David Lucas,
Australian Demographic and Social Research Institute
Australian National University,

Australian Miners in Africa
Multinationals, Mid-caps, and Minnows

Why did we write this paper[1]?

In 2007, Associate Professor Penny Kane and I started collecting newspaper items on Australian miners in Africa. In that year I was advised by the Department of Foreign Affairs and Trade (DFAT) that they had no public list existed so I might like to contact *Paydirt* magazine. Instead working with Bryn Lucas we compiled our own database. We felt that the topic was of such importance that it should be a standard inclusion in all AFSAAP African Studies Association of Australasia and the Pacific conference programmes, and that we should make a start. We therefore prepared a Powerpoint presentation for the December 2008 AFSAAP conference In the event, ours was not the only paper on mining with Connie Zheng's presenting on 'China's investment in Africa'. As shown in the list of papers for the 2010 AFSAAP conference (see http://www.afsaap.org.au/Conferences/2010/Papers.htm), six mining papers were on the program.

In early 2008 we were unaware of any substantial non-technical piece of work on our topic. However, this changed in the second half of 2008 with a Lowy Institute Paper by Donnelly and Ford and an issue of *Paydirt* that contained more than 80 pages on 'Africa Downunder' and 'Uranium'.

Our Abstract read as follows

'Australian Miners in Africa: Some dot points and research questions
Dr David Lucas and Penny Kane, Australian National University

In his Africa Day speech in May, 2008, Australia's Foreign Minister, the Hon. Stephen Smith, stated that more than 300 Australian resource companies are active in Africa, with existing and prospective investments of around US $15 billion.

This introductory paper looks at changes associated with the resources boom. It does not attempt an inventory of all 300 companies: instead it focuses on newspaper reports covering a few dozen of these. A core Table will show their operations and geographical distribution. The discussion includes the problems of comprehensively studying this industry, the progress, risks and returns for the Australians, and the extent to which Australia is profiting from Africa. The paper also briefly touches upon the role of Chinese in Africa, Australia's understanding of Africa and the common future of Africa and Australia.'

Subsequently, the Parliamentary *Inquiry into Australia's relationship with the countries of Africa* contained several submissions and oral evidence related to resources , including data from the Africa Australia Mining industry Group (AAMIG 2010) and from DFAT (2010). The

[1] David Lucas is based at the *Australian Demographic and Social Research Institute The Australian National University Canberra ACT 0200* Email: david.lucas@anu.edu.au

Inquiry's report published in June 2011 contained a subsection on the resources sector (Commonwealth of Australia 2011:144-172). The submissions were highly selective, with few written submissions from resources companies, none from juniors, and with Rio Tinto and BHP Billiton only giving evidence at the public hearings.

What is an Australian company?

This is a key question with the activities of multinationals adding to the confusion. According to the *New Internationalist* of 20 July (2002:19) in 1970 there were about 7,000 corporations operating internationally; by 2002 this number had risen to 60,000.

Possible criteria include:

- A primary listing on the Australian Stock Exchange
- A majority of shareholders in Australia by numbers
- Mostly owned by Australians
- Being 'Australia based' which could mean having its headquarters in Australia even though its operations are 'Africa focussed'.
- Most of the company's revenue accruing to Australia

Looking at these criteria may not give a clear cut answer. In December, 2011, 'Australian-based Albidon' was 51% owned by 'China's State-owned Jinchuan Group International Resources' which was 'embroiled in a spat with minority shareholders over control, adding to the mine's troubles.' (Dow Jones Newswires, 2011). Some companies may have little involvement in Australia apart from their listing on the Australian Stock Exchange. Anglogold Ashanti is listed on seven exchanges, including the ASX, with its head office in South Africa (Morningstar 2011:24). Hardman Resources has an office in Perth in spite of being taken over by British Tullow Oil in the mid 2000s.

Multinationals such as BHP Billiton and Rio Tinto have global interests but unfortunately Morningstar no longer shows revenue by country. Also, there are many JVs (joint ventures) involving companies such as Albidon and African Energy Resources, but also involving companies and African governments.

