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## THE GLOBE AND MAIL

May 10, 2010

# Canada a quiet powerhouse in Africa's mining sector

By Shawn McCarthy

From Monday's Globe and Mail

*Driven by a 21st-century resource rush, sub-Saharan Africa is experiencing an impressive surge in foreign investment, and Canadian firms are leading the charge*

Laurent Coulibaly's degree in geology has led him from the Burkina Faso city of Bobo-Dioulasso to a small office in west-end Ottawa where he works on developing gold mines in his homeland.

The 43-year-old father of three has worked for the past six years for Ottawa-based Orezone Gold Corp., part of an army of Canadian companies in the forefront of Africa's push to develop its vast mineral resources.

Back home in Burkina Faso, siblings, cousins and friends are now working in the mining sector; he can count at least 20 cousins in the industry, which has provided an economic boost for a country that ranks near the bottom of global rankings for per capita income, literacy and human development.

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View Burkina Faso [<http://maps.google.ca/maps/ms?hl=en&ie=utf8&msa=0&msid=103335406819895550235.0004863069e316ee70041&ll=12.21118,-1.582031&spn=42.02093,78.925781&z=3&source=embed>] in a larger map

Resource development is key to Burkina Faso's - and indeed, Africa's - future, he said.

"Burkina Faso is a landlocked country with no open space to the ocean. Communication is very difficult and there is very little revenue from the population," he said. "So mining is very important to bring wealth into the country."

Sub-Saharan Africa is witnessing an impressive surge in foreign investment that is being driven by a 21st-century resource rush. Countries such as the United States, China, Europe, India, Russia and Canada are vying to exploit the continent's barely tapped, but vast, deposits of oil and gas, metals and precious minerals, coal and uranium.



Blair Gable for The Globe and Mail

Geologist Laurent Coulibaly with his children Chris, 12, Louise, 7, and Michelle, 15.

Indeed, Canadian companies - including firms listed on the Toronto Stock Exchange and nominally headquartered here - represent the largest source of foreign investment in Africa's mining sector. After a recessionary lull, the commodity boom has reignited, driven by demand from China and other emerging markets. It is that same hunger for resources that has buoyed the resource-rich economies of western Canada.

"Africa has been a significant beneficiary of the rapid growth of Asian, mainly Chinese, demand for Africa's commodity exports," Admassu Tadesse, executive vice-president of the Development Bank of Southern Africa, told a Canada-Africa business conference held in Toronto last month.

The demand for commodities will remain an important driver of African growth, even as countries look to consolidate their gains and stimulate the broader economy through investments in infrastructure, health and education.

But foreign investment is not an unmitigated blessing. Mr. Tadesse acknowledged that African countries have experienced the "resource curse," in which the influx of foreign money contributes to corruption and environmental degradation, while providing little or no benefit to the local population.

Non-governmental organizations are pushing resource companies to provide greater transparency in the revenues they pay to governments in order to reduce corruption, and to devote significant resources to development projects aimed at ensuring the local population benefits from investment.

And they want the Canadian government to take the lead, both domestically and by pushing the Group of 20 countries at the coming Toronto meeting to adopt the Extractive Industries Transparency Initiative [<http://eitransparency.org>], which would force companies to spell out their local payments.

So far, Ottawa has resisted those calls, said Ousmane Déme, an Ottawa-based spokesman for the international Publish What You Pay coalition [<http://www.publishwhatyoupay.org>].

"Because Canada is now the biggest player in Africa in the mining sector, we would like to see the Canadian government adopt a more sustainable approach on corporate social responsibility and accountability," he said.

"Unfortunately, we are not seeing a positive sign in that direction."

<b>Ethical investing: Ask your questions</b>		(05/13/2010)
11:55	<b>Jennifer MacMillan:</b> Hello, we'll be starting shortly. I'm Sonali Verma, web editor at Globe Investor. Thanks for joining us.	
11:56	[Comment From Eugene Ellmen] Hello, I'm looking forward to the discussion today.	
11:57	<b>Jennifer MacMillan: Simchi</b> asks:  As Ian McGugan has written in MoneySense, "Trying to express your ethical viewpoints through your stock holdings is a bit like trying to express your musical tastes through your choice of a hacksaw. In other words, it's fundamentally the wrong instrument for your purposes."  Also, the biggest components of the Jantzi Social Index today, for example, include the Big Five banks (over 40% of the index), which are hardly the beacons of social responsibility. Another major component is Suncor, one of Canada's biggest emitters of greenhouse gases.  See the link for more info: <a href="http://canadiancouchpotato.com/2010/02/28/the-ethical-couch-potato/">http://canadiancouchpotato.com/2010/02/28/the-ethical-couch-potato/</a>	
11:57	<b>Globe and Mail:</b> What do you think about that?	
11:59	<b>Eugene Ellmen:</b> Let me respond to each separately. A lot of people think the best way to do good is through charity, and you look after your own interest through investment. What socially responsible investment does is integrate these two ways of thinking. Ultimately the world will be a more sustainable place if business is motivated to do good -- and one of the ways to achieve that is through investment in good businesses.	
12:02	<b>Eugene Ellmen:</b> The question of the banks comes up a lot. Banks are generally good corporate citizens. Many support international protocols on international development. And they generally have good employee and community policies. But there is the question of commercial lending to companies that may not have good records. If you are concerned about that, you should ask your advisor to recommend particular companies with strong environmental and social records.	



