

## An Epic jump into new land

When South Sudan's Secretary General, Pa'gan Amum Okiech arrived in Perth for last year's Africa Downunder Conference, he was greeted with the warmest of welcomes.

Here was the world's newest nation coming to Australia to ask both government and industry for help in establishing, among other things, its resources industry.

Speaking to **Paydirt** on the sidelines of the conference, Amum Okiech said his Government was keen to find assistance to help it ascertain just what potential it had.

"Now that South Sudan is free and independent and we are beginning to build our nation by creating wealth we seek support from Australia to develop our resources," Amum Okiech said. "One area that Australia can support is in the development of information and knowledge and supporting the Government to study, conduct surveys and to quantify and discover the extent of mineral resources we have."

"We are here to attract Australia to come and be partners with companies in South Sudan and the Government of South Sudan to develop our resources."

It was a heart-warming story after many years of conflict and there were many companies keen to speak to Amum Okiech.

The only problem is that six months on there have been few companies brave enough to make the leap.

That is about to change however and it could be Perth-based private concern, Epic Exploration Pty Ltd (Epic.Ex) that breaks the ground.

Formed in 2009 by property developer and chairman Tony Heyns along with two experienced African mining expats; geologist Murray Surtees, as managing director, and mining engineer Allan Mulligan, who is technical



**Epic.Ex technical director Allan Mulligan at the Paloich borehole, the first area the company will be targeting**

director, Epic.Ex is entirely focused on South Sudan.

"We looked at the West African iron ore rush and asked ourselves where the next opportunity would lie on the African continent. We then identified the Horn of Africa as the next boom region. It has hardly been touched from an exploration viewpoint," Mulligan told **Paydirt**.

After several trips to both Sudan and South Sudan, the directors decided the opportunities on offer in the newly formed nation were too attractive to dismiss.

"We've been to the region eight to nine

times now and we quickly realised you couldn't have projects in both countries. You can't be seen to be playing them off against one another," Heyns said.

South Sudan is well known for its oil reserves but has seen little in the way of mineral exploration but according to Mulligan and Surtees this anomaly is not down to geology.

"In 1971, a book on the geology of Sudan recorded 116 mineral deposits in the north, but in the south there was only two or three. This suggests the Sudanese Geological Survey never ventured to the south, firstly because they probably weren't welcome and

## Pipeline dreams for South Sudan

South Sudan's plans to build a pipeline to Kenya or Djibouti to end dependency on Sudan's oil industry seems unrealistic in the short-term, showing the need to find a deal with Sudan over oil payments, a Norwegian minister said.

South Sudan is locked in a row with Sudan over oil payments because it needs to ship its crude through northern pipelines and a Red Sea port.

Last month, Juba shut down its entire oil output of 350,000 bpd after Sudan started seizing southern oil after both sides failed to agree on a transit fee.

Juba now wants to develop an alternative pipeline to Kenya or Djibouti to bypass Sudan.

But Norway's Minister for Environment and International Development, Erik Solheim, said

oil pipeline projects tend to take longer than planned.

"I see very few people in the international community who consider this feasible in the short-term," Solheim told Reuters.

"A much more realistic option would be to find a settlement using the north-south pipeline in the meantime while then you can consider a long-term solution," he said during a visit to Khartoum.

Norway is advising Sudan and South Sudan on developing their oil industries.

Asked whether Juba would be able to build a pipeline to the Kenyan coast within 11 months as planned, Solheim said: "It's a very optimistic assessment."

Apart from Kenya, Juba has also signed a memorandum of understanding with Djibouti

and Ethiopia to build another pipeline. No companies have been named yet for either project.

North and south resume talks sponsored by the African Union on March 3 but Solheim sounded sceptical on a breakthrough.

"Both sides say they are ready to compromise but there is not huge optimism," he said, warning: "It's a very serious issue for both sides, especially the south."

South Sudan's budget depends for 98 per cent on oil revenues.

Positions of both sides are wide apart. The South wants to pay around \$1 a barrel in transit fees, Khartoum demands around \$36 a barrel plus back payments of \$1 billion.

— Ulf Laessing, Reuters

secondly because oil was discovered in the 70s so there was never an imperative to explore for minerals," Mulligan said.

There has however, been limited drilling and thanks to good fortune Surtees uncovered some information.

