

# Congo Mining Report Q3 2011

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## Abstracts

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With several significant expansion plans announced in the Democratic Republic of the Congo (DRC) over the last few months, it looks as if the country's mining sector has turned its back on its troubled past. In terms of growth potential the industry is one of the most attractive in sub-Saharan Africa with the sector forecast to expand by almost 70% in value terms between 2011 and 2015. We forecast the sector to reach a value of US\$8.3bn by 2015, representing an annual average growth of 13.7% over the period. However, while we expect substantial growth in the country's mining output, huge risks remain, of which poor infrastructure and lack of security are just two.

Scramble For Copper Assets Draws Overseas Firms Overseas interest in the DRC's extensive copper mining deposits is hotting up with Canadian miner CuCo Resources the latest firm to set its sights on ramping up exploration and production in the country's Katanga province. With several firms expected to inaugurate new ventures over the next few years, we forecast overall copper output in the DRC to grow at an annual average rate of 12.2% between 2011 and 2015. Output will reach 695kt in 2015, up from an estimated 393kt in 2010.

## Regulatory Environment

Despite an increase in foreign operators in the DRC recent years, the relationship between the government and overseas miners has proved challenging. Some companies remain in dispute with the authorities, notably First Quantum, which in September 2010 saw two exploration licences removed by the government due to 'unreasonable behaviour' in the last three years of negotiations. The attitude of the government to cancel mining licences on such highly subjective grounds with little or no notice highlights the risks involved in working in the Congo's mining sector. The

withdrawal of First Quantum's exploration permit has led to the initiation of legal action against the Congolese government but it appears that a resolution to the dispute is still a long way off.

The recent events regarding First Quantum illustrate the difficulties facing market orientation which add to existing challenges arising from a chronic underinvestment in infrastructure, as well as instability in the east of the country. These factors account for the low Business Environment rating and demonstrate the obstacles the DRC faces in providing a business friendly environment. The picture is further unsettled by the continuing political instability as the government's authority does not extend far beyond the capital Kinshasa. The elections in 2011 will provide a significant test for the country's unity, especially given its divisions along regional lines. Unless there is a dramatic change in the Congo's fortunes, the country is likely to remain at the bottom of ratings for the foreseeable future.

## **Key Players**

Anvil Mining is a leading copper miner in the DRC, with three facilities at Dikulushi, Mutoshi and Kinsevere. Mutoshi and Dikulushi have been on care and maintenance since Q308 and Q408 respectively, with the company choosing to concentrate on developing Kinsevere. Banro Corporation is a Canadaowned gold exploration and development company with four wholly-owned mining projects located along the major gold belt of the DRC's eastern provinces. Tiger Resources Limited is an Australiaowned mining company which has recently made the transition from explorer to producer. The company is engaged primarily in mining copper and cobalt and owns a portfolio of properties, all located in the Katanga Copperbelt region in the DRC.

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