Canadian officials, however, have signalled a willingness to put the transparency issue on the agenda at the Group of Eight meeting in Huntsville, Ont., with hopes that Canada, the United States and the United Kingdom will commit to adopting regulations for companies listed on their stock exchanges.

" Because Canada is now the biggest player in Africa in the mining sector, we would like to see the Canadian government adopt a more sustainable approach on corporate social responsibility and accountability. Ousmane Déme, "- Ottawa-based spokesman for the international Publish What You Pay coalition

The Canadian mining industry says it supports broad-based, global commitments to transparency if they are adopted in a way that creates a fair playing field against international competitors.

Mr. Tadesse said many African governments are committed to programs to combat corruption, and have learned from past mistakes to use the resource revenue more wisely.

"As the lessons are applied, Africa's natural resources will enhance the business environment and help foot the bill of the massive infrastructure program under way," he said. "There is much promise in this regard as new oil and mineral

discoveries are creating new opportunities in countries that previously had limited endowments.

The largest recipients of that influx of capital are mineral-rich and rapidly growing South Africa and the nations of Nigeria and Angola, whose prodigious offshore oil reserves have propelled them into membership in the Organization of Oil Exporting Countries.

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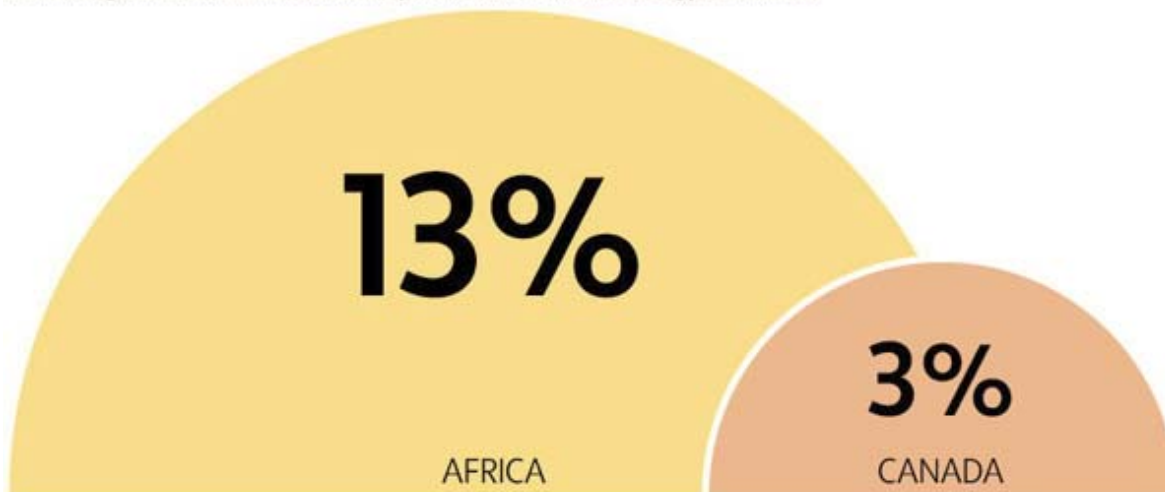
### *A resource-rich people*

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**Africa's great untapped natural resources are often cited as one of the keys to unlocking the potential of the continent.**

**➤ COMPARISON**

**Percentage of world's base metals, precious metals and energy resources.**



Canada was able to develop itself based on just 3 per cent of the world's key commodities, illustrating the wealth of the 13 per cent available to Africans.

Ninian Carter/The Globe and Mail, Research: Rick Cash

Sources: U.S. Geological Survey, U.S. Energy Information Administration, BP Statistical Review of World Energy

But resource wealth is spread across the continent, and many of the countries have only begun to exploit it. Africa ranks first or second among continents in reserves of bauxite, cobalt, diamonds, platinum and zirconium, the U.S. Geological Survey notes in a recent report.