Australian companies can have substantial overseas shareholders, e.g. billionaire investor and speculator George Soros owned 10% of 'Botswana based' Discovery Metal (Harcourt 2010). Conversely when South African Kumba Resources, in which Australia Gina Rinehart, was a partner she bought out its stake in the West Australian Pilbara project, Hope Downs (Lamont 2012).

Macquarie Bank became a cornerstone investor in Eagle Eye Metals in 2011
http://www.proactiveinvestors.com.au/companies/news/15332/eagle-eye-metals-snares-macquarie-bank-as-cornerstone-investor-15332.html
Signature Metals was taken over by Singaporeans but 30% owned by Ghana Govet.
http://www.mining-technology.com/projects/konongo-gold-project/

Perhaps calculating the Australian share of ownership is too complicated, as illustrated by this example from Rio. In early 2012 Rio, which might be considered to be an Anglo-Australian company, sold its 11.1% share in 'British-listed Kalahari Minerals' to a Chinese joint venture, which could trigger a $2.2 billion bid for Extract Resources, which is listed in Australia. This trigger came from an Australian Securities and Investment Commission ruling that the Chinese must bid for Extract if they acquired more than 50 percent of the rights in Kalahari. However, ‘Rio Tinto still holds a 14.2 per cent stake in Extract and the market has widely speculated previously that the global giant will play a role in the development of Extract’s world-class Husab uranium deposit in Namibia, which is near Rio’s Rossing mine.’ (Tasker 2012c)

How many?

Australian’s interests are growing, in terms of country coverage, projects, and investment, as stated by Rudd (2011):

> “Now, about 40 per cent of all Australian overseas mining projects are in Africa. At least 230 Australian companies are active in the resource sector on the African continent. Between them, they are pursuing 650 individual projects in 42 countries. Their total investment is estimated at a whopping $24 billion. And that investment figure is growing fast. About 20 companies and 100 projects have been added just since the beginning of 2011. And Intierra Resource Intelligence estimates that the capital expenditure for new projects in the pipeline is about $23bn.”

However comparability of data is a problem. AAMIG 2010 135 on ASX in exploration/feasibility phase; 28 of which are also in the construction/operating phase

Problems with the data

In addition to finding a definition of an Austalian company, there are other difficulties,.

Companies change their names and their functions and their base. For example, A-Cap Resources uranium Mokobaesi project in Botswana was discovered by Falconbridge in the 1970s. According to A-Cap’s managing director, ‘ A-Cap wasn’t A-Cap at that stage, it was Cardia Techologies which A-Cap floated out of and it was really a nickel-copper play.’ (Alexander 2009).

Historical data is largely missing. ‘Rewind 20 years, and the involvement of Australian resource companies in Africa was almost non-existent. ’ (Rudd 2011). This gives the impression that Australian companies were largely inactive in the 1990s. But how many exceptions were there? One would be Leo Shield which hung onto its gold assets when the gold price crashed and used them to create Perseus Mining in 2004, a company now worth more than $1.3 billion.

Flows

The stock or cross-sectional data gives only a limited view of what is happening : it shows the situation at one point in time and does not show which companies are moving in and out of Africa. Instead the data emphasise growth. Thus they ignore companies that fail or Australian companies such as Hardman Resources which are taken over by non-Australians, in this case the British Tallow Oil. DiamonEx has handed over 60% of the company to acquire coal projects in Botswana (Bromby 2011, 14/11:23).

A number of the failed companies listed at www.delisted.com.au have names that include the words ‘gold’, ‘resources’, ‘minerals’ but it would require some effort to see if any of these had African interests. Bromby (2012 31/1:23) wrote that ‘Many juniors have gone to the delisting graveyard or been re-birthed in some Perth brokerage….’

Writing in 2008, we commented in the current economic climate, there is pressure for junior miners to be absorbed by larger companies. This would suit major companies such as Newcrest which has a strategy that includes ' Building a portfolio of gold opportunities, primarily through exploration and early entry merger and acquisitions prospects in in known gold regions.' (Morningstar 2011:330).

