

Failure of 'Hard Assets' mining conferences suggests new business model needed

✘ The 'Hard Assets' conference development company, more recently known as the Metals & Minerals Investment Conferences, announced that as of July 16, 2014 they have suspended their schedule of events indefinitely. Some blame poor shows in the past few years, which then saw mining companies become less interested in participating. Hard Assets was most recently managed by the Summit Professional Networks. The 'void' will be filled by Euromoney Institutional Investor, a London listed financial publishing and event organizer, which has acquired the famous Cape Town Mining Indaba, an event held annually in February that rivals, in scope and size, Canada's PDAC (Prospectors & Developers Association of Canada) show held in March. This meeting of mining industry leaders, as well as politicians, investors, scientists and journalists is probably the most important mining industry event in Africa. Indaba is not an acronym; it is a Zulu word used when an important meeting of elders is held and literally it translates to "business".

Attendance at 'Indaba' has been waning over the past few years. Organizers have blamed lower attendance numbers on the continued 'depression' in metal prices and the financing difficulties faced by many mining juniors. Euromoney acquired the Cape Town Indaba from Miningindaba LLC. The most recent events have seen a strong showing from mining equipment manufacturers and a weaker participation of mining juniors. Some participants say that the Indaba has started to look more like a trade show than an investor focused conference. Euromoney is a large and experienced company. It is one of the first to launch the 'conference development' business model and it has the capacity to increase the global appeal of the

'Indaba' brand, exporting it from Africa to the rest of the world through its vast network and existing calendar mining conferences worldwide. Nevertheless, the Indaba – or any other mining conference with global pretensions for that matter – should emphasize aspects that address the issues that matter most to the industry and to investors in order to attract the highest number of exhibitors and widest possible audience.

The 'Indaba' should serve as a platform for decision-makers and investors to learning about new initiatives. Legislative aspects are important as the mining industry, especially in Africa now, has seen many changes, generating uncertainty. A number of African States are tightening legislation, demanding higher royalties and applying different variants of nationalization approaches. South Africa itself has its own 'question mark' as the Government has proposed identifying some commodities as strategic resources, implying restrictions and 'preservation'. Ghana, Ivory Coast and Zimbabwe have expressed similar considerations in order to increase government revenue. Moreover, many countries want to limit the export of unprocessed raw materials.

They would rather that these raw materials be first processed in their own country in order to benefit from the value chain and any intermediate or final product. The problem is that this requires technological knowledge and energy or transportation infrastructure, all of which are in short supply in many African countries. It does little good to build a processing plant if there are no secure transportation routes or if there is insufficient power generation. The strong dollar and even stronger euro will also guide the discussions in Cape Town as currency valuations affect the cost of labor and the cost of the raw materials. There is also the issue of corporate social responsibility and the environmental sustainability of their operations, including the development of rural areas. At the conference, it will be important to discuss the uncertainties surrounding the mining

industry. Governments but also trade unions must show themselves to be reliable industry partners. A conflict of corporations and these strong pillars of society would be counterproductive for the entire industry and could ultimately even destroy jobs and lower profitability. This is very important given the mining industry labor struggle in South Africa over the past few years.

Mining is both one of the oldest industries in the world and one of the most important for the economy of many developing countries. Given the record high prices of minerals such as gold and copper, the industry's importance and influence have increased dramatically in recent years. Mining large-scale industrial presents a wide range of economic, social and environmental benefits for governments and local communities. In recent years, Western mining companies have faced increased competition from Chinese companies, which have sought minerals aggressively to sustain the development of the Chinese economy. Chinese companies have been active in Latin America, Asia, and particularly in Africa. The mining industry also tends to be cyclical and, in fact, the current cycle has been rather volatile and reactive as opposed to 'proactive'.

The management of mining investments has come under greater scrutiny and faced tighter financing. An overhaul is due and the Indaba should address all related issues. Shareholders want every dollar to be invested either in a profitable project, because there is limited access to financial resources. On the world stage, the mining industry must improve its performance, innovating approaches and technology, developing systems to make better decisions. In the long term, the mining sector cannot but have favorable prospects. It remains to be seen when the 'long term' begins and the uncertainty ends, end of 2014, 2015 or 2016? Growth in China, a recovery in the United States and emerging countries like India offer a glimpse of optimism but the Indaba should address ways to improve the industry all around. If it does

this, the new Indaba can become a very successful event indeed.