Much has been written of late about the Chinese invasion of the continent: how China's state-owned companies - backed by Beijing's resource diplomacy - have been investing heavily in the resources needed to feed its growing industrial demand and the infrastructure needed to get the commodities to market.

But in mining, Canada is the quiet powerhouse.

Canada was able to develop itself based on just 3 per cent of the world's key commodities, illustrating the wealth of the 13 per cent available to Africans.

## ➤ MINERALS, METALS AND ENERGY RESOURCES

Breakdown (%) ns = not significant

### BASE METALS

	<i>Bauxite</i>	<i>Copper</i>	<i>Nickel</i>	<i>Iron ore</i>	<i>Lead</i>	<i>Tin</i>	<i>Zinc</i>
<i>Africa</i>	27.4%	3.5%	5.9%	1.4%	0.4%	ns	ns
<i>Canada</i>	ns	1.5%	5.8%	1.4%	0.9%	ns	4.0%

### PRECIOUS METALS

	<i>Gold</i>	<i>Platinum*</i>	<i>Silver</i>
<i>Africa</i>	16.2%	88.7%	ns
<i>Canada</i>	2.1%	0%	4.0%

### ENERGY

	<i>Natural gas</i>	<i>Oil</i>	<i>Coal</i>
<i>Africa</i>	7.9%	8.7%	3.9%
<i>Canada</i>	0.9%	13.3%**	0.8%

\* INCLUDES PALLADIUM, RHODIUM, RUTHENIUM, IRIIDIUM, OSMIUM

\*\*97% OIL SANDS

NINAN CARTER/THE GLOBE AND MAIL 1) RESEARCH: RICK CASH

2) SOURCES: U.S. GEOLOGICAL SURVEY; U.S. ENERGY INFORMATION ADMINISTRATION; BP STATISTICAL REVIEW OF WORLD ENERGY

At the end of 2008, Canadian companies had mining assets of \$21-billion (U.S.) in 33 countries, although 92 per cent of that was concentrated in just eight countries: Democratic Republic of Congo; Madagascar; Zambia; Tanzania; South Africa; Ghana, Burkina Faso and Mauritania.

The strong Canadian presence is the result of the country's traditional mining prowess and the financial clout of the Toronto Stock Exchange, which is the world's largest capital market for the mining sector. The exchange has 169 listed companies that have projects in Africa, from giants like Barrick Gold Corp. to exploration companies like Orezone. Last year alone, just its top 10 Africa-focused financings raised \$1.8-billion.

Top 10 Africa-focused financings on the Toronto Stock Exchange in 2009

Company	Project
Paladin Energy Ltd.	\$400-million raised for uranium in Namibia
First Quantum Minerals Ltd.	\$345-million raised for copper and diamond in DRC, Mauritania, Zambia
IAMGOLD Corp.	\$345-million raised for gold in Burkina Faso
Katanga Mining Ltd.	\$282-million raised for copper in DRC
Anvil Mining Ltd.	\$200-million for copper in DRC
Equinox Minerals Ltd.	\$184-million for copper in Zambia
Red Back Mining Inc.	\$165-million for gold in Ghana, Mauritania
Banro Corporation	\$117-million for gold in DRC
Centamin Egypt Ltd.	\$98-million for gold in Egypt
Mantra Resources Limited	\$52-million for uranium in Tanzania, Mozambique