Companies may stop operations, e.g. Woodside in Mauritania, or the mine may reach the end of its life. Multinationals can insure against this. For example Newcrest has a strategy of 'exploration, development and operation of low cost, long-life gold and gold-copper mines.' (Morningstar 2011:330).

One possibility in 2012 was that if Exxaro a 'South African diversified miner' (Tasker 2012a) succeeded in its takeover bid for Australian company Africa Iron, then this should result in a reduction in Australian investment in Africa.

Nett or Gross?

African investment in Australia is often neglected. For example, South African gold miners had their own set of of political and production problems and wanted to become international players. 'While Australian companies were moving into Africa in the early 2000s, …' Gold Fields Ltd and AngloGold Ashanti (and to a lesser extent Harmony Gold Mining Company Ltd) played the M&A game to secure some of the Western Australian Eastern Goldfield's finest assets' (Piper 2012:22).

Growthpoint Properties ' Australia's largest property group – first invested in Australia in 2009 million capital injection..'. The parent company is South African, as are its key shareholders (Chong 2011).

Why are Australian resource companies interested in Africa?

- Because oil producers cannot penetrate the Middle East (e.g. Iran), they look to offshore exploration in Africa and elsewhere
- In mining ' the chances of finding something in Africa would be better than in Australia' (Tasker 2010:200)
- A number of African countries are 'under-explored' including Mauritania
- Because of the demand for resources by Asian countries, notably China and India
- African governance is improving. 'After the 'lost decade' of the 1980s, many African governments have been democratising and liberalising their economies' (Rudd 2011)
- Because the economy of Africa is improving. '.. today, six of the 10 fastest growing economies in the world are from Africa, it's worth taking a much closer look. (Rudd 2011). An example is Nigeria which had a 10% growth in GDP in 2010 (World Bank)
- 'Africa is where the resources are: 30 per cent of global mining resources are in Africa (while only 5 per cent of global exploration expenditure takes place there).' (Rudd 2011)
- Returns on capital in Africa can be expected to be higher than in Australia. 'Your returns on capital in South Africa can be anywhere between 50% and 100% greater than your returns in Australia' (Millward quoted in Commonwealth of Australia 2011: 145-6).

- Costs may be lower 'Discovery costs in Burkina Faso over the past decade have been $US11 an ounce - less than half the average funding cost for west Africa and the Western world.' This is one reason why West African Gold (market cap $13.5 million is acquiring seven grassroots exploration licences north of Ougadougou.' (Morris 2011b).
- Resource companies may wish to diversify and backup
- Sovereign Wealth Funds (fast growing funds including Nigeria and Angola) invest in resources (Chinese surplus into BHP etc.)
- Improved or modernization of mining codes, e.g. in Burkina Faso in 2003, may encourage mining, e.g. the 2000 mining act in Malagasy (*Paydirt* 2008:50). Morris (2011) considers that the new mining laws in the past decade have attracted companies such as Rio Tinto.
- 'Australian miners are increasingly looking to far–flung places to discover company-making projects. And it is not just the juniors: each of the majors also claiming interests in western Africa and other remote regions.' She shows that BHP Billiton has interests in Algeria and Guinea, while Rio Tinto is in Guinea, Ghana and Cameroon, and Woodside in Algeria, Sierra Leone, Canary Islands and Libya. (Tasker, 2010).

Service Providers

Excluded from this discussion are companies engaged in non-mining activities such as Billabong, Brambles, Computershare, Flight Centre, Iress Market Technology, Jim's Group (Jim's Mowing etc.) and Toll Holdings. However, many Australian companies are serving the resource sector in Africa. For example, Ausdrill 'is an integrated contract mining service provider based in Perth, Western Australia. It predominantly operates in Australia and Africa, offering drilling, blasting and exploration services.' (D'Amato 2012).

