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SPECIAL REPORT:

RISK VERSUS REWARD - EVALUATING THE ATTRACTIVENESS OF AFRICA'S MINING SECTOR

Africa's mining sector holds immense potential, with critical minerals vital to global technology needs and the green energy transition. However, the region's political, insecurity, and regulatory risks present growing challenges. High-profile cases, such as technology company Apple's alleged use of conflict minerals illicitly mined in central Africa or the fall-out over mining firm Barrick Gold's tax dispute in Mali, underscore the complexity of operating on the continent. As governments impose stricter contract terms, and investors face heightened consumer scrutiny and security threats, proactive risk management is essential. Pangea-Risk Head of Advisory Gabrielle Reid examines these dynamics and outlines strategies that can help companies unlock Africa's mineral potential.

Last month, Belgium launched a criminal probe into Apple Inc. after allegations by the Democratic Republic of the Congo (DRC) that the company had knowingly sourced minerals from conflict affected areas in the country. According to the law firm representing the DRC, Amsterdam & Partners LLP, the tech giant had used minerals supplied by the M23 rebel group in its supply chain. M23 has committed various human rights abuses in the eastern DRC, raising concerns among investors and consumers regarding the use of conflict minerals in Apple products (see DRC: RWANDA-BACKED INSURGENT GROUP THREATENS REGIONAL SECURITY AND CRITICAL MINERALS SUPPLY) .

Across the continent, in Mali, Canadian mining company, Barrick Gold, has also found itself facing legal challenges after the ruling military junta accused the company of owing over USD 500 million in taxes; a claim Barrick Gold has denied. Though the legal dispute is still unfolding, the junta has taken strict action against the company, restricting gold shipments from its Loulo-Gounkoto mining complex, seizing gold worth approximately USD 245 million, detaining in-country personnel, and issuing an arrest warrant for Barrick CEO Mark Bristow. Although these are vastly different cases, both serve as a stark reminder of the dynamic and complex nature of political risks in Africa's mining industry. These risks may be well known, but with the potential for high returns increasing amid growing demand for technology-linked minerals, the stakes for investors, governments, and even non-state actors are high.

PANGEA-RISK Head of Advisory Gabrielle Reid maps out the risks versus rewards for African mining and how to leverage opportunities more sustainably in 2025.

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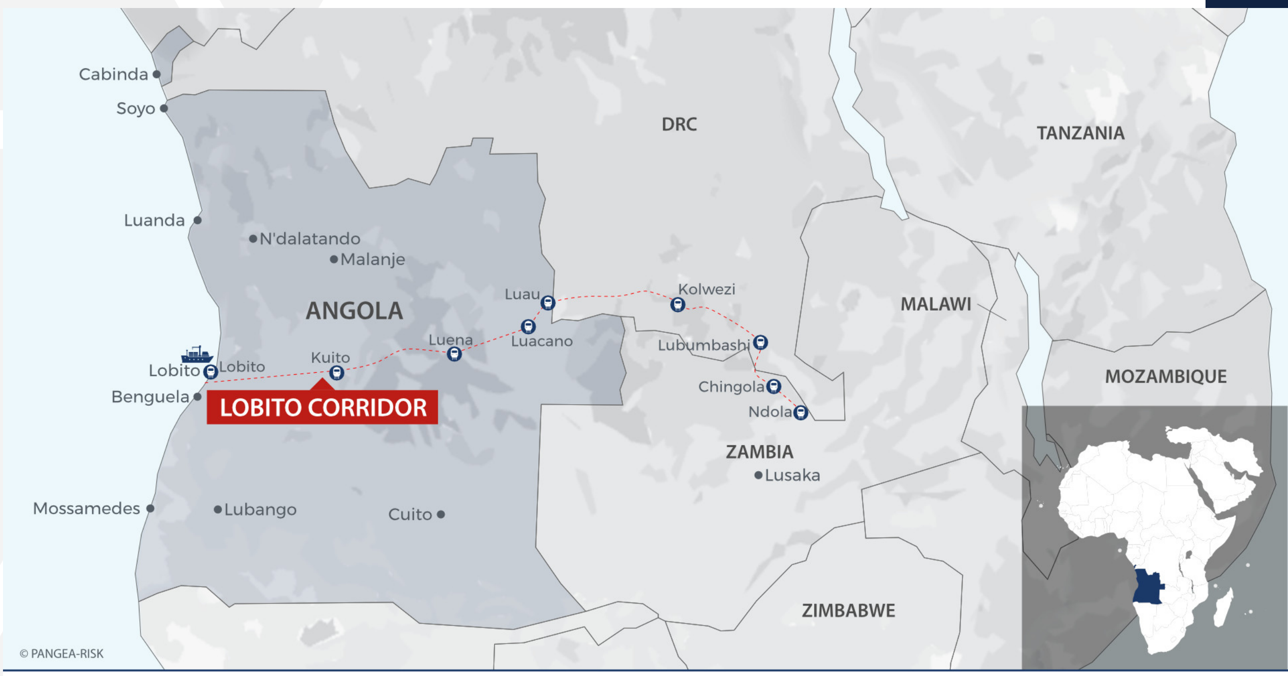
Shifting country risk trends

