

Mali Coup 'should' not impact Gold and Uranium mining

☒ Gold mining is one of Mali's main industrial activities accounting for 80% of all mining activity and a major contributor to GDP. Mali's rise in the gold space has been characterized by rapid growth, moving from negligent commercial gold production in 1990 to becoming Africa's third largest producer today. The coups and political instability in its northern regions raised Mali's risk profile; however, the impact on gold mining has been minimal. This week, in the wake of another coup, like a softer coup led by the former - but still influential- military junta, gold miners could afford to ignore the recent events. The objective is most likely to prevent a direct ECOWAS military deployment in Mali which would undermine the power base of Captain Sanogo and his associates.

In any case, while this coup does little to advance solutions to the political impasse, it is unlikely to disrupt foreign gold and other mining operations – at least in southern and Western Mali are concerned. Indeed, gold and uranium miners continue to produce and explore in western Mali. Vancouver based Rockgate Capital Corp. (TSX: RGT) has proceeded with its drilling program at the Company's Falea project in western Mali. Rockgate stressed that its operations were entirely unaffected by the latest coup, formalized on December 11, and by the Islamist/Azawad revolt in the north. In fact, Rockgate's exploration and development program at the property is fully underway with all four drills operational. Last spring, Rockgate announced it had discovered a new mineralized zone, 'the Northeast Plateau', located just to the northeast of the prolific high-grade North Zone at Falea. Rockgate was pleased enough with the uranium mineralization to prompt exploration of additional deposits beyond the current resource

boundaries. As was the case after the first military coup, its instigators have stressed that they will not interfere with mining.

The latest coup is the result of a different approach over how to resolve the Islamist revolt in northern Mali. The military objects to a much discussed military intervention by an international coalition to drive away the various militant factions now holding northern Mali hostage, preferring to manage any related military operation itself and without foreign leadership. The outgoing Prime Minister, Cheick Modibo Diarra, was arrested while boarding an aircraft for Paris, where he was heading in order to press French President Hollande to lead an international coalition to challenge the Islamists. Either way, whether under a democratically elected government the economics of Mali's mining do not change. Mining is essential and the government will not interfere. Rockgate Uranium along with other active mining firms has remained active in the country. In fact, southwestern Mali has not and should not see a significant supply chain disruption during the coup.

The experience of gold mining companies in Mali is especially telling in this regard; many of the largest gold operators have continued their operations. Randgold Resources, a gold mining company, was confident that operations would not cease, noting that the coup was not followed up by any popular uprising or revolution and that the status quo has been preserved. Mining companies may even have derived a minor advantage from the coup.

Algeria will be the one to reap the biggest diplomatic gains from the latest events in Mali. Algeria has been adamant to avoid foreign intervention in its backyard, fearing repercussions at home. Morocco has also been quietly playing a role even if it does not share a border with Mali, announcing it had intercepted "militant Islamist cell sending fighters" via Algeria – suggesting Algeria has a tough time controlling

its borders. Algeria's non-interventionist position has been backed by the UN special representative for Mali, former Italian Prime Minister Romano Prodi. Prodi has also argued for 'dialogue' even as Italian energy and infrastructure companies have been winning lucrative contracts in Algeria. Some see this as evidence of Algerian 'pressure' – or even diplomatic bribery – in an effort to ensure the supremacy of its non-interventionist diplomatic line.

A military intervention in Mali would change the risk outlook even for those companies and regions of the country that have so far been left unaffected. Even simple military operations have a way of going wrong and creating bigger problems than the best risk scenarios suggest. This was the case in Somalia, for example, or even Iraq. A military intervention would also have repercussions throughout the Sahel region, affecting Mali's neighbors such as Niger and Mauritania. While the military operations of a potential military operation would aim squarely at the Islamist groups wreaking havoc in Timbuktu or Gao, there is always the risk that Touareg populations might be accidentally hit in the crossfire. This is the trap that these North African equivalents of the 'Taliban' have set. Military action against the Islamists, while compelling in its own right, could result in their further radicalization, achieving the very opposite goal and turning the Sahel region (the area of Africa south of the Sahara and north of the savanna) into Afghanistan version 2.0.