

Mad About Madagascar's Mining Potential

With the eclipse of Tanzania as a mining destination the hunt is on for amenable jurisdictions in East Africa. In recent years the rising stars have been Mozambique and to a lesser extent, Madagascar.

The last month saw the full court press of the great and good of Madagascar descend upon London for a day of interaction with London investors in the energy and mining sectors. We attended in the company of NextSource Materials Inc. (TSX: NEXT | OTCQB: NSRC) (formerly Energizer Resources) which has a graphite project and a vanadium deposit in the country.

The event had a certain element of cloak and dagger to it with the location of an event only being released a few days before the event to the hundreds of people attending, somewhat like a house-rave in the 1980s. However in light of the lively politics this century we can see why organisers did not want the event disturbed by the appearance of a rent-a-crowd. As it turned out the event was in the august premises of the Skinners Company (a City Guild).

A Lively Recent Past

The early part of this century was politically colourful in Madagascar after a long period of relative quietude. President Ravalomanana came to power in April 2002 after a hotly contested election. Things were relatively quiet until the end of 2008.

There were riots starting in January of 2009 in the capital that left around 170 dead. After losing support of the military and under intense pressure from the mayor of the capital Andry Rajoelina, Ravalomanana resigned as President on the 17 March 2009. Ravalomanana assigned his powers to a

military council loyal to himself. Other parts of the military called the move by Ravalomanana a “ploy” and said that it would support Rajoelina as leader. Rajoelina had already declared himself the new leader a month earlier and assumed the role of acting President. The European Union, amongst other international entities, refused to recognize the new government, due to it being installed by force. The African Union, suspended Madagascar’s membership as long as Rajoelina remained president.





Out of all the schemozzle appeared the current president Hery Rajaonarimampianina who was the main speaker at the London event. He has been President of Madagascar since January 2014. Previously he served as Minister of Finance under Rajoelina, and he was the Rajoelina political movement’s candidate in the 2013 presidential election. He won the vote in a second round, defeating Jean-Louis Robinson, the candidate of Ravalomanana’s party.