For example, Orica (2011:6,12) earns 90% of its operating earnings from mining services and considers that one source of long-term growth will be emerging markets such as Africa. Investments include three emulsion plants in West and East Africa. Yet for some companies such as Orica, Africa is not significant enough to be mentioned separately in the statistics in their Annual Reports. Orica (mining services) reports 'strong growth in South Africa'. but does not give separate figures for Africa which is obviously less important than Australia, Asia or the Americas (Orica 2011:10).

A new entrant is Leighton (2011:30) which had 44 billion work in hand in late 2011 , and several hundred projects in the Middle East and Australia but only one in Africa. In 2011, its CEO reported that:

> 'Last year, Leighton Africa established a presence in Botswana and was awarded contract mining work at the Debswana diamond mine by De Beers. We see this part of the world – including Namibia, Tanzania, Mozambique and Zambia – as a very attractive market that values our services.' (Leighton 2011:3).

Legal services are also beneficiaries. For example law from DLA Piper strategy has two prongs. 'First, the firm works for Australian companies that have invested in the sub-

Saharan region. Secondly, it also arranges finance for companies wanting to develop projects there.' (Moran 2012)

Market capitalisation.

In an overview of the Australian mining in Africa, the Australian-Africa Mining Industry Group (2010:2) indicated that the 150 Australian companies had 'a collective market capitalisation of over A$260 billion' .This indicator does really tell us much about Australian investment in Africa. For example almost half of this amount is BHP Billiton, a multinational whose market cap largely depends on its operations in countries outside of Africa (AAMIG 2010:25). Unless otherwise stated, market capitalisation (Mkt cap) figures used this discussion are shown in A$millions and derived from *Shareholder 2011*, a handbook of the Australia's top 500 public companies, and is defined as 'The market value of the company's equity capital. This is calculated by multiplying the number of common shares by the current price.' (M*orningstar* 2011: xi). The current price, and therefore the market cap can fluctuate widely.

The market caps for the major multinationals are as follows:

BHP Billiton (BHP) $148,137 mil (M*orningstar* 2011:87)
Rio Tinto (RIO) $37,562 mil (M*orningstar* 2011:396)
Newcrest (NCM) $32,330 mil (M*orningstar* 2011:330)

BHP and Rio Tinto are both considered to be blue chip stocks and diversified miners that might look too big to fail. However Rio is not too big to be a takeover target
At the other extreme are small cap companies with a market capitalization of $100million or less (Main 2012). These are sometimes called juniors, minnows, or even penny dreadfuls.
Above the juniors are the mid-caps .'Newcrest Mining's recent takeover of Lihir gold has highlighted a dearth of investment opportunities for small to medium-sizes gold producers'. (Chambers 2011).

Market cap can be very unstable; for example, ' Australian-listed African Iron's shares soared 40 per cent after Exxaro Resources launched a $338 million bid for the junior in a friendly move to increase the suitor's iron ore exposure.'

Since Exxaro is a 'South African diversified miner' this takeover should result in a reduction in Australian investment in Africa. (Tasker 2012a)

Cape Lambert has a 19.9% stake in African Iron. From the Cape Lambert Resources webpage http://www.capelam.com.au/irm/content/projects_overview.html
'Cape Lambert Resources Limited ("Cape Lambert" or the "Company") (ASX: CFE) is an Australian domiciled, cashed–up resources and investment company, with interests in a number of resource projects and companies.

Through acquisitions in its own right, subscriptions to convertible notes and direct investment, the Company has exposure to iron ore, copper, gold, uranium, phosphate and lead-silver-zinc assets in Australia, Africa and South America.
The Company's strategy is to acquire and invest in undervalued and distressed mineral assets and companies ..'

Strong drilling results can also lead to a rise in the share price. On January 16th the price of Golden Rim Resources, a 'Perth-based junior' and 'West African gold hopeful' rose by one-third in one day after 'strong drill results at its flagship project.' Even though ranked as a junior, the company has six gold projects in Burkina Faso and three in Mali (Tasker 2012a).

