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West Africa's mining industry

A rising mining market emerges in a challenging global context

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Ghana

West Africa's most revered mining jurisdiction

By now, the fact that Ghana is West Africa's most mature and developed mining jurisdiction should not be news to any serious, informed mining stakeholder. Moreover, the fact that Ghanaian mining is virtually synonymous with Ghanaian gold mining should not startle anyone either. From the distant times of the legendary Ashanti Kings and their gold, to present-day industrial open-pit and underground operations, the precious metal has always played a crucial role for Ghana's economy. Today, the extractive industries (gold and oil), alongside cocoa production, account for the bulk of the country's exports and foreign exchange. Furthermore, with 30,000 direct employees, the mining sector was the source of 27% of the government's internally generated revenue in 2012; roughly 95% of that amount can be traced back to gold.

So what are the main factors that have allowed Ghana to become West Africa's trademark mining jurisdiction, and Africa's second largest gold producer? Ghana is not disproportionally larger than any of its neighboring countries, nor is it dramatically richer in resources than other promising jurisdictions such as Cote D'Ivoire or Burkina Faso. Although its 539 km coastline gives it the edge against countries such as Mali, this asset can hardly be considered a decisive differentiator in a region where Togo, Benin, The Ivory Coast, Guinea, Sierra Leone, and Liberia also have ocean-access.

In fact, Ghana's main advantage is not related to the country's geography or geology, but rather to its society. The first country in Sub-Saharan Africa to gain independence in 1957, Ghana has been functioning as a peaceful, stable, and democratic state since 1992. The importance of this fact in the West-African sub-region cannot be underestimated and mining stakeholders do not shy away from emphasizing that: "Ghana has many advantages that make it a very attractive investment destination in West Africa: its stable political situation makes it an island of peace in the region," said Kwasi Ofori, managing director of Rocksure International, a local contracting company that has been able to successfully leverage the foreign investments made into Ghana's mining industry in recent times.

In fact, Rocksure International took only five years to go from an equipment rental company to a full-fledged mining contractor, with over 200 staff. "It has been a very exciting journey so far […] Rocksure International is now seeking to diversify its scope of operations to other minerals and countries. We have operational offices in Mali (where a production drilling contract with Endeavour mine in Tabakoto is still ongoing), in Burkina Faso, Mauritania and Sierra Leone," said Ofori, whose view on Ghana's viability as an investment destination is widely shared throughout the mining industry.

"Ghana has good governance and political stability – we are the Switzerland of West Africa," added Benji Kwesi, managing director of B&P Group, a local contracting and logistical company which was founded abroad, in Holland, 12 years ago.

Today, this favorable investment climate is fully reflected by the range of top-tier

An interview with Benjamin Aryee, the CEO of Ghana's Mineral Commission.

The year 2013 saw a downturn of the global gold markets. How badly was Ghana's mining industry impacted by this trend, given the country's strong reliance on gold mining?

Mining, and particularly gold mining, has always been extremely important for Ghana. Consequently, whatever happens to gold has a clear and direct impact on the Ghanaian mining industry and the national economy. The gold price decline of 2013 affected production in the country by about 15% and most of this negative effect was felt in the second half of the year, as June had the sharpest month to month output decrease. Furthermore, Ghanaian national revenue suffered and unemployment increased, as several mining companies reduced the number of their employees: it is estimated that, in 2013, between 2,500 and 4,000 people lost their jobs in the nation's mining sector.

The problem is that the industry is a price-taker, and there is little that we can do when facing decreasing gold prices. Unfortunately, we are expecting these negative trends to continue throughout 2014: the problem is that the mining companies' reactions to fluctuations in the international market are not constant. During the downturn, the private sector tends to shut down rapidly and drastically. Meanwhile, during the upturn, the time needed for companies to regain confidence and restart investing is much longer: there is no sudden reaction, because people want to see if the positive market conditions are sustainable, before re-committing the capital. Moreover, the downturn also causes another negative long-term effect: the severe reduction of exploration work. Subsequently, resources are no longer being discovered, fact which will eventually lead to a gap in future production. Another issue is that there is not enough industrial integration being achieved at the moment, there are not enough linkages between the gold industry and other sectors of the economy. These factors combined show us that, unfortunately, we will not be witnessing any dramatic increase of mining activities in Ghana over the next two to three years, as the industry will still be recovering from the 2013 gold shock.