Africa holds a large share of global reserves for cobalt, manganese, graphite, copper, nickel, and lithium, making it a key player in the race to secure the critical minerals that underpin the global green energy transition and the world's technology needs. According to the United Nations Conference on Trade and Development (UNCTAD), Africa has 55 percent of global cobalt supplies, 47 percent of manganese, 21 percent of natural graphite as well as large copper, nickel, lithium, and iron ore reserves. It is unsurprising then that interest in Africa's mining opportunities is on the rise. China's interest in securing Africa's critical minerals is well documented and in recent years the United States and European counterparts have also been keen to secure their access to Africa's resources, promoting projects like the Lobito Corridor — a US-backed USD 4 billion infrastructure project linking Angola's Lobito port to Zambia through DRC. This project is aimed at challenging China's dominance in Africa and will diversify partnerships on the continent (see SPECIAL REPORT: BUOYANT INTEREST IN AFRICAN CRITICAL MINERALS SPURS INVESTMENTS IN INFRASTRUCTURE AND LOGISTICS). While infrastructure investments like the Lobito Corridor aim to diversify supply chains, and growing demand for critical minerals should be good news for mining investors, local governments are tightening regulatory frameworks, increasing taxes, and demanding greater local value addition, all the while consumer scrutiny over supply chain transparency is growing.



LOBITO CORRIDOR IN ANGOLA AND DRC

Many governments in Africa are eager to leverage the opportunity their mineral reserves hold both for export revenue and to develop local production capacity. The DRC and Zambia are partnering with the United Nations Economic Commission for Africa, for example, to develop a domestic battery mineral and electric vehicle value chain. Ghana, meanwhile, has approved the Green Minerals Policy that aims to enhance local beneficiation, introducing restrictions on the export of unprocessed minerals. This follows similar policies adopted by Namibia and Zimbabwe. In Namibia, the government has placed restrictions on the export of unprocessed crushed lithium ore, cobalt, manganese, graphite and other rare earth minerals. Following suit, Zimbabwe passed the Base Mineral Export Control Act in December 2022, to encourage local processing of lithium.

AFRICA'S SHARE OF GLOBAL RESERVES OF SELECT MINERALS

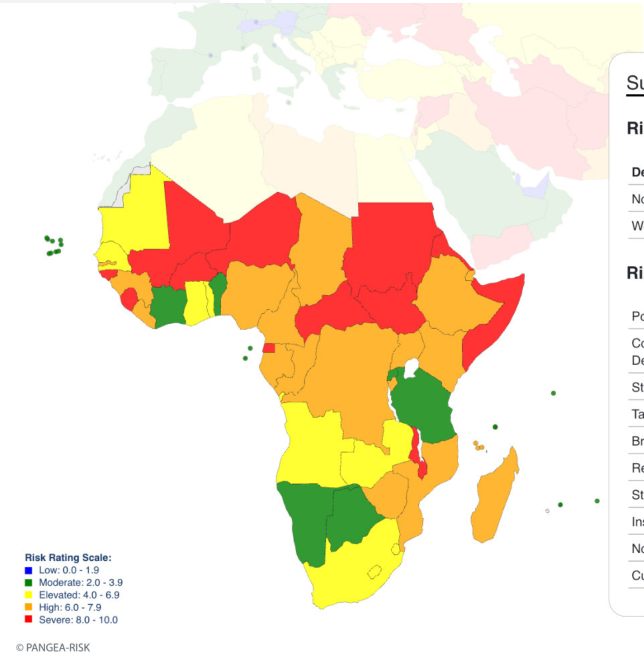
Mineral	Use	Africa's Share of Global Reserves (percent)	Countries with Significant Reserves
Platinum Group	Catalysts; emissions control	92	South Africa, Zimbabwe
Cobalt	Battery technology; superalloys	56	Democratic Republic of the Congo, Zambia, South Africa, Madagascar
Manganese	Battery technology	48	South Africa, Gabon, Democratic Republic of the Congo, Ghana
Yttrium	High-temperature superconductors	42	South Africa
Chromium	Battery technology, green energy	36	South Africa, Zimbabwe
Bauxite	Aluminium production; energy-efficient windows	22	Guinea, Ghana
Graphite	Battery anodes	22	Mozambique, Madagascar, Tanzania
Tin	Battery technology	20	Democratic Republic of the Congo, Rwanda
Vanadium	Flow batteries, steel production	15	South Africa
Antimony	Battery technology; flame retardants	8	South Africa, Zimbabwe
Zinc	Battery technology	7	South Africa, Namibia
Copper	Energy transmission	6	Democratic Republic of the Congo, Zambia
Lithium	Battery technology	<5	Zimbabwe, Namibia, Democratic Republic of the Congo