The Majors

The following sections deal with the structure of the industry, based on the Mining Industry (2008):

> 'The general structure of the resources industry in Australia and around the globe is similar. There are major mining and petroleum conglomerates that dominate the landscape at one end of the spectrum, a relatively small number of mid -tier producers in the middle, and a very large number of very small 'junior' explorers at the other end. …. The mid -sized and major producers predominantly undertake mining and processing, as well as exploring in and around existing deposits. The junior sector tends to explore for new deposits because it has, in many instances, the capacity to do so more economically producers. economically and effectively than the 'major' producers The juniors effectively provide the pipeline for the majors, who will often acquire prospective tenements from juniors once they have been discovered and the relevant resource estimated at a high level of confidence.'

As shown above, in terms of market capitalization, the largest majors are the multinationals BHP Billiton, Rio Tinto, and Newcrest. According to Taylor (2009:4), Rio Tinto and BHP, to some extent 'own everything' in terms of reserves, and the diversified majors 'covet large-life, low cost assets.' But their African revenue does not seem particularly important to them.

And to what extent are they Australian companies? As pointed out by Hawker (2011) their boards have a minority of Australians. In 2010 BlackRock Investment Manager was the major shareholder in both companies, holding 184 million shares in BHP and 128 million in Rio. However by 2011, Chinalco had usurped BlackRock's position with Rio. Chambers (2011) According to Chambers (2011), BlackRock owns 5.7% of BHP's Australian shares and 10.1% of London-listed shares

BHP Billiton

According to BHP Billiton (2008:1) is a group combining two companies, one with is headquarters in Melbourne, one in London. The group had 38 offices around the world including Angola, Burundi, DRC, Gabon, Guinea, Liberia, and South Africa (BHP Billiton 2008:8-9). When Don Argus joined BHP as a director in 1996 it was 'inbred" and "a product of conventional Melbourne business politics.' Now, after the 2001 merger, 'English is a second language for half of his group management committee.'(Stevens 2008a:32).

According to the *Morningstar Shareholder 2011:87* BHP is 'the world's largest diversified resources group' . However, McCrann (2011) refers to BHP's takeover of South Africa's Billiton in 2001 as, 'the greatest destruction of shareholder ever seen in Australia', even worse than Rio Tinto's takeover of Canadian Alcan, and generating almost zero earnings in late 2011.'

Aluminium is not one of the more profitable resources. Even so, BHP On page 9 of its 2008 report, described the advantage of vertical integration:

> 'BHP Billiton's Aluminium CSG delivers value at all three stages of the aluminium value chain: mining bauxite, refining bauxite into aluminium and smelting alumina into aluminium metal. Two of our four smelters are in Richards Bay, South Africa.'

Rio Tinto

According to Stevens (2008:19), 'Simandou is a 2.2 billion tonne, seriously high grade deposit that has the potential to make both Rio Tinto and Guinea an awful lot of money.' So far Rio has spent $300 million on pre-feasibility work and "No one in mining reckons will get away with much change out of $20 billion' for infrastructure costs.'

However, in 2011, Garvey wrote from Hong Kong:

> 'Rio's ongoing investment in Guinea in the face of such a difficult regulatory environment underscores the potential of the Simandou project. Rio was previously stripped of half of the Simandou stake by the government which on-sold the stake to an Israeli diamond dealer and, later, Vale. With the region touted as another potential Pilbara, it's easy to see why the big iron ore companies are so active in the country. Complicating the situation is the fact that both Rio and Vale can grow their iron ore production more cheaply by expanding their existing operations in Australia and Brazil respectively. But the last thing the pair would want would be for their Chinese customers to get their hands on the project and develop them quickly. '

Thus Rio and Vale wish to develop projects 'at the slowest pace acceptable to the Guinea government' whereas the latter wishes the opposite (Garvey 2011).

Another major Rio Tinto project is in Mozambique where it acquired tenements as a part of a $4billion deal for Australian company Riversdale Mining.