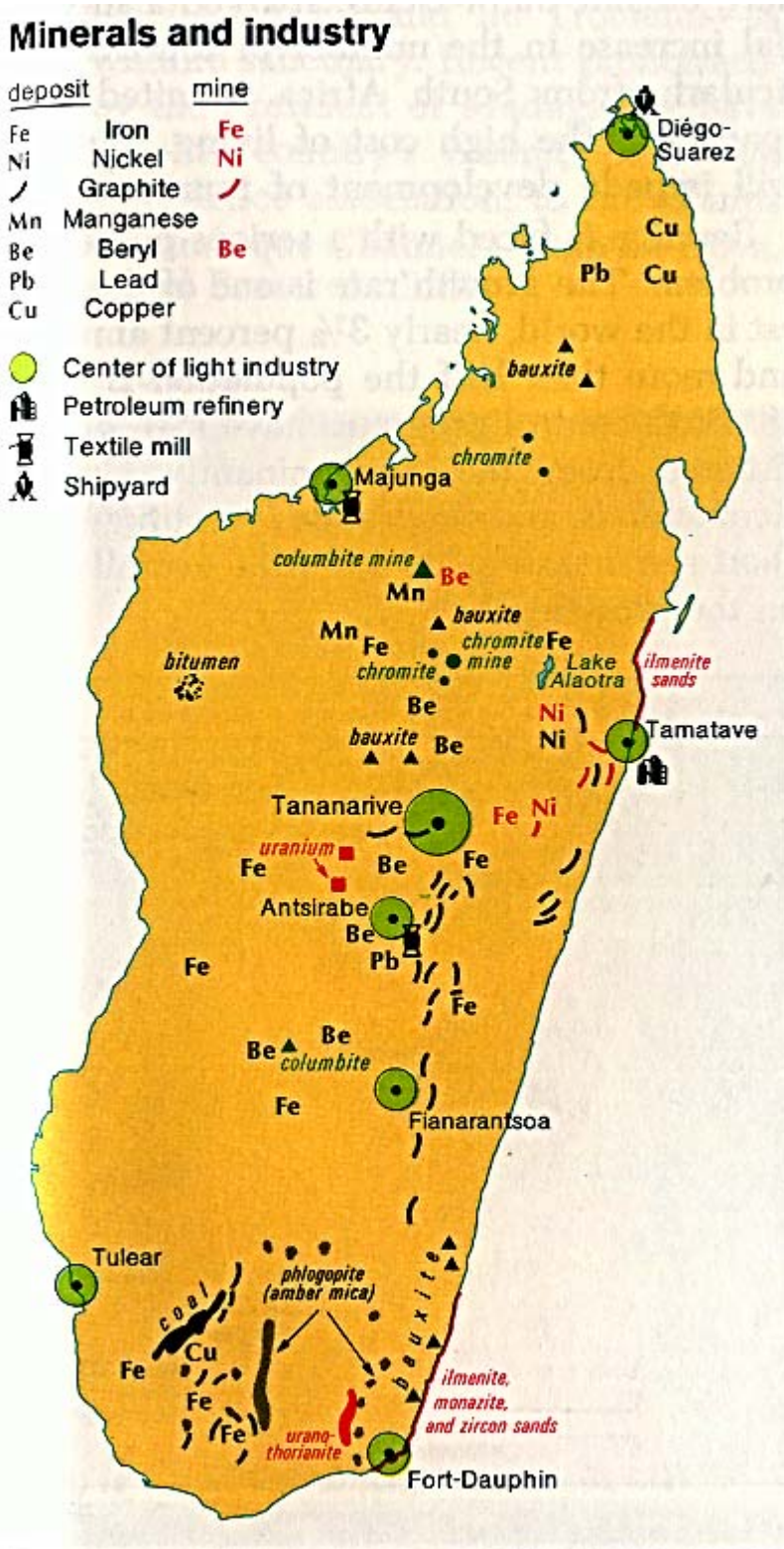
Mining

The country has scarcely appeared on the radar screen of most mining investors but there are a few major developments, such as Sherritt’s Ambartovy nickel/cobalt mine and Rio Tinto’s mineral sands mine near Fort-Dauphin at the south-east tip of Madagascar. QIT Madagascar Minerals, which is 80% owned by Rio Tinto and 20% owned by the Government of Madagascar, is extracting ilmenite and zircon from heavy mineral sands over an area of about 6,000 hectares along the coast over the next 40 years.

Minerals and industry

deposit	mine
Fe	Iron Fe
Ni	Nickel Ni
Graphite	Graphite
Mn	Manganese Mn
Be	Beryl Be
Pb	Lead Pb
Cu	Copper Cu

-  Center of light industry
-  Petroleum refinery
-  Textile mill
-  Shipyard



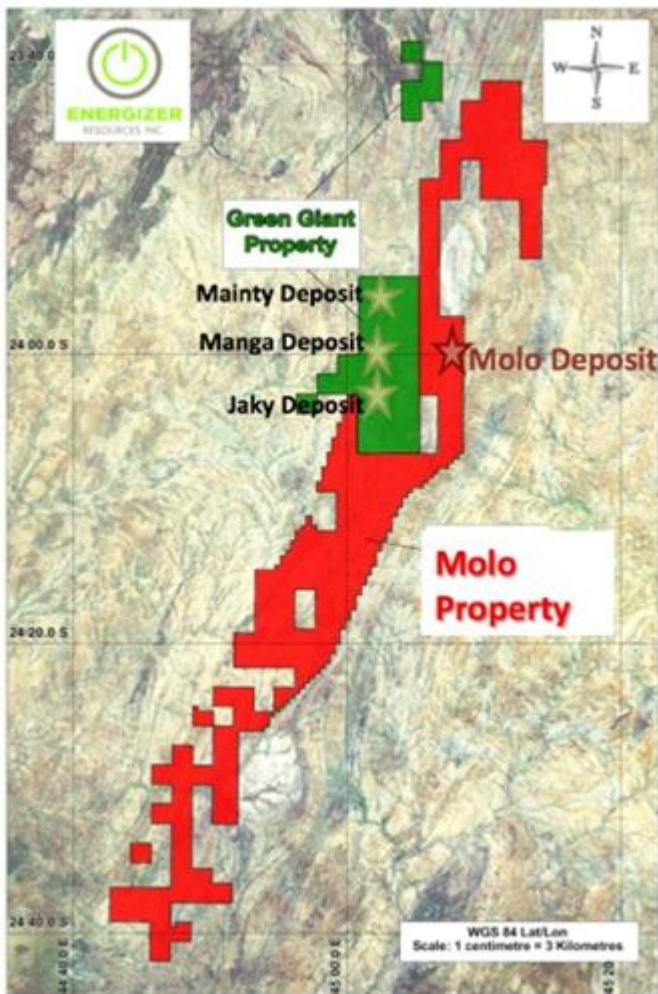
So Madagascar is a country with a number of world-sized mining projects under way but little else in mining (at least until now). As a result infrastructure is very thin in many parts of the country. The semi-arid south-west corner of the country where the many of the new projects are located is currently infrastructure poor. Thus the move to production will require the upgrading of existing roads, ports, and water supply

routes and the importation of diesel power. RTZ set the ball rolling with the construction of the port at Elhoala for its mineral sands exports.

NextSource

Long term denizens of InvestorIntel need little introduction to this company's graphite deposit at Molo but they probably do need reminding of its name change that was precipitated by the need to differentiate itself from a certain infamous bunny. While Molo moves towards production at a swift clip with the project having been reconfigured to a modular, more bite-sized format with a capex at a fraction of previous plans (and almost all competitors) it is easy to forget that the company's original raison d'être. This was the Green Giant Vanadium deposit which shares the same land block as the graphite but is distinct. In fact the "energizing" that was originally foreseen was Vanadium Redox batteries, not the graphite component in Lithium Ion batteries. Now the company can potentially fire on two cylinders (pardon the bad pun) with Vanadium having taken off in recent times because of various reasons.

The map below shows the proximity of the two projects to each other, while also highlighting their divisibility.



Thus investors should not be surprised to get a double energizing from NextSource if it spins out the Vanadium project to have two horses running in the CleanTech/battery technology race. As we may have signaled before we are big fans of demergers to release value for shareholders from disparate themed assets.

Conclusion

While Tanzania did not come up in conversations the undertone was that Madagascar was aiming to wrest for itself the title of the country in East Africa to do mining business. The chief admission from the speakers, both government and non-government was that the processes were slow and that applicants for licenses and permit had to have patience. There was an element of “when in Rome...” fatality about this issue but no-one was really complaining as most had factored it into their timelines.

Importantly no-one said that the processes were arbitrary or irregular in any way.

The clear message though was that the mining potential is enormous and the country sees it as a way of broadening its export revenues from what has been primarily an agricultural export base with a modicum of artisanal (read smuggled) export of gold and gemstones. With massive Nickel/Cobalt exports being joined by minerals sands and hopefully Graphite and Vanadium on a large scale the country seems destined in the next five years to move from being a bit player in global mining to being a substantial force.