Source: UN

New terms of engagement

A further expansion of interventionist policies steeped in resource nationalism is likely in 2025 and governments are set to seek new terms of engagement in the mining sector, raising confiscation, expropriation, nationalisation, and deprivation risks, as well as state contract alteration risks, for investors (see THE YEAR IN 2025: FIVE BIG TRENDS IN GLOBAL SOUTH COUNTRY RISK IN THE COMING YEAR). Democratic governments will seek a greater share of mining revenues through revised tax regimes and mining companies should anticipate new royalty frameworks and contract revisions. These can, of course, be effectively navigated, provided the costs of delays, legal support, and higher taxes, can be offset with higher revenues (in time). Nevertheless, companies will need to reassess their investment strategies and determine whether a delayed and reduced reward is still worthwhile.

Elsewhere, military governments in the Sahel are taking more drastic measures, including arbitrary tax demands, detentions of mining executives, license cancellations, and even state asset expropriation as part of their new terms. Such activities present real and immediate security and reputational risks for investors, and may just tip the scales on risk versus reward on Africa’s mining prospects. Guinea's military junta has taken measures to compel mining companies to comply with 2022 directives aimed at establishing local processing facilities, as part of efforts to derive greater value from the country's bauxite supply chain. In early October 2024, the Guinean government halted bauxite exports from the Boké mine, operated by a subsidiary of Emirates Global Aluminium (EGA), a company based in Abu Dhabi. This action was intended to pressure the company into speeding up the development of an in-country alumina processing plant. While EGA criticised the government's decision, officials have argued that the company had delayed construction of the facility, which was a condition of its mining agreement (see GUINEA: MINING SECTOR OUTLOOK IMPROVES DESPITE COMPLIANCE AND POLITICAL CHALLENGES).



Sub-Saharan Africa (SSA)

Risk Rating Summary	Rating Distribution				
Default High Risk Rating	**0.0%**	**20.41%**	**18.37%**	**36.73%**	**24.49%**
Normal Average Risk Rating	6.12%	20.41%	34.69%	30.61%	8.16%
Weighted Average Risk Rating	6.12%	26.53%	30.61%	28.57%	8.16%

Risk Perils Summary

Political Instability	2.04%	42.86%	16.33%	26.53%	12.24%
Confiscation, Expropriation, Nationalisation, and Deprivation (CEND)	14.29%	30.61%	20.41%	18.37%	16.33%
State Contract Alteration	4.08%	22.45%	30.61%	22.45%	20.41%
Taxation Alteration	4.08%	20.41%	28.57%	34.69%	12.24%
Bribery and Corruption	6.12%	16.33%	20.41%	38.78%	18.37%
Regulatory and Compliance Burden	0.0%	22.45%	28.57%	30.61%	18.37%
Strikes, Riots, and Civil Commotion (SRCC)	8.16%	24.49%	24.49%	42.86%	0.0%
Insecurity	10.2%	38.78%	18.37%	18.37%	14.29%
Non-Payment	6.12%	20.41%	24.49%	34.69%	14.29%
Currency Inconvertibility and Non-Transfer (CINT)	2.04%	24.49%	36.73%	24.49%	12.24%

RISK RATING BY DEFAULT HIGHEST SCORE

ILLEGAL MINING IN DRC

Smaller companies have opted to renegotiate their terms of engagement with the likes of Mali's military junta, but this will open the door for these juntas to review contracts at will. Larger firms, for the moment, are holding out for an amicable solution but this runs the risk of an extended and costly downing of tools on site.