Having undertaken feasibility studies, potential producers may have to make massive investments in infrastructure before reaching the production stage. For example, Mozambique cold become a major exporter of coking coal , but needs to overcome big infrastructure bottlenecks. Rio Tinto is considering supplementing rail with coal barges on the Zambezi River in order to export 25 billion tonnes of coal by 2020. However, Mozambique's laws require all infrastructure to be open access, so in future Rio may have to share its rail capacity with competitors.(Winning 2011).

Rio also provides an example of complementary yet competing interests.
Kalahari Resources owns 41% of Extract Resources which had made a significant uranium discovery at Rossing South, near to RioTinto's Rossing Mine, one of the largest uranium mines in the world. In February 2009, Metals Place reported that Rio Tinto had increased its stake in Kalahari Resources to 16%. Rio also has a substantial holding in Extract Resources. Kalahari supporters refused to endorse potential merger between Extract and Kalahari because of fears that Rio could emerge with a controlling interest. http://metalsplace.com/news/articles/25568/rio-tinto-increases-stake-in-kalahari-minerals-to-158/

Mid-tier miners in Africa

Tasker (2011a) published a table showing the 10 mid-tier companies with the greatest increase in market capitalization (all around 200%) in 2010/2011 included three involved in Africa as follows: Lynas Corporation, Gryphon Minerals , Sundance Resources, and Discovery Metals. Of these, Lynas Corporation has only a limited interest in Malawi.

Gryphon Minerals is 'aggressively focused on the Banfora Gold Project in Burkina Faso in 2010 acquired ASX-listed Shield Mining , with its projects in Mauritania It has 'world class' shareholders such as the IFC. Gryphon has a 2009 Environmental Plan which included hiring a consultant 'to Gryphon undertake a rapid socio-economic socio-economic assessment and impact assessment of temporary economic displacement on the owner of agricultural land. See http://www.gryphonminerals.com.au/images/stories/esapfinal.pdf

Since 2010, Gryphon has a strategic stake in Tawana Resources, ASX-listed since 2005, which was initially a diamond explorer in southern Africa. Tawana has reinvented itself with mineral permits in the new West African 'gold hot spot', Liberia, a country completely unexplored for gold and non-ferrous metals in spite of 'confirmed artisanal workings'. Liberia is considered to be democratic with a 'modern and transparent mining code'.

Tawana considers itself to be one of the first ASX-listed juniors in Liberia, following majors such as BHP. Tawana's shares price is A$0.026 which would put almost put it in the 'penny dreadful' category. Even so, Tawana has subsidiaries owning 28% of Rakana Consolidated Mining which is in a joint venture with Aquila Resources in South Africa. See http://www.tawana.com.au/

In 2011, Gryphon, whose shares had tripled in the last three years , was seeking A$63 million to develop its project in Burkina Faso (Winning 2011). Discovery Metals was ranked as a penny dreadful in early 2009 which had a market cap of $300 million in December 2010 (Boreham 2010) .

Extract (EXT) Australian miner a 'Second Line Resource/ Emerging Uranium Miner' has a market cap of A$1,934 million but has uranium resource in ground worth around $A32 billion with exploration expected to add more. Production is expected to start in 2014. Extract is exposed to 'Financing, development, single commodity and country risk' (Hodge 2011:21).

Juniors

In Australia the former chairman of Macarthur Coal, Keith De Lacy, warned that increasing regulation has killed the great Australian story of a junior explorer transforming into a significant miner. The time from identifying the resource to the commencement of mining was now around five years, with any significant asset found having to be sold to a major. Infrastructure and environmental checks were now major barriers (Tasker 2011).

Winning (2011) writes that because of the gold price gold miners can 'raise money by issuing shares at a time when companies in other sectors are struggling to secure extra capital.'

