

Mining law set to bring light to Juba's black market



At Africa Down Under: Deputy Minister Mining and Petroleum Elizabeth James Bol (third from right) and former Australian Prime Minister Kevin Rudd (third from left) with members of the South Sudanese ministerial delegations and board members of South Sudan-focused Australian explorer Epic.Ex

Taking a break from the toil of digging, Leer Likuam sat on the edge of a shallow trench, puffed his pipe and boasted he once found a 200g gold nugget bigger than his thumb.

In Nanakanak, a village of stick huts in an area that has attracted hundreds of diggers since Sudan's civil war ended in 2005, Likuam's find would have been lucrative but unexceptional.

"Everything is luck," he said through a translator. On an average day he might dig up 6g, worth around 1,200 South Sudanese pounds (\$US270), he said.

"Some days you're lucky."

Word of Nanakanak's riches has spread. In the capital Juba, international mining firms are lining up at South Sudan's ministry of petroleum and mining, aiming to get their hands on part of the vast, unexplored territory.

Officials expected firms from China, Australia, the United States, South Africa and other African countries plan to apply for licences after new mining laws were passed after much delay in November.

The South voted to secede from Sudan, then Africa's sixth-largest exporter of oil, in a referendum in 2011.

The new nation inherited three-quarters of the united country's oil production, but last January a row with Khartoum led it to shut down the industry whose receipts gave South Su-

dan 98% of its income.

The sudden loss of funds prompted Juba to introduce severe austerity measures, centralise and expand tax collection and explore fresh sources of revenue to replace petrodollars.

Oil production was expected to restart before the end of 2012 but the Government hopes the new mining legislation will formalise the industry, let them tax precious metal and mineral exports and sell concessions to large-scale investors.

"It will diversify the economy. The mining sector has great potential," Petroleum and Mining Minister Stephen Dhieu Dau told Reuters.

On the international market, Likuam's prize lump would fetch \$US11,000, an enormous sum in a country where the average teacher earns just 360 South Su-

danese pounds, about \$US90 a month.

Likuam isn't the only man with the golden touch.

Around him dozens of other Toposa tribesmen and women, festooned with plastic necklaces, brass piercings and beaded amulets, hack away at the red soil with metal poles and shovels, digging small craters in a boozy revelry.

Despite the morning hour, girls distribute crates of lager, "sarko" moonshine and pitchers of bitter-smelling beer brewed from sorghum.

Many of the miners claim to have found nuggets of a rival size, or even larger.

Nobody knows the extent of South Sudan's mineral reserves because the 22-year war prevented exploration.

The latest geological surveys

date back to the 1970s and 80s, but mining officials say diamond and gold deposits in South Sudan's mineral-rich neighbours are encouraging. They describe the 16-month-old country as virgin territory.

"We are neighbours to the DRC and Central African Republic so we can't rule anything out. Geology doesn't know borders," James Kundu, acting director general for geological surveying at the ministry, said.

As well as gold and diamonds, he lists potential deposits of chromite, copper, uranium, manganese and a belt of iron ore, which is often associated with aluminium. A lot of records were lost in the war. One report by a Belgian company was half-eaten by termites, Kundu said.

"There's a lot of stuff here but people don't know about it. They're too focused on oil," one international gold trader said.

"It's the best stuff I've seen in central Africa," he said.

Locally, artisanal miners like Likuam are making their fortune, investing much of the money in the traditional method of storing wealth – cattle. In the last year alone, Likuam has bought 10 cows, each worth around 1,000 pounds.

In another nearby artisanal mining spot called Napotpot, Julia Lakalay panned the red earth with water she had carried 2km.

"The gold mining has completely changed my life," she said, swathed in coloured beads and spattered with mud. "In my village I could not even earn one pound. Now I'm earning 200 pounds per day."

Merchants in Kapoeta, a local town of tin-shack pubs, dirt roads and scampering goats, say the price of gold is inflated by the scarcity of dollars, a problem across the country since the oil shutdown.