ENGINEERS & PLANNERS

A-CLASS INDIGENOUS CONTRACTOR IN AFRICA

Engineers & Planners (E&P) is Ghana's leading mining contracting firm that provides mine support services to the Extractive Industry particularly Gold and Iron Ore mining companies in Ghana. With its headquarters in Ghana and other offices in Liberia, Engineers & Planners started its operations in 1997, renting Heavy Duty Equipment to companies in the Construction and Extractive Industries. Today, our interests have been diversified in terms of geographical location and services delivery.

Our core business encompasses mining, exploration & grade control, load and haul, bulk haulage transport, earth & civil works, heavy duty equipment rental as well as to provide consultancy services to the extractive industry.

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gold producers present in Ghana. Four of the top 10 global gold giants operate in the country: AngloGold Ashanti (at Obuasi and Iduapriem), Newmont Mining (at Ahafo and Akyem), Gold Fields (at Tarkwa and Damang), and Kinross Gold (at Chirano). The scenery is completed by operating mid-tier companies such as Endeavour Mining (at Nzema) and Golden Star Resources (at Bogoso/Prestea and Wassa), as well as promising mid-tier hopefuls, such as the newly formed Asanko Gold. Good resources, good companies, good governance, what could ever go wrong given this apparently infallible recipe for success? The long answer to that question would be the lack of Ghana's mineral diversification and its inevitable dependence on the global economy. The short answer would be the price of gold.

The period between 2010 and 2012 could easily be referred to as the "Golden Age" of Ghana's gold mining. Year-on-year, global gold prices increased by 26%, 28%, and 6%, while the country's national production went from 3.3 million oz/y in 2010 to 4.3 million oz/y in 2012. "In West Africa, 2010 and 2011 were two phenomenally good years for the mining industry; junior explorers - particularly for gold, were raising and quickly investing large sums of money. By mid-2012, this flow of investment-money began to slowdown, making it more difficult to raise capital. Some juniors that had secured investment did not deliver on their promises to investors and. arguably, a number of feasibility studies were over-optimistic," said Simon Meadows Smith, managing director of SEMS Exploration, a West-African focused geological consultancy group, founded in 2002, which currently has a physical footprint in six countries across the continent.

Indeed, by mid-2013, the gold price had dropped to the $1,300/oz mark, signaling the beginning of turmoil for Ghana's prolific gold industry.

The hidden dangers of Ghana's mature mining market

The reality is that Ghana's mature mining market is a double-edged sword: political and legal stability, as well as the presence of a highly-qualified, local workforce are its advantages. Continuously increasing costs, generated by aging mines and more empowered employees, are its downfalls. AngloGold Ashanti's Obuasi mine has been in operation for over a century – at its peak, in 1996, it produced 934,000 oz/y: in 2011, it produced 313,000 oz/y at a total cash cost of $862/oz; then, in 2012, it produced 280,000 oz/y at a total cash cost of $1,187/oz; finally, in 2013, it accounted for 239,000 oz/y at $1,406/oz. Numbers do not lie and subsequently, in April 2014, AngloGold announced the shutdown of the mine for a period between 18 and 24 months. Even if no two gold mines are identical in Ghana, this trend can be generalized to an extent – costs are increasing, while the gold price, as of late, is decreasing. Meanwhile, Gold Fields saw strikes at both its Ghanaian operations in April 2014, while Newmont fired 300 of its Ghana-based employees in late 2013. The margins of profitability are more crucial than ever, while every dollar spent is under extreme scrutiny. "Generally speaking, markets tend to be driven by sentiment rather than fact and the reality is that the sentiment towards gold is not good at the moment [...] It is interesting to see how the world's major gold mining companies have had such recent trouble with the price of gold at $1,200/oz, considering that business was doing good a couple of years ago, when the price was merely $700-800/oz. The explanation behind this is two-fold: one factor relates to a general increase in costs, particularly diesel fuel. The other problem was the way in which gold companies managed their finances during their streaks of profitability: excessive spending has slowly, but surely, led the majority of the world's gold miners to accumulating debts that are difficult to recalibrate now. Businesses lost control of their costs and the situation escalated to a point where cutbacks were difficult to make, especially in the labor segment, where the Ghanaian laws are quite stringent. We do not expect gold mining in Ghana [...] to go anywhere fast. Now, it is simply a matter of companies getting used to the current market conditions and reducing their costs consequently. Expect that to happen at the beginning of 2015," said John Sammut, managing director of Panafrican Equipment, Komatsu's exclusive dealer in Ghana.

Silver Linings – Fostering home-grown excellence, conquering foreign jurisdictions

Even though things are not ideal at the moment, it is not all doom and gloom for Ghana and its mining stakeholders, particularly its home-grown service companies. The 2010-2012 mining boom generated a tremendous demand for work and that provided the perfect environment for Ghanaian contractors and consultancies to grow. Furthermore, since working with top-tier miners implies world-class quality standards, local companies have considerably improved their game over the last four years.