As can be seen from its webpage, Equatorial Resources is a junior with potential and cash http://www.equatorialresources.com.au/display/index/about-us

> 'Equatorial Resources Limited ("Equatorial") is an ASX listed iron ore exploration and development company with two 100% owned large-scale iron ore projects in the politically stable and investment friendly Republic of Congo ("ROC").
> Equatorial's Mayoko-Moussondji Iron Project and Badondo Iron Project are both highly prospective with significant scale potential.
> Equatorial is well funded with more than $70 million in cash and securities and is accelerating drilling and development activity with the ambition to become a major African iron company. '

Andrusiak (2008) noted that some juniors such as Gryphon are vunerable to changes in the price of metals and need either to find higher grade minerals or expand their resource. As shown above, Gryphon could now be rated as a mid-cap. Companies such as Albidon buy assets to ward off predators (Bell 2008:36) while Murchison United's alliance with French nuclear energy giant Areva transforms it from "an Australian copper minnow to impressive West African uranium play" (*Paydirt* 2008:109)

Sovereign, country, and political risk

Mining is a risky business, particularly for those miners who are not producers: here a distinction is made between sovereign, political and country risks and market risks. The term 'sovereign risk' seems to have changed its meaning from the risk that a government may go bankrupt to any government intervention that affects a mining company's prospects, such as increases in mineral royalties in Zambia (*Paydirt* 2008:54).

Country risk overlaps with political risk. Elections may be associated with increased risk. For example, the CEO of Sundance Resources blamed the election in the Cameroons for the delay by the China Development Bank in furnishing a letter crucial to the A$1.65 million takeover offer. On the other hand, 'The Labor's Party's move to allow uranium sales to India has boosted Australia's junior explorers..' including Paladin Energy which operates mainly in Africa.(Tasker 2011).

For Ausdrill its 'African operations, despite attracting higher levels of sovereign risk, are higher margin than its Australian operations. This is due to a combination of lower tax expenses and increased labour cost pressures locally.' (D'Amato 2012)

Ausdrill is in a better position than say Acquarius Platinum which James (2011:19) says that is a 'second line' platinum miner with a 'Single commodity Since the mines are in Zimbabwe and South Africa the 'sovereign risk' was deemed to be high, with half of the Mimosa mine in Zimbabwe due to be nationalised (James 2011). Risks may be perceived rather than real: Julius Malemo of the ANC Youth League may have advocated nationalizing South Africa's mines but he is not the Government.

According to Donnelly and Ford (2008) political risks can blindside companies with Woodside booking a $A233 million loss on a Mauritanian investments. The perception of risk can change with a change of government. According to Sloan (2012) Guinea is one of a number African countries 'taking a more mature approach to foreign investment . Guinea in central Africa (sic) ….was regarded as a lawless country with an ineffective and corrupt government, … The election of a new President, Alpha Conde, has ushered in a new era for Guinea.'

In 2011 the Labor Government was regularly accused of increasing the sovereign risk and thereby encouraging companies to shift their focus to Africa. At the Commonwealth Forum in October 2011 Mark Cutifani, the CEO of South African gold miner AngloGold Ashanti described Australia as 'one of the top countries for sovereign risk ' because of the government's inconsistent tax policies, considering Africa to be more consistent (Kitney 2011).

New Zealander Stephen Jennings is quoted by Garvey (2012) as saying that sovereign risk factors for African countries were overstated, with the aid industry having 'a huge vested interest in making sure we have a negative view on Africa and they've been really good at it.'

Shore (2011) identified African three countries where elections might generate a political risk to mining companies. In Zambia and he correctly considered the risk of change to be high, with Equinox and First Quantum at risk in both countries.

Political risk can work both ways for Australian companies. For example:

> 'BHP refused to comment on a Bloomberg report that it had offered to deploy 10 drill rigs at the $US3.5 bn Belinga iron ore project in the west African nation of Gabon should a government review strip China Machinery Engineering Corporation of its right to mine. ' (Chambers 2012).

Bromby (2009) commented on Australian investment in Madagascar: where infrastructure, communications and political risk make it one of the hardest places to work in Africa. This seemed to discourage Hillgrove resources, but not NGM Resources, or Malagasy Resources (with eight projects covering five minerals) even though the latter's share price had fallen from 27cents in early July to 2.7 cents.