Meanwhile, as the DRC case against Apple demonstrates, government, investor, and consumer scrutiny on supply chains remains high. More than 10 years since the Dodd-Frank Act (2010), Section 1502, requiring SEC-registered companies to disclose the use of conflict minerals sourced from various countries, was enacted, many companies still struggle to determine the origins of their raw materials. And, with the EU Conflict Minerals Regulation (2021) prohibiting the import of conflict minerals while mandating smelters and refiners to avoid using such materials, firms are finding their regulatory and compliance requirements increasingly complex.

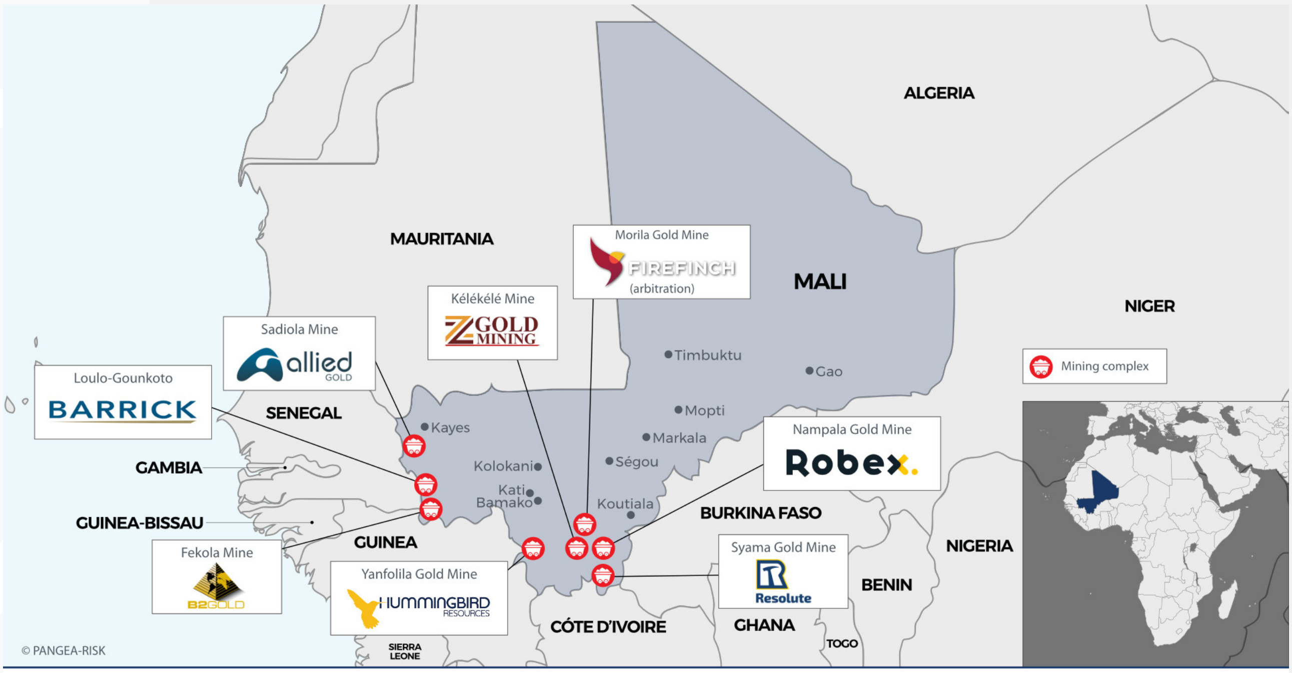
Beyond legislation, there is increasing pressure on corporations to enhance supply chain transparency, aligning with growing awareness of environmental and human rights abuses among consumers globally. Legal and reputational risks now extend to potential civil and criminal liability for directors, managers, and executives, raising the stakes for investors.

In focus: Resource nationalism in Mali

Barrick Gold's operational challenges in Mali point to the increasingly unpredictable investment environment in the country amid the government's intensified efforts to pressure foreign companies for financial resources. In particular, the new Mining Code, which came into effect in July 2023 and which mandates 30 percent state participation in mining projects, is being applied retroactively. As a result, the ruling military junta has deemed foreign companies already operating in the country as non-compliant and has demonstrated a willingness to pressure these foreign operators directly.