"Companies like ours play an essential part of the mining process in Ghana because even gold mining giants like Newmont do not bring in their own equipment to do the job – there will always be demand for local businesses that can manage the operations. That said, the service-quality is essential: international mining companies that operate in Ghana expect world-class service providers. If a local company is mismanaged, it will never receive the job," said Edmund Amoah, CEO of Christel Engineering and Mining Services, a local contracting company with a long-lasting presence in Ghana.

Ultimately though, when the gold price dropped, all companies suffered across the board, irrespective of their size and strength. However, the versatility that these Ghanaian enterprises gained between 2010 and 2012 has helped them find new paths towards profitability. "When the gold price went down, Ghana's mining industry suffered a setback. Now, to counterbalance this slowdown, we are gradually getting more involved in the country's infrastructural development. Ghana's logistical network is well developed compared to others in the region, but, even so, there are many improvements left to be done and we can certainly help in the process. On the mining side, we have an interest in Liberia's iron ore market – we know that environment very well," said Amoah.

B&P Group's story took the form of a lasting partnership with Newmont Mining, which ultimately brought it international exposure. "Newmont's Akyem remains our flagship project to date. At the peak of our work, we had 800 employees on site. The learning curve has been tremendous for B&P during these last four years [...] but the fact that Newmont recommended us in Uganda is clear proof that they appreciate our seriousness," said Kwesi.

Overall, perhaps no other factor contributed more to B&P's recent success than the international mindset and vision of its employees, many of whom are repatriated Ghanaian expats: "The problem is that Africa is just not straightforward for investors. The good news is that there are plenty of opportunities for the taking – it is just a matter of being innovative enough to acknowledge and seize them. However, what we do not have at the moment is the ability to be creative and this is something that needs to be imported. Luckily, more and more Ghanaians travel or study abroad and they get the chance to see how business is done in Europe or the US. These people have started to come back home, an inconceivable fact 20 years ago. Now, it is up to them to make a change and show the way to those that lack this practical experience and sense of leadership. As a matter of fact, all of B&P's management members have spent part of their lives abroad; this is because we see the added value of this international experience in an employee's mindset. At the end of the day, we are a local company, managed by Ghanaians with international experience, who returned because they wanted to help this country grow and develop," concluded Kwesi.

Nonetheless, it has not always been easy for local businesses to get the attention of the big miners, especially before 2010. Such was the case of Rana Motors (Goodyear's exclusive dealer in Ghana), which started focusing its attention towards the mining sector in the early 2000s, offering specialized tires to the industry. "In the early 2000s, the business of catering tires to mining companies seemed to be a protected domain, reserved almost exclusively to international majors or the tire manufacturers themselves. The general impression in the mining industry was that the local companies just did not have the vision or

1st loading. Photo courtesy of Maxam Ghana.


Juan Agudo, general manager West Africa for Maxam Ghana.

the capability needed to be part of the local support sector which was vital to the mines' functionality. There was a perceived lack of commitment, technical insights, and adequate human resources that loomed over Ghanaian businesses with an interest in the supply and management of mining tires. [...] However, as time passed, it turned out that as a local company, we were actually better equipped to face the day-to-day challenges on the ground. Rana Motors was operating in its home-base, where it knew the main players, and the general business culture. Moreover, we started operating consignment stocks, which allowed us to be closer to our main customers and relieve them of the financial burden of carrying stock on-site," said Essam Odaymat, CEO of Rana Motors and Metal Works Engineering.

Nowadays, having conquered Ghana, Rana Motors, through its subsidiary, West Africa Tire Services, is out to conquer other jurisdictions across West Africa. "We have the necessary manpower, offices and infrastructure to support business in Mali, Sierra Leone and Burkina Faso, where we try to replicate our Ghanaian business model. During these difficult economic times, you have to keep fighting the fight and showcase the best you can offer in order to survive and thrive," concluded Odaymat.

Overcoming preconceptions, leveraging the gold boom of 2010-2012, and then finally expanding into new neighboring jurisdictions to offset Ghana's gold mining slowdown: perhaps no other company illustrates this path better, and with more grandeur than Engineers and Planners, which was originally set up in 1997, as a small rental company. Now, in 2014, this titan contractor employs roughly 2,500 people and is active not only in Ghana, but also across the West-African sub-region, in places such as Liberia, Sierra Leone, and Guinea.