In the absence of banks or an official exchange rate between the pound and the Kenyan shilling, Kapoeta's economy relies on gold as a form of cross-border currency.

"The main purpose to buy gold is to change currency. We buy gold, take it to Kenya, sell it to dealers, and buy more stock to bring back," Kenyan businessman Junius Njeru said, weighing a pile of gold nuggets.

"It's in your pocket, nobody searches you," he said, describing the process of taking the gold across the border.

Miners sell the gold for around 200 pounds (\$US46) per gram,

leaving traders a narrow profit margin for resale on the international market at \$US55.

Officials hope the new mining law will bring this trade out of the black market and, by selling land to prospecting companies, eventually let the national and state governments benefit from the underground treasure.

The mining companies with 42 so-called "grandfather" exploration permits approved by the semi-autonomous southern government before independence will have two weeks to claim their licenses after the bill passes through parliament, which could take as little as one day.

Norway, the United States and Botswana helped draft the law that caps large-scale exploration licenses at 2,500sq km. To prevent exploration companies from sitting on the land, the law forces them to surrender 50% of their concession every time they renew their contracts, which will be variable.

Firms that find enough minerals to start digging can convert their license into a mining permit.

"If you put them in a queue, there's at least 20m of investors waiting to get a license ... Others must know that if they want something, they must come

quickly," Rainer Hengstmann, a ministry adviser working for consultant firm Adam Smith International, said.

However, in a landlocked country with just 300km of paved road, Hengstmann cautioned it will take many years to get commercial mining off the ground.

"You need a railway if you want to go large-scale. It will take time. They really need roads and power," he told Reuters, echoing investors' complaints about the lack of infrastructure.

Ministry officials say two firms, New Kush and Consolidated Mineral and Energy Resources Investment Company (CMERIC), are exploring actively on their grandfather licenses.

But Equator Gold, a British company working on the CMERIC license, says it will still take several years to actually produce anything.

"I think there's going to be a big rush to get land but exploration takes a long time," Emma Parker, Equator Gold's chief operations officer, said. "The progress has been slow but the geology is interesting. There's big potential."

— Hereward Holland, Reuters

Costs weigh down Kinross

Canada's Kinross Gold Corp reported a 7% drop in adjusted earnings for the September quarter, as higher costs outweighed stronger production, but the gold miner still beat analyst expectations.

Kinross said it expected to meet the higher end of its production targets for 2012 and lowered its 2012 capital spending budget to \$US2 billion, a cut of \$US200 million, as part of a cost-reduction plan.

"As we go through our budgeting process for 2013, and looking beyond, we are seeking every available opportunity to control costs, with a focus on margins and free cash flow across our operations," chief executive J. Paul Rollinson said in a statement.

Rollinson took over the top job in August, replacing ousted chief executive Tye Burt, who spearheaded Kinross' massive \$US7.1 billion takeover of Red Back Min-

ing in 2010. The deal has failed to live up to expectations so far.

Kinross booked a \$US2.94 billion non-cash goodwill impairment charge in 2012 related to the Tasiast gold mine in Mauritania and the Chirano gold mine in Ghana – both of which were acquired from Red Back.

The company said a PFS on a revised expansion plan at Tasiast remains on track to be completed in the first quarter of 2013.

Earnings were \$US224.9 million, or 20c/share, for the quarter, compared with \$US207.1 million, or 18c/share, in the year-earlier period.

Excluding one-time items, earnings were \$US250.4 million, or 22c/share, compared with \$US269.4 million, or 24c/share in the year-before



A PFS on a revised expansion plan at Tasiast is expected to be completed early this year

period.

Analysts, on average, had expected earnings of 19c/share, according to Thomson Reuters I/B/E/S.

Revenue rose 6% to \$US1.1 billion as gold production climbed 6% to 672,173oz on better output at the Fort Knox mine in Alaska and the Kupol mine in Russia.

Kinross said it was on track to hit the higher end of its full year production target of some 2.5-2.6 moz gold equivalent, with costs also expected to be at the higher end of its forecast \$US690-725/oz.

— Julie Gordon, Reuters