While some mining firms are moving ahead with planned investments in the country after reaching a settlement with the government — including Canadian miner B2Gold who confirmed in January plans to invest USD 10 million in exploration at the Fekola gold complex — the military junta could become increasingly interventionalist.

Already, in October 2024, the government announced the nationalisation of the Yatela gold mine in the Kayes region. The mine, previously operated by AngloGold Ashanti, and Iamgold, ceased operations in 2016 due to declining gold prices and rising costs. The previous Mali administration had been engaged in lengthy negotiations with AngloGold Ashanti, and Iamgold for over five years regarding the fate of the mine. However, a swift intervention by the military junta, which it described as an "act of national sovereignty," signals the new government's willingness to prioritise economic sovereignty, despite the reputational blowback of nationalisation and asset seizure concerns.

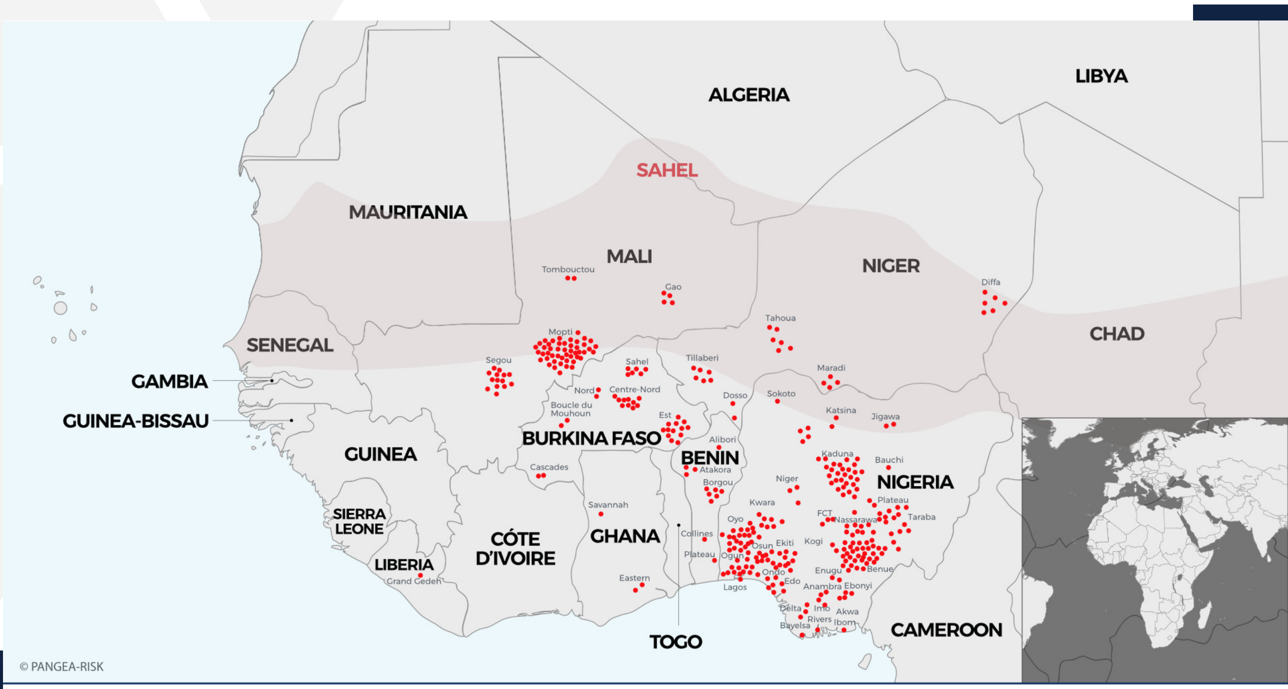


MAJOR MINING INVESTORS IN MALI

Non-state actors and security risks

These renewed risks in Africa's mining sector are not limited to growing state contract alteration risks or the introduction of new and complex regulations. Armed non-state actors including rebel groups and Islamist insurgents continue to present a security threat to mining sites in the DRC, Mali, Burkina Faso, and elsewhere. Since the start of 2024, M23 rebels have gained control over key mining areas and mineral transit corridors in eastern DRC. Specifically, in May 2024, the group seized the mining town of Rubaya, an area that serves as one of the main sources for artisanally mined tin and coltan in the DRC. Despite diplomatic efforts between the DRC and Rwanda to end the conflict in late 2024, this year has already seen an M23 resurgence that will increase security threats to mining operations in the east of the country.