"Our evolution has seen us constantly diversify and expand the array of services we were able to provide and today, Engineers & Planners is Ghana's second biggest mining construction company. Originally, we were built on a gold-model, following Ghana's mining profile. However, our venturing into Liberia gave us a broad sense that gold was not the only mineral out there that we could mine; iron, bauxite – these showed great potential. Gold has not done well in recent times and our clients are definitely feeling the downturn at the moment: they have cut back on a lot of projects and their drawing boards are now rather empty. At $1,200/oz, gold has become an unprofitable business for them and Engineers & Planners was certainly affected by that as well. Our strategy has become increasingly international over the years and Ghana, although it is our home, does not necessarily constitute our main point of focus currently," said Ibrahim Mahama, chief executive of Engineers and Planners.

On the ground, in Accra, one can certainly feel the intensity of the uphill battles that Ghanaians have had to fight to prove themselves to the mining community. There is an omnipresent sense of national pride and empowerment in the air. "Gradually, the international mining companies present in Ghana are realizing that the preconceptions against local mining service providers are completely unfounded. It is essential to note that the most sensible thing for any company coming to mine in Ghana is to look for a local mining contractor: this would certainly prevent Ghana from suffering the capital flight it is experiencing now. By bringing in foreign companies to do the work that local enterprises can undertake, you automatically take a risk. The mining industry should be looking for true partnerships with the people of Ghana, not for a one-way partnership. Not involving nationals in value creation process is unsustainable and a recipe for disaster. This has been one of our biggest challenges over the years. Time and again, we have put our profits on the side just to prove that a home-grown, national Ghanaian company can deliver projects at the highest quality standards out there. Now, Engineers & Planners is beginning to look outside of Ghana and even West Africa. Gold mining has been around for more than 100 years in this country, and no local company has ventured as far as Engineers & Planners has - by 2015, we will be Ghana's largest mining construction business. Now, after 15 years, it is time for us to look elsewhere, pursuing mineral diversification and better opportunities," concluded Mahama.

Ibrahim Mahama, chief executive, Engineers and Planners.

Conclusion: Ghana – A pivotal player in developing West Africa's future

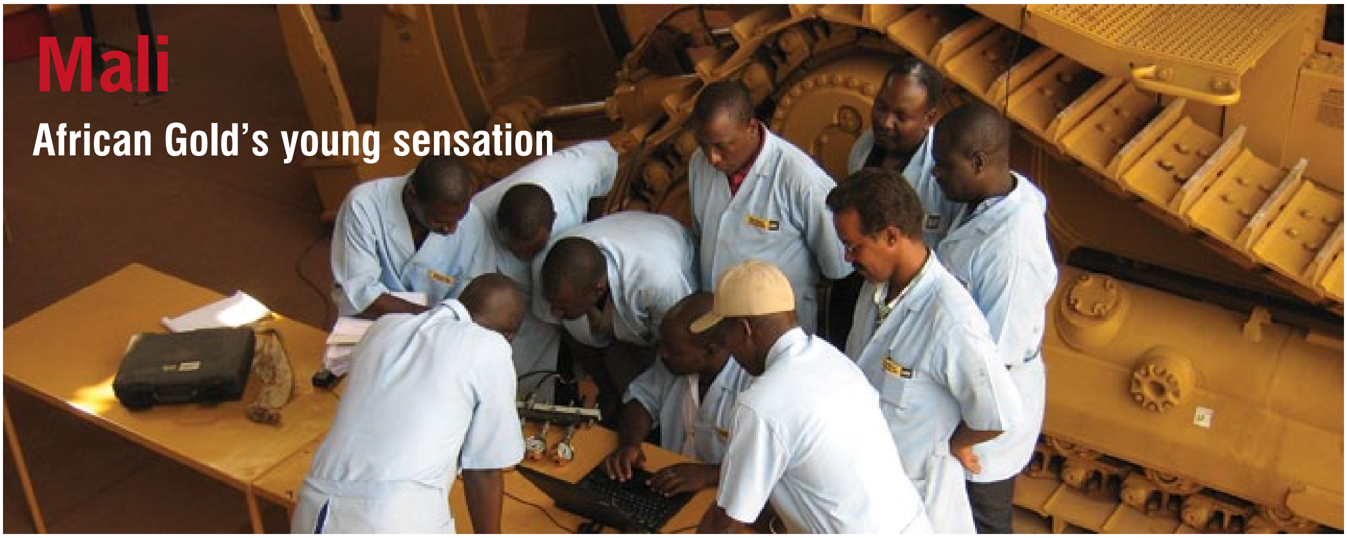
Ghanaian mining has taken a serious punch, worth about $650/oz – but we are talking about a heavyweight jurisdiction - Africa's No. 2 gold miner. "The reality is that cocoa and mining remain the economic pillars of Ghana. The cedi/dollar turbulence that we are currently witnessing in the market is a direct consequence of the mining sector's temporary downturn. Even so, the industry's mid-term perspectives are good: two mines are in the pipeline and should come online in 2015, at the latest. Mining will continue to be the country's foremost income generator," said Juan Agudo, general manager West Africa for Maxam Ghana, one of the three multinationals controlling the mining explosives market in the country.