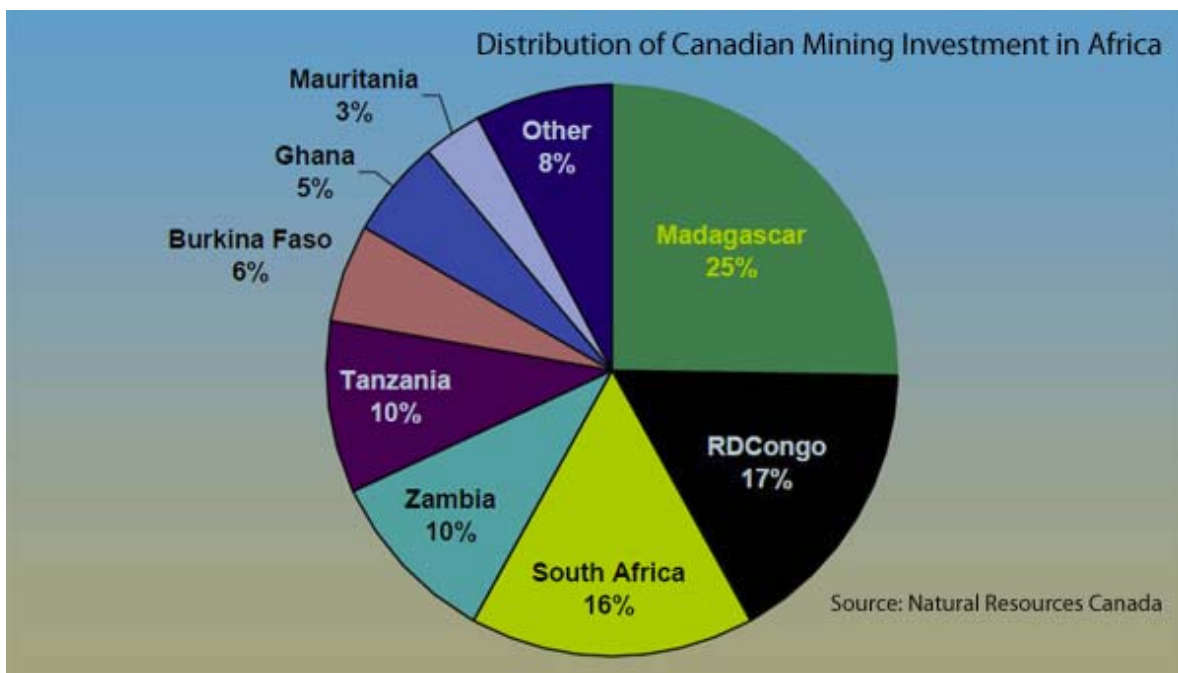
But Ottawa's diplomacy has failed to keep up with the inroads made by the private sector. There is no strategic push to advance and broaden Canada's investment and trade with the growing continent. Outside of the mining and engineering sectors, there is only spotty Canadian business presence, said Lucien Bradet, president of the Canadian Council on Africa.

Canadian colleges, however, have been working with the mining sector and local governments to provide training programs so local residents can find skilled work in the mines. Funded by the Canadian International Development Agency, Sudbury's Cambrian College worked with a college in Mwanza, Tanzania, to train electricians and heavy-duty mechanics for mine work for Barrick, among others. It's now working with several other colleges in the country to expand the program.

<b>Investing in Africa</b>		(05/10/2010)
11:56	<b>The Globe and Mail:</b> Hello, everyone. We'll be starting shortly. I'm Sonali Verma, an editor at Globe Investor. Thanks for joining us -- we're just setting up.	
12:00	<a href="#">[Comment From Roelof Horne]</a> Hallo	
12:01	<b>The Globe and Mail:</b> Thank you very much for taking our questions, Roelof.	
12:01	<b>The Globe and Mail:</b> As we get started, let me ask you: What are the biggest misconceptions people have about investing in Africa?	
12:02	<b>Roelof Horne:</b> firstly, its about how high the risk is and how wild africa is. Its not as bad as the newspapers make out, really.	
12:02	<b>Roelof Horne:</b> Secondly, theres a lot more to Africa than mining and oil	
12:03	<b>The Globe and Mail:</b> You're talking to Canadians here, Roelof :-)	
12:03	<b>Roelof Horne:</b> Sure, tar sands and diamonds, you know all about those!!!	
12:03	<b>The Globe and Mail:</b> Anything else?	
12:04	<b>Roelof Horne:</b> Well, the story in Africa is about a continent that used to be a pretty bad bet for many years, which has been a different story for about 20 years now	
12:04	<b>The Globe and Mail:</b> Why has your fund picked banks and cement companies as its top holdings, rather than mining and energy?	
12:05	<b>Roelof Horne:</b> Africa has a number of things going for it on the domestic consumption front: let me explain:	
12:05	<b>Roelof Horne:</b> For many years, africa was badly managed and had decreasing per capita GDP	
12:05	<b>Roelof Horne:</b> Now it is changing - GDP per capita has been growing for the last 20 years	
12:06	<b>Roelof Horne:</b> Consumers have more money to spend - and it is showing	
		

In a program funded by African governments themselves, the Association of Canadian Community Colleges has been asked to establish training programs in six West African nations, including Burkina Faso, to provide technicians and skilled workers for the mining industries, as well as other growing sectors of those economy.

"There is a tremendous shortage of skilled workers," said Paul Bennett, the association's vice-president, international partnerships. As a result, many companies import expatriate workers - largely from South Africa and Australia - a trend that is both expensive and minimizes the benefits to local populations.



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