Meanwhile, banditry and various farmer-herder conflicts have become a growing security concern for miners in the West African Sahel. Since 2019, for example, banditry in parts of Nigeria has escalated from robberies and communal clashes to sophisticated operations targeting natural resources, particularly gold and lithium. Zamfara and Niger states have become hotspots for illegal mining with over 100 armed groups and criminal cartels, often linked to foreign networks, operating in the region. Despite a five-year mining ban in Zamfara, imposed in 2019 to curb banditry, groups have continued to smuggle vast quantities of minerals into global supply chains, with illicit activities fuelling local insecurity. Recent security improvements led to the ban's lifting in December 2024, enabling legal mining to resume operations amid hopes of revitalising the state's economy, but challenges remain.



VARIOUS FARMER-HERDER CONFLICTS IN THE WEST AFRICAN SAHEL

Violent skirmishes involving increasingly organised illegal miners are also on the rise. South Africa remains a prominent example of the scale of illegal operations impacting the mining sector, amid the growing presence of illegal artisanal miners or 'zama zamas' controlled by organised criminal networks. Illegal mining in South Africa, primarily in disused mines, has evolved into vast underground networks engaged in extortion, forced labour, and violent turf wars. The recent months-long standoff between police and zama zamas at an abandoned mine in Stillfontein, outside Johannesburg, for example, resulted in over 78 casualties after police cut off food and water supplies in an attempt to force the illegal miners out of the mine. The Department of Mineral Resources and Energy estimates there are over 6,000 illegal mines across the country, costing the South African economy over USD 3 billion in lost revenue per year. The crisis is further fuelled by organised crime networks trafficking humans, weapons, and precious metals. And, in response, industrial miners have had to invest in heightened security as zama zamas increasingly infiltrate operational sites.

The expansion of large-scale mining by emerging mining players including Tanzania, for example, has also led to disputes between local communities and foreign mining firms, often resulting in outbreaks of violent unrest (see TANZANIA: DRIVE TO EXPAND MINING SECTOR LIKELY TO MEET SECURITY CHALLENGES). These challenges demand tailored security strategies that go beyond physical protection to understand root causes of unrest and ensure longer term stability.

ILLEGAL MINING IN SOUTH AFRICA

ADVISORY

Mitigating risks for greater opportunity

Given these dynamic challenges, navigating the risks of Africa's mining sector demands a proactive approach. For companies, understanding the local landscape — conducting in-depth country risk assessments to gauge political, regulatory, and security challenges, is paramount for new and existing markets. Similarly, maintaining a watchful eye on how these landscapes may shift over time is important. Regular monitoring of these changing dynamics, and their potential impact on operations, is critical to maintaining a forward looking approach to risk management.

Equally, by fostering trust with governments, communities, and civil society organisations, mining firms can pre-empt souring relationships and create partnerships that benefit all parties. Transparent dealings and compliance with local laws can go a long way in avoiding the pitfalls of arbitrary tax demands or even expropriation. To be better prepared in these instances, thinking through emerging trends and risks in target markets and their potential impact through scenario mapping and tailored intelligence monitoring can also assist in developing an appropriate response plan and buy time when faced with new operating challenges.

The growing focus on supply chain transparency also means companies must step up their due diligence. Following international standards like the OECD Due Diligence Guidance and the EU Conflict Minerals Regulation is no longer good practice but essential. Stakeholder mapping and engagement support for market entry alongside counter-party and reputational investigations can contribute to helping an organisation make informed operational decisions. On the ground, addressing security threats requires more than site security. Understanding the evolving nature of security threats is important in ensuring security protocols are and remain fit for purpose.

Having access to the right information and a well-placed network underpins success across all these mitigation strategies. Preparing for these challenges is crucial and connecting with the right partner that understands local operations and key objectives can help leverage the opportunities Africa has to offer more securely. Be it conflict-related security risks, illegal mining activity or growing resource nationalism on the continent, Pangea-Risk have helped our clients navigate these issues to better leverage the growing opportunities Africa's mining sector has on offer.

To discuss how we can support you through tailored analysis and strategic risk solutions, contact our Advisory team.

PANGEA-RISK

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CONTACT OUR ADVISORY TEAM