Like everyone else, Maxam saw profits soar in 2010/2011; now, the company is looking to diversify its operations and offset the risks of Ghana's gold-centric market: "Because of the gold price drop, today, in Ghana, we operate at 70-80% of our capacity, pumping about 2,500 liters of bulk explosives per month. However, we successfully counterbalanced this drop with the quarry sector, where we dominate the landscape, with a 75% market share. At the moment, we are stabilizing our business in Ghana, adjusting to these new challenging times. We are also currently supplying Randgold Resources, both in Mali (Luolo-Gounkoto complex and Morila), and in the Ivory Coast (Tongon). Burkina Faso is another attractive destination we are studying very carefully; there is definitely more exploration being done in Burkina Faso than in Ghana right now," added Agudo.

The modus operandi of Maxam's Ghanaian office, which is also responsible for the entire sub-region, emulates the mining dynamics of West Africa. Despite the gold crisis, Ghana remains a strong jurisdiction. Operations might suffer scale-downs, or even temporary shutdowns, but this Colossus will not fall down that easily. Domestically, mining's synergies with the infrastructure and construction sectors will help companies boost their revenues. However, the true prize lies abroad, where countries such as Mali, Burkina Faso, The Ivory Coast, or Guinea are in the process of developing mining industries to match their natural riches. No other country is better placed to help this development happen than Ghana.

Mali

African Gold's young sensation



The new Mathieu Lindor training centre is dedicated to enhance the skills of its employees. Photo courtesy of JA Delmas.

Just like Ghana, present-day Mali is a mining country where gold is king, accounting for more than 70% of the country's exports. In fact, with roughly 1.8 million oz produced in 2013, Mali is Africa's third gold power, just behind Ghana. The similarities between the two countries stop there however: Mali is landlocked, francophone, and has had a functioning mining industry for only 20 years. "Before 1995, Mali's mining industry was almost non-existent. Then, the first signs of life appeared, with Syama and Sadiola; however, the real boom occurred in 2002-2003: the following 10 years were truly exceptional, with an average yearly growth rate of more than 20%. Gold now accounts for 20% of the national gross product in the country and for 75% of all foreign currency inputs in the economy," said Michel Louis Olivier, manager of Manutention Africaine Mali, a member of JA Delmas' network of CAT dealerships across West Africa.

Proportionally, Mali's mining market has been vastly more dynamic than Ghana's over the past 10 years, growing 540% on aggregate. Moreover, since 1992, big gold mining names such as Randgold and IAMGOLD were actually born in Mali. Today, the country has nine operating mines, seven open-pit and two underground (Yatela, Sadiola – operated by IAMGOLD; Morila, Loulo, Gounkoto – operated by Randgold; Kalana – operated by Avnel Gold; Kodieran – operated by Wassoul'Or; Tabakoto – operated by Endeavour Mining; and finally, Syama – operated by Resolute Mining); overall, these are responsible for the jobs of 12,000 Malians.

Political Unrest in West Africa 101

However, perhaps no difference is more striking between Ghana and Mali than that of their recent political situations. The United Nations' Multidimensional Integrated Stabilization Mission in Mali (MINUSMA) was established by the UN Security Council (UNSC) in April 2013, as a response to events triggered by the Tuareg rebellion of March 2012, when the tribes of Mali's Azawad region staged a military coup, under the name of the National Movement for the Liberation of Azawad (NMLA). Elements of the rebel army then formed the National Committee for the Restoration of Democracy and State,; an entity which later proceeded to suspend the constitution and cancel 2012's scheduled presidential elections. Taking note of the events, the Economic Community of the West African States (ECOWAS) put pressure on the rebels and its leader, Amadou Sanogo, to restore the constitution. An agreement was reached and Dioncounda Traore was named the intermediary president until formal elections would be held. In January 2013, the French were the first foreigners to take action on the ground – 3,000 troops were sent to Mali to patrol the north. In July, MINUSMA replaced this contingent, when 6,000 blue-helmets (of the 12,600 total mandated personnel) arrived into the country. By August 2013, Mali had a newly elected president, in the person of Ibrahim Boubacar Keita. As for Amadou Sanogo, he was captured in November 2013 and tried for the kidnapping of rival Malian military personnel.

