Egypt;
    • the death of the Augustin Katumba Mwanke, senior business advisor to DRC President Joseph Kabila has left a void in the executive inner circle and caused unease as to his, as yet unannounced, replacement.
• Upcoming elections across Africa in 2012:
Other Developments, Trends and Challenges: Increased Costs

• **Costs on the rise:**
• **Labour and safety issues:**
  – Demands for wage increases (above inflation), a greater number of strikes, and mine shutdowns by government for safety reasons all impact on production and profits:
    • 14% increase demanded for South Africa gold miners by NUM in 2011, average 9% in platinum sector;
    • Ongoing strike at the Impala Platinum Rustenburg mine, South Africa, has caused a decrease in production of 3000 troy ounces per day (USD1700) and expected 50% decline of deliveries in April 2012 is predicted;
    • BHP Billiton is closing operations (by 30 June 2012) at the Boffa-Santou-Houda alumina bauxite project, Guinea - linked to the world financial crisis and drop in alumina prices, it also coincides with the strike by 100 workers at the site demanding a 200% wage increase with full health coverage;
    • Anglo American Platinum, South Africa, lost 100 000oz of production in 2011 due to blanket government safety stoppages following a single-shaft problem (stoppages more than doubled to 81 in 2011).

• **Input costs:**
  – Energy and power costs;
  – Infrastructure costs;
  – Increased R&D costs and technology costs needed to increase productivity and extend the life of mature mines (eg: South African gold mines).
Other Developments, Trends & Challenges:
Skills shortages and CSR / CSI

• The following interconnected personnel challenges face mining industries worldwide:
  – Skills and talent shortages;
  – Reluctance of skilled workers to remain on site permanently/semi-permanently – there is a need to make living conditions on site more attractive to families (long-term challenge).

• As a result of both the need for infrastructure and the need for a larger pool of skilled individuals, and linked to resource nationalism, there is a trend towards increasing obligations and demands for Corporate Social Investment / Corporate Social Responsibility ("CSI”/”CSR”):
  – Environmental issues:
    • limiting water table impact and conflicts with communities for water sources leads to increased access to coastal water supply and investment in pumping technology and desalination plants;
    • carbon emissions and nuclear power concerns on the rise.
  – Community trusts and education trusts (eg: Amplats Unki project community share trust in Zimbabwe);
  – Skills training (eg: Gold Fields Academy artisanal school; Kumba Iron Ore business development programmes);
  – Recent phenomenon: pooling of company resources among closely situated mining projects in order to give back benefit the local community more than through a few small projects.

• Additional CSR/CSI examples:
  – Ethiopia: The holder of a mining licence is required to participate in a community development plan in the licence area and is required to allocate funds for this.
  – Guinea: Mandatory conclusion of community development agreement setting the conditions of the implementation of local development. Contribution payment for local community development is as follows: 0.5% of the company’s turnover achieved on the mining title of the area for bauxite and iron ore; 1% of such turnover for other mineral substances.
6. Mining Finance in Africa: Financing trends

There has been a trend towards more “unconventional” financing (GMF Review 2011):

– Influenced by the introduction of the Basel 3 requirements, endorsed at the November 2010 Seoul meeting of the G20:
  • New capital requirements have placed mining in a higher risk category for banks;
  • Drawn-out implementation process of the G20 requirements (expected to be a decade before full implementation);
  • Mining is a “notoriously cyclical industry” which may deter banks, under Basel 3, from providing funds.

– Resultant inclination towards equity providers rather than debt providers and rather take non-hedged debt from other lenders:
  • Trading houses lend their balance sheets to expose themselves to metals and profit from raw material trading;
  • Sovereign wealth funds are keen on larger deals, preferring direct investment giving them more control and structure of the investment, thus presenting exposure to the commodity consumed by that country;
  • Strategic investors (from larger companies or from countries such as China).

– IFC announced in February 2011 that it planned to invest USD300 million in African mining operations over the following 3 years:
  • From exploration stage to early equity mining stage;
  • Intention to participate in project and corporate financing partnerships, supporting mid-tier mining companies.
Mining Finance in Africa: Financing trends (continued)

• The European Development Fund (managed by the European Commission) will resume funding in Africa’s mining sectors:
  – Intends to guarantee loans instead of directly backing mining projects (allowing the European Investment Bank (“EIB”) and other EU institutions to grant “soft loans”);
  – Exact level of funding for 2014 – 2020 as yet undecided;
  – Corresponds with the rise in EIB funding of mining projects, refining projects, and post-extractive industries;
  – Linked to the EU’s Raw Materials Strategy (AMI 254), aimed at encouraging mining-related infrastructure growth.

• More difficult to obtain financing for:
  – Diamonds;
  – Certain alloys.

• Easier to obtain financing for:
  – Iron ore;
  – Coal;
  – Precious metals;
  – Base metals.

• Most of the large African financial institutions have signed up to the Equator Principles.
Mining Finance in Africa: Financing challenges

- Commercial and financial institutions source financing from American and European governments and Development Finance Institutions ("DFI") and Mandate Lead Arrangers ("MLA") who enforce laws/rules related to corruption, money laundering, human rights abuses and sanctions against rogue states, as well as terms imposed on them by their own lenders. Eg: OFAC, UK and EU sanctions in respect of Zimbabwe; UK Bribery Act; Dodd-Frank Act.

- Key difficulties for financiers:
  - Security laws and enforcement structures vary greatly across African countries;
  - Structures for registration of security often do not exist;
  - There is no history of enforcement of security rights (financiers prefer to engage in tried and trusted practices rather than being the first to attempt such a process);
  - Pursuant to an exercise of security, if the transferee has not met certain requirements in that country (eg: expertise or participation in their equity), the state might have the right to refuse to register the transfer of the mining right/title or other right/licence.
  - Political risk;
  - Mining rights: duration and terms;
  - As a result of these factors, it may be necessary to obtain offshore security instead.

- Pressure by African states on financiers of projects to compel their borrowers to take on corporate and social responsibility and sustainability obligations (eg: coal-fired plants will have difficulty obtaining finance from DFIs in some African countries).
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