Market Risks

Market risks are broadly defined here as events that can adversely affect the supply and demand for the resource. These might also including difficulties in raising capital and loans and rising costs, as well as what Taylor (2009) calls development risk. Junior explorers may be particularly vunerable, since they have a low chance (perhaps less than 1%) of finding mineral deposits that are viable.

Commodity prices can be highly volatile. For example, zinc and copper prices have respectively dropped about 30% and 28% in the second half of 2011 (Tasker 2012).Hedging is one way of reducing exposure to commodity price fluctuations, but a company may be hit by a number of adverse events. 'Albidon closed its Munali mine in 2011 citing cash flow problems caused by lower nickel prices as well as operational disruptions at Zambia's sole nickel miner ..ranging from miner's strikes to accidents..' (Dow Jones Newswires, 2011).

Paladin Energy , which has uranium projects in Namibia, Malawi and Australia, was seen as a company that would profit from Labor's move to allow uranium sales to India in December, 2011 (Tasker 2011 b) It was also able to gain from a downturn in global uranium markets by acquired a quality portfolio of advanced uranium projects. See http://www.paladinenergy.com.au/default.aspx?MenuID=131

Corporate Social Responsibility

Donnelly and Ford (2008:50) apart from assessing the risks, companies need to be good corporate citizens. They failed to find 'documented, proven cases of bad corporate citizenship' and 'If anything companies erred on the side of caution with CSR. We were surprised by the large number of small exploration companies employing social specialists on-site to facilitate communications with local communities, manage expectations with and promote good relations.'

In contrast the Parliamentary Inquiry (Commonwealth of Australia 2011:166) reported that 'no evidence has been received from small exploration companies who do not necessarily have a long-term commitment of a project beyond proving its economic viability.'

BHP Billiton, Rio Tinto and Woodside are all signatories to the Extractive Industries Transparency Initiative..'. (Donnelly and Ford 2011). One recommendation of the Parliamentary Inquiry (Commonwealth of Australia 2011:167) was that the Government should continue to promote this initiative.

Who benefits?

It is quite obvious that in many African countries, such as oil rich Gabon, only a few have benefitted from resource revenues, and may well be worse off when the resource runs out. As put by Hamilton and Denniss 2005:219, 'Economic growth is treated as the panacea for all our ills. But growth in GDP has almost no connection with improvements in national wellbeing… GDP takes no account of how increases in income are distributed or of damage to the natural environment that economic acitivity can cause.' Mine life is of importance.
Some specific areas of concern related to mining (see Bench Marks of Southern Africa, 2007, 2008) include;

- Negative socio-economic impacts
- Non-compliance with environmental requirements
- Housing policies
- Co-existence with artisanal mines

The Parliamentary Inquiry report (Commonwealth of Australia 2011:163) noted 'a strengthening of SADC's attitude towards the foreign extractive industries sector.'
These may be topics within the orbit of the recently created AusAID- funded A$31 million International Mining for Development Centre which will operate from the University of Western Australia in Perth in partnership with the University of Queensland. The Centre will assist more than 30 developing countries in Africa and elsewhere to use their natural resources in a sustainable way. See
http://afr.com/p/business/resources/international_mining_centre_opens_s2q5heUhJnNp0ydj0NB3gP

In 2011 a report from the Australian council of Super Investors showed 'that only 17% of S&P/ASX 200 companies have issued labour and human rights policies covering their entire supply chain compared with a global benchmark of 35%.' By comparison with Australian large-cap companies, 'small-cap companies lagged behind their larger peers significantly'. Frost (2011). As shown above, several of these resources and service companies operate in Africa.

Conclusion

Apart from the DFAT database, which apparently is not in the public domain because some company details have not been verified, other sources of information need to be researched . For example '[Australian-Shares .com](http://www.australian-shares.com) is the world's biggest free online database of information on Australian resource companies. ' (See http://www.australian-shares.com/company-database.php.html)

There needs to be more information available in summary form. At the Workshop on the Australian Africa Network held in Canberra on 23 November, 2011 the potential for the newly created Mining Development Centre to involve the Network in a mapping process to identify Australian mining engagement in Africa and use this as a baseline for further strategy development.

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