Surprisingly, despite this turmoil, gold production levels have been increasing over the last years: "Throughout the crisis, mining companies' operations were virtually unaffected. In 2013, Mali produced a record amount of gold. The reality is that the actual conflict zone, which is in the north of Mali, is very far away from the prolific mining regions of the south. Foreign investors' confidence has been seriously impacted though. Business kept going as usual for producers, but all their expansion projects were put on hold," said Louis, whose company dominates mining equipment supply in Mali, managing more than 700 CAT machines across the country's mining sites.

Absorbing the gold crisis

Unfortunately, political instability was not the only factor to have hit Mali's mining scene. "The second blow to the industry occurred in 2013, when gold prices declined substantially. These conditions led to cautionary behavior among investors. The volume of work on offer dramatically decreased," said Steve Edmondson, general manager, Layne Drilling West Africa, which concluded a visionary move in 2001, relocating its headquarters from Ghana to Mali.

With 24 rigs, 87 employees, and operations across the sub-region, Layne Drilling has not done badly for itself over the past years. "Layne had the vision of moving to Mali when the market was under populated and less attractive for its market segment. Contractors were active in the country, but their bases were in Ghana. Being based in Bamako, we had an edge over the competition; our overheads became lower and we avoided costly and time-wasting mobilizations of equipment from other countries in the region. Essentially, we have worked with all of Mali's mines at one stage or another; furthermore, we also collaborated with many of the juniors here, such as Papillon Resources, or Robex Ltd. Presently however, the drilling industry in Mali and in the region is going through lean times. Everyone is lowering costs and drilling is among the first expenditures to be cut. Comparatively though, Mali is still probably doing better than mature jurisdictions such as Ghana. This is because of the quality of the deposits and its untapped potential. Additionally, lower overheads in Mali enable some companies to produce gold cheaper than in other neighboring countries," said Edmondson.

Indeed, Mali's increasing gold output has been shaped by the low production costs associated with the country's near-surface, high quality deposits of the ore. Broadly speaking, most Malian mines operate with a total cast cost of $600-$800/oz. With gold dealing around the $1,300/oz mark, production still makes economic sense; exploration does not.

Mali's surprisingly barren mining service sector

Unlike Ghana, Mali does not have a densely populated domestic service sector dedicated to the mining industry. The explanation for which is likely related to the industry's youth and the country's perceived high investment risk. Not many rushed to get their feet on the ground in Mali, but those who did, now find themselves in dominant positions. Most of these enterprises are multinationals that leveraged their international and financial backing. Meanwhile, local companies have had immense trouble making it in this capital-intensive business. "At first, it was very difficult to attract the financing needed to establish a business such as SFTP. Malian banks were not accustomed to doing business with the mining sector – even to this date they do not properly understand the industry and its long-term implications. Our first financing deal came from the US, with Eximbank or with Volvo's financial institution, Volvofinans Bank. We are currently the exclusive mining partner for all of Kayes' mines: Yatela, Sadiola, Tabakoto and the Loulo complex. Now that we have these results, even the Malian banks have started to deal with us more and we have had recent agreements with Banque du Development du Mali (BDM) and Banque Atlantique. Even so, the local financial institutions still lack mining expertise and consequently still fail to properly understand

An interview with Abdoulaye Pona, President, Chamber of Mines Mali.

Mali's mining industry is overwhelmingly gold-reliant. What are the country's options in terms of mineral diversification?

Mali has good potential for developing other minerals but this depends on the country's power supply: gold mining is not as energy-intensive as, for example, bauxite mining; Mali does have phosphate, bauxite, manganese, nickel, and even rare earths, but it does not have the necessary energetic infrastructure to handle their development. An obvious solution to this problem would be the development of nuclear power plants, since we already have good uranium deposits in the country, but this is a plan that would attract considerable international pressure. Another obstacle to this plan would be the water supply, as we cannot risk contaminating the Niger River, the main source of water in an otherwise landlocked Mali. Our hydropower potential provides a decent option, but, ultimately, it cannot support new large developing sectors by itself.

How was Mali impacted by last year's gold market downturn and what does the country's mining future look like?

