

Angola's new dawn

Lucapa Diamonds' Lulo alluvial JV gives the junior an enviable foothold in a country opening up to foreign investment

At a time when politics in Southern Africa is shifting at a rate unprecedented even for this dynamic region, the Angolan resources sector could emerge as an unlikely winner.

Angola's prospectivity has long been understood but with decades of civil war being followed by an oil boom which saw corruption grow and wealth concentrated in the hands of former president Jose Eduardo dos Santos' closest allies, the country has never attracted significant foreign mining investment.

That looks set to change, however, with dos Santos' replacement, Joao Lourenço, vowing to open up the mining sector to foreign investment. The country's new minerals and oil minister Diamantino Azevedo – who has a PhD in mining engineering – wooed investors during a three-hour investment seminar at Mining Indaba.

Present among the seminar's full house were representatives of De Beers, Rio Tinto Ltd, MMG Ltd and Ivanhoe

Mines Inc, highlighting the intrigue Angola holds for miners.

This is not the first time Angola has risen to the mining sector's attention. Following the cessation of civil war in 2002, the world's largest diamond companies entered the country and while De Beers retains an office in Luanda, its interests were allowed to lapse in 2012.

Even smaller diamond miners such as Gem Diamonds Ltd and Lucara Diamonds plc have withdrawn their interests due to Angola's "difficult" reputation.

"We operated there and it was extremely difficult. It was soul-destroying and heartbreaking," Petra Diamonds Ltd chief executive Johan Dippenaar told Reuters.

One junior who has thrived in Angola's harsh investment climate has been ASX-listed Lucapa Diamonds Ltd.

Lucapa has been operating its Lulo alluvial diamond mine (a JV with Angolan state miner Endiama and local firm Rosas & Petalas) for four years, pro-

ducing 18,706ct at an average price of \$US1,669/ct in 2017.

Lucapa managing director Stephen Wetherall told **Paydirt** he had been buoyed by Lourenço's investment policies.

"Foreign direct investment is a major objective as they look to grow the resources sector to reduce the reliance on oil," Wetherall said. "We had one-on-one meetings with the minister at Mining Indaba and they are going through a review of investment framework to understand how they can open the taps of investment."

"Lucapa has insight into how to operate and what investors are looking for from stable jurisdictions and we will share that with the Government."

Lucapa was the only private sector company to present during the three-hour seminar in Cape Town and Wetherall said other investors were already tapping into the diamond junior's operating experience in the country.

"We have had contact from small to large companies asking if the environment has genuinely changed in Angola; that shows the excitement being generated," he said.

Lourenço is seeking to win credibility with investors and draw a firm line between his administration and his predecessor's, which was accused of squandering and siphoning off the nation's oil wealth, leaving most of the population in abject poverty.

Angola is the world No.4 diamond producer and Minister Azevedo told Reuters the former Portuguese colony aimed to begin gold production next year, while inviting companies to explore for iron ore and copper.

"We are just producing diamonds and stuff like marble and granite at the moment. We are expecting to start gold production soon; we expect to have two or three gold mines operating next year but at a small scale," he said.

Azevedo said there were 10 exploration projects in the country focused on gold and involving junior mining companies, which typically take the prospecting lead in new frontiers. He did not name them.

"We want to promote the mining sector beyond diamonds ... we have had good meetings here with the major mining companies," he said.

Azevedo said there were also exploration opportunities for iron ore and copper. Angola borders Democratic Republic of Congo and Zambia, Africa's top copper producers.

Much of Angola remains unexplored, not least because the former Portuguese colony was embroiled in a civil war from its birth in 1975 until 2002.

Critics have also said the elite of the ruling MPLA party under former President Jose Eduardo dos Santos had little incentive to reduce the economy's reliance on the opaque oil sector.

Angola is a member of the Organiza-



Joao Lourenço

tion of the Petroleum Exporting Countries, and it must limit output in line with OPEC's commitment to cut output by about 1.2 million barrels per day (bpd) as part of a deal with Russia and others.

"We will not go above our OPEC quotas," Azevedo said, adding that he did not see OPEC imposing any deeper cuts this year. Angola produces just over 1.6 million bpd, providing it with over 90% of its export revenue.

However, diamonds remain the most likely to kick-start Angola's mining sector but if it is to reach its stated objective of doubling production to 14 mctpa by 2022, it needs to attract foreign investors. To achieve this, Lourenço must lower some of the country's investment hurdles, including restrictive ownership and marketing laws and access to ground.

The task has already begun with Lourenço having reportedly cancelled by decree a raft of diamond-prospective concessions previously controlled by Isabel dos Santos, daughter of the former president.

The Mining Indaba seminar also saw Azevedo hint at changes to diamond marketing laws which would open up

diamond trading to foreign traders. Under current legislation, all diamonds produced in Angola are sold and exported via state-owned firm Sodiam.

Wetherall said such barriers would need to be removed to ensure significant foreign investment was forthcoming.

"The majors are asking for at least 51% ownership [foreign companies can currently only hold minority interests] and they also object to selling through Sodiam. So, if they are to be lured back, Angola would have to relax these two requirements and the Government has already suggested it is working on a new 'commercialisation policy'," he said.

Wetherall is confident the Government will make the required changes but continues to urge progress in Luanda.

"These are the best noises I've heard out of Angola in the 10 years I've been operating there," he said. "Their task is now to follow through. In our meeting with the minister, he asked if we could grow our exploration effort in the country; we said we could but needed government support in promoting foreign direct investment."

– Dominic Piper with Reuters

**AFRICA
DOWNUNDER
CONFERENCE**
Perth, Western Australia

**The CD-Rom for the 2017
Africa Down Under Conference
is available**

CD-Rom includes

- Over 50 presentations • Conference media coverage
- Australia's Paydirt preview and review reports • Conference Sponsors



CD-Rom – \$95 (inc. GST)

Phone (+61) 8 9321 0355 or email kale@paydirt.com.au