"I found a book in a second-hand bookshop in Germany on the geology of Sudan and it mentioned two water boreholes drilled by the British Geological survey," Surtees explained. "One of the holes intersected 82.91m of manganese mineralisation from 49m, with one zone of 3.66m containing 32% manganese dioxide and 38% iron ore."

With the information on hand, the Epic.Ex team set off for the Paloich borehole, in the Upper Nile region in the country's north-east.

"We went out with a GPS, got to the nearest village and asked for the oldest man in the village. We asked him if he remembered the boreholes being drilled and he did and took us straight to the site."

While relaxing under a tree, Mulligan found a metallic concretion which was taken back to Perth for assay. The rock contained 5.18% manganese, fuelling further interest.

The company has struck up two JVs with the Production Unit of the Ministry of Defence giving it 65% control of the projects. The two JVs cover a large land package across the North Western Rift Valley and Nile Valley.

Although the Mining Act 2011 has not yet been promulgated, in late February the company received a temporary licence to explore the area.

To the average Australian investor, striking up agreements with the Ministry of Defence may sound like it is fraught with danger but Heyns said such deals occurred in stable jurisdictions elsewhere in Africa.

"The MoU offers legitimate protection. In Tanzania, a number of companies have been in JV with the Ministry of Defence. It is all about trying to make the ministry self-funding.

"In the case of South Sudan, the ministry has been empowered to develop the coun-

try's infrastructure capacity. They are a very organised body because it evolved out of the SPLA (Sudan Peoples Liberation Army), the group that was instrumental in pressurising Sudan into signing the peace agreement in 2005. They were the best funded group during the civil war."

With temporary licences in place, Epic.Ex is now working to secure a drill rig to conduct a maiden drilling programme.

"We will probably do 1,000m drilling around each of the boreholes, down to 100-150m depths. Now the licences have been granted we hope to start in April once a rig is sourced from Kenya," Mulligan said.

Having funded the initial launch with their own cash (along with that of fellow director Aaron Hunter), Epic.Ex has recently attracted some seed capital which should be enough to

get exploration started. Depending on results, the next step would be to take the company public.

"Once we have done some drilling we will then look at either an IPO or backdoor listing. We've had some really promising discussions at Mining Indaba and we will probably take the story to London as well as Australia," Mulligan said.

It is far from your average exploration story and with South Sudan still in its formative days as a new country – and with skirmishes still occurring on its border with Sudan – investing in Epic.Ex won't be for the faint-hearted, but with Africa such a popular investment destination, the story is sure to attract the interest of the brave.

– Dominic Piper



It was a rudimentary base camp that Epic.Ex set up in South Sudan

## Sudan looks to gold to replace oil revenues

**S**udan has secured a five-year delay on its debts to China, the Finance Minister said on February 18, as part of efforts to make up for the loss of revenues from the oil-producing south.

Ali Mahmoud also told reporters the US had offered Sudan more debt forgiveness if it meets conditions including bringing peace to its southern border regions.

Sudan had also exported some \$US400 million worth of gold so far this year, he said.

Sudan has been facing a severe economic crisis since South Sudan declared independence in July, taking with it about three quarters of the country's oil output, the lifeblood of both economies.

The loss of southern oil fields hit foreign currency inflows, fuelling inflation. Officials

have said the country can make up for the loss of crude by boosting exports of agricultural commodities and minerals.

Mahmoud said China – a major investor in oil, construction and other sectors of the Sudanese economy – had agreed to postpone Sudan's debt in light of the loss of revenues.

"We've succeeded in convincing China to delay its debts for a period of five years," he said, without saying how much debt that included.

Sudan's external debt amounts to about \$US38 billion.

It exported 7.2t gold at a value of \$US55 million per tonne between January 1 and February 15 of this year, Mahmoud said.

Gold output can be hard to verify in Sudan because much of it comes from individual

prospectors rather than from regular mines, industry executives say.

US officials had proposed \$US2.4 billion of debt forgiveness for Sudan under the 2013 budget and had offered to work with international bodies to forgive more if Sudan met conditions including securing peace in southern border states and in Darfur, Mahmoud said.

Rebels and government forces have been fighting in the South Kordofan and Blue Nile states, along the border with South Sudan, since last year. A separate insurgency has raged in the western Darfur region since 2003.

The US has maintained trade sanctions on Sudan since 1997, deterring investment by many western firms.

– Khalid Abdelaziz, Reuters