Mali has several features that allow it to keep expanding its mining activities, despite the downturn that the global gold market has seen in 2013. First of all, the abundance of gold in the country is unquestionable: the Birimian rocks are a geological formation that spreads across 600,000 km^2. Moreover, we are blessed to have both oxide and sulfide deposits – what that means is that we have good near-surface resources, as well as good underground ones. Because it is a new industry, which has many young mines that are open-pit, Mali is able to keep its production costs low. Ghana, for example, has been mined for more than a century: its mines are deep and underground, and, in turn, that means high production costs, that can surpass $1,000/oz. Mali, on the other hand, still has plenty of operations that are producing gold at $700/oz. At a price of $1,300/oz, we are still a viable solution, whereas Ghana is not. That is why Mali did not slow down in 2013, in terms of production, registering 45 mt of gold.

the sector," said Seydina Diallo, president of Société de Forages et Travaux Publics, Mali's largest home-grown contractor, which boasts a fleet of 200 mining machines and 750 employees.

The problem was that Mali did not offer its SMEs a proper nursery; one where they could grow strong enough to support the country's mining industry - with one exception: the domestic oil market. "Mali adopted petroleum liberalization policies in the late 1960s in partnership with the IMF. At the time, Malians did not have business opportunities available in the country and this liberalization was an initiative meant to encourage entrepreneurship and create national wealth," said Diallo. In fact, SFTP would not have existed today without SAD OIL, which was founded by Diallo in the 1970s to take advantage of the oil liberalization policies. "The true development of our group occurred in the 1990s, when international mining companies first started coming to Kayes, Mali's main gold-rich region. We realized then that we had an enormous opportunity ahead of us: to create a contracting company that could serve the gold industry. Our evolution and diversification occurred gradually, but steadily – in just 12 years, SFTP managed to spectacularly overtake SAD OIL in terms of revenues, riding the wave of Mali's mining developments," added Diallo. From small oil retailer to a full-fledged mining contractor, SFTP beat the odds – unfortunately for Mali, however, this success was largely the merit of Diallo's sense of entrepreneurship; few have managed to replicate this transition. In fact, merely surviving Mali's fiercely competitive oil sector was a success, in itself.

The liberalization of Mali's oil market in the 1970s led to the rise of a large number of local, independent fuel suppliers. In the 1990s, Mali had roughly 2,000 national independent oil businesses. Because Mali is landlocked, nationals set up end-to-end businesses which offered them a considerable advantage over their multinational peers.

It is a daunting task assuring safe fuel transportation across a large, landlocked country. Typically operators use 40,000 liter-capacity trucks to transport fuels and lubricants across distances that can reach even 3,000 km. Health and safety and managing timely deliveries on a big scale is extremely difficult in Mali's conditions.

Conclusion – A gold market as dynamic as they get

A coup d'etat, followed by a global gold crisis: not the lightest of storms to face for a gold-centric mining country in the West of Africa. Luckily however, the Tuareg's battles were carried out thousands of kilometers away from the gold-rich Birimian rocks of the south; the same Birimian rocks that allow miners such as Randgold and IAMGOLD to produce cheaply, thus offsetting the gold price drop.

Mali has not achieved mining perfection just yet: recent unionized strikes at mines such as Yatela and Sadiola have done the sector no favors. Furthermore, adequate power supply remains a key issue in a country where the few active hydropower plants are not able to cope with an ever-increasing demand.

A continuous source of power, such as atomic energy, would solve many issues – in fact, there is popular internal support for it; however, there would be little external support for Mali's partnership with Iran on the issue. Ultimately though, all factors considered, Mali's mining sector is as dynamic as they get.

From 20 km above sea-level, Niger's Inner Delta resembles a green patch of hope in the middle of Mali's arid landscape. Amidst globally depressed gold markets, Mali's expansive mining sector is not far from being an oasis of hope for the industry, and not just a mirage in the desert.

Guinea

West Africa's greatest mining promise

Boasting one third of the world's bauxite resources, and the world's largest undeveloped iron project at Simandou (more than 2 billion mt of high-grade ore), Guinea does not fall short on mineral potential. Unfortunately, the same cannot be said about its good governance. In fact, the country held its first free and democratic elections only in 2010, when President Alpha Condé was elected for a five-year term. Furthermore, Guinea's National Assembly was only confirmed in 2014. Between 1984 and 2008, the country was ruled by General Lansana Conté, who valued military rule more than development strategies. Conakry's daily electrical power breakdowns are a constant reminder of that fact. Upon Conté's death, Guinea was bound to improve but that had to be delayed, as Captain Moussa Camara led a military coup, taking control of Guinea's reins for roughly two years, before a failed assassination attempt led him to exile in Burkina Faso.

Such style of governance would keep most investors away, but miners are not a risk-adverse breed. In 1997, Rio Tinto acquired the mining rights for the Simandou project and started developing it. What followed next though is essentially the reason for which Guinea has not begun to exploit its real mining potential yet. Half of Rio Tinto's mining rights were simply taken away following a bribery scandal that involved Mamadie Touré, a widow of Lansana Conté's. Since 2008, Simandou has been in a deadlock that has benefited no one. Only recently, in April 2014, after a three year investigation, a committee set up by President Condé has recommended that those mining rights be taken away from the company that currently possesses them, BSG Resources – whether this will actually occur, remains to be seen.

The mistakes of the past weigh heavily on the shoulders of Condé's administration and great efforts have been made recently to mend the wrongs of previous administrations. Since 2010, the country has adopted a new mining code and a comprehensive mining contract review policy with such players as Guinea Alumina Corporation (GAC), a Mubadala/DUBAL joint venture, and Alliance Mining Commodities (AMC) Bauxite.

"Guinea is now adjusting to the settings of a normal country. We approve what the government is doing, trying to renegotiate the mining contracts in a fair way. We all know that growth will eventually return, but are we going to be ready to seize it? How many national SMEs will still survive by then? Presently, the government is trying to reshape the regulatory environment for the large miners – we know that they are also making strides to generate growth for the local SMEs, as well. There is virtually no barrier to entry in Guinea for a mining service provider at the moment – local companies are not at all protected. Furthermore, we face 18% to 22% interest on loans here; add that to the 25% taxes that we already pay, and one can see that it is very hard for Guinean companies to reinvest their money and grow their business," said Mamadou Barry, managing partner of Business Mercantile Services Co. (BMSCL), a home-grown fuel management and logistics company that rode the initial wave of Guinea's mining developments in the early 2000s. Now, BMSC is finding temporary refuge with other sectors, such as the cement industry.

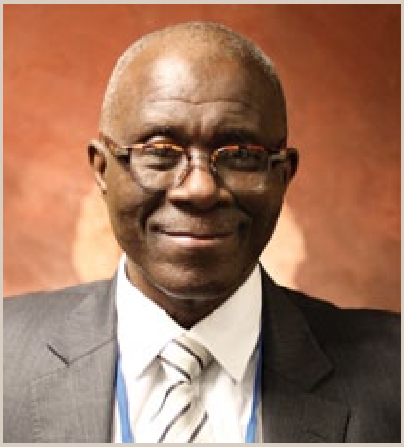
"The sudden withdrawal of the past years was very harmful to the industry – miners had subcontracted many local companies. Nowadays, the bulk of those businesses are bankrupt; they acquired equipment, they took loans, and they never got paid. This time around, the government needs to do things right. We prefer them to take their time and finalize all the contractual details,

Mamadou Barry, managing partner of Business Mercantile Services Company (BMSC).

so that when the miners come back, they come back for good," said Barry.

Without a single doubt, Condé's mandate has been beneficial to Guinea. His arrival in 2010 was met with great enthusiasm but also with great expectations by the general population. However, progress takes time, and managing the expectations of a largely uneducated voting mass is as difficult to achieve as it sounds – to this day, power breakdowns occur daily in Conakry; to this day, the people have not reaped the benefits of Guinea's mining potential. Next year will bring presidential elections, and all the hard work of these recent years might suffer a serious blow if the people fail to see beyond the appearances. Furthermore, while individuals like President Alpha Condé and Minister of Mines Kerfalla Yansané are the face of change, politics is a game of compromise, and the administration, as a whole, is not void of faces belonging to Guinea's troubled past. With the completion of the mining contracts review process, the year 2014 should mark the beginning of a prolific era for Guinea's mining sector, provided this positive direction of governance will be maintained in the future. Until then however, Guinea remains nothing but a promise; West Africa's biggest mining promise.

An interview with His Excellency, Kerfalla Yansané, Minister of Mines Guinea.



In April 2013, Guinea revised its Mining Code. What were the main changes and how did these positively impact the mining sector?

Last year's revision of the Mining Code was based on three key pillars: stability, transparency, and win-win relationships between the government and the private sector. There was a stringent need to ensure the transparency of our interaction with mining companies; to that end, we have now made it mandatory to publish all the contracts online, creating a level-playing field for everyone. Moreover, we are looking to create a functional relationship with the civil society, and to explain what we are doing and that we are committed to the EITI procedures. The mining sector is expected to contribute to the development of our country, but this needs happen within the framework of a win-win process. We want to send out a positive signal to mining companies – we will create an investor-friendly environment, allowing them to make profits, but, at the same time, we require their help in developing our economy. Here, we are talking not only about taxes, but also about social acceptability and local development. However, the Ministry is perfectly aware of the global competition that Guinea is facing – we have iron ore and bauxite reserves, but we are far away from the main end-market, China. To achieve our goal, we are drafting a tax system which will take into account these factors, and which should allow us to thrive in the global market.