# BURKINA FASO

*Complied with the assistance of Blaise Zida*

One of the world's poorest countries, landlocked Burkina Faso covers an area of some 274,000 $km^2$ to the north of Cote d'Ivoire and Ghana in West Africa. It is typified by undulating savannah and has a tropical climate but is susceptible to drought, a major concern for the great majority of the country's 13.23 million population who rely mainly on subsistence farming.

Independence from France was achieved in 1960 and two decades of government instability were followed by multi-party elections in the early 1990s. The elected head of state, President Blaise Compaore has been in office since 1987.

Following several years of peace and stability, the politico-economic climate deteriorated during the final quarter of 2002 as a result of the political crisis in neighbouring Côte d'Ivoire. The crisis undermined the long-established good relations between the two countries and an outbreak of xenophobia in Côte d'Ivoire hurt the numbers of burkinabe who have emigrated there. The crisis also had a negative impact on the thousands of burkinabe farm workers who migrate south to Cote d'Ivoire each year.

Being landlocked, the closure of Burkina Faso's border with Cote'd'Ivoire was an additional blow as the harbour at Abidjan (located more than 1,000 km from Burkina Faso) provides the main economic trade link with the rest of the world and the crisis in Côte d'Ivoire continues to hurt trade and industrial development. Happily, talks have been initiated by the two states in the search for peace and restoration of the social climate.

Burkina Faso's GDP in 2002 is estimated to have grown by 4.5% but purchasing power parity per head of population is little more than US$1,000. Agriculture, including cattle breeding contributes 35% of GDP, with industry and services contributing 17% and 48% respectively.

Mineral resources include manganese, bauxite, copper, nickel, lead, zinc, gold and limestone/marble but there has been little mineral development. In recent years, however, the development of the country's gold resources has assumed greater significance and could become increasingly important because of the current low world price of cotton, the country's principal export commodity.

The Government of Burkina Faso is seeking to accelerate development of the country's minerals sector and significant revisions have been made to the existing mining code in a bid to attract more foreign investment. In particular, the revisions include new tax provisions. The revised code was adopted by the National Assembly in May 2003 and has now passed into law.

 

The revisions include:

- A clear distinction between licences for large mining operations and licences for exploration and small-scale mines where administrative and tax requirements are less. This is expected to encourage the development of the numerous, small mineral deposits known within the country.

- Encouragement of the activities of small miners and the participation of local communities through the provision of improved financial assistance.

- State ownership is restricted to a 10% shareholding in large mining projects and no ownership participation in small-scale mines.

- The status of semi-mechanised artisanal mining is enhanced by granting the operator the mining title. This type of operation is seen as an alternative solution to waiting for large mining companies to commit major investments.

- As an incentive to mining companies, a distinction is made for tax purposes between the exploration phase and the construction phase of a mining project. This provision recognises the financial commitment made by an investor at the exploration phase when there is no guarantee that a mineral deposit will be discovered or developed into a mine.

- As a tax benefit, mineral title holders are able to deduct at source 20% of any sums paid as remunerations to those people providing services but possessing no established office in Burkina Faso, and the transfer of the aforementioned reserve in accordance with the provisions of the tax code.

- Various tax and customs advantages are envisaged for the preparatory work period ahead of the mine construction phase, eg exemption from VAT and community taxes (for a maximum of three years).

- At the operating stage, the new law also grants many taxes and customs advantages to the investor: an increase from 15% to 25% for Industrial and Commercial tax benefit; lower tax on income from transferable securities; exemption from registration fees when increasing the authorised capital of companies; and reduced tax on vital imports such as fuel and lubricants.

Gold exploration was the principal mineral activity during 2002.

During the year, Axmin Inc. and Channel Resources Ltd received a resource estimate for the Bouroum property where Axmin can earn a 65% interest from Channel by completing a bankable feasibility study and paying Channel C$130,000. According to SRK Consulting, two deposits on the 275 $km^2$

 

property, F12 and Welcome Stranger, contain an indicated resource of 2.3 Mt at an average grade of 3.1 g/t Au. Inferred resources, including the Bissinga Zone, amount to 2.6 Mt at 2.8 g/t Au. The estimates are based on data from 175 reverse-circulation drill holes and 9 diamond-drill holes. If Axmin proceeds with development of the property it will buy out Channel's interest in the estimated proven and probable reserves.

Axmin also entered into a heads of agreement with High River Gold Mines Ltd concerning the joint development of Bouroum and HRG's adjacent, 80%-owned Taparko gold deposit. Taparko is estimated by SRK Canada North America Inc. to contain a resource of 12.6 Mt averaging 2.6 g/t Au, based on a cut-off grade of 1.0 g/t Au. Toronto-based HRG's main focus is on its gold interests in Russia and, in November last year, it was announced that Harmony Gold Mining Co. Ltd of South Africa was acquiring a 21% interest in HRG in a US$14.5 million deal with Jipangu Inc. of Japan.

Late in the year, the Canadian exploration company, Orezone Resources Inc., reported promising preliminary results from reverse-circulation drilling at the Sega gold property where it is earning a 100% interest from Repadre Capital Corp. Intersections included 34 m averaging 2.12 g/t Au and 28 m averaging 3.4 g at relatively shallow depth. Mineralisation appears to be consistent, and Orezone was hoping to delineate a siginificant oxide resource along 2.5 km of strike. The prospect is chacterised by mineralised shears and quartz vein stockworks that have been intensely altered.

Earlier in the year, Orezone outlined the terms of a combined merger and joint venture concerning the Essakan gold property, wholly-owned by Coronation International Mining Corp. Orezone and Coronation were expected to merge and the combined entity would enter into a joint venture agreement with Gold Fields Ltd, whereby the latter could earn a 50% interest in Essakan by spending US$8 million over five years, and a 60% interest by completing a bankable feasibility study. A resource estimate compiled by Hellman and Schofield Pty Ltd of Australia on behalf of Coronation's previous partner, Ranger Minerals Ltd, gave an indicated resource of 23.7 Mt at 2.0 g/t Au.

At Semafo Inc.'s 95%-owned Mana gold property, follow-up drilling during the year extended the strike length to 2.8 km at the Wona prospect, where mineralisation is associated with silicified or quartz-bearing horizons and gold assays obtained are typically in the 3.0–5.0 g/t Au range. At the Nyafe prospect on the same property, grades of 9.0-18.4 g/t were obtained in the course of a drilling programme over widths of 3-10 m. Mineralisation is associated with a major fault zone traversing mafic schists and interbedded andesites. The exploration programmes at both properties are being conducted by geologists from Managem, part of the ONA Group of Morocco. Managem has a controlling interest in Semafo and they have a strategic alliance applying to West African projects.

In May 2002, Cluff Mining plc of the UK announced that it was seeking to raise net proceeds of £18.9 million through a share placing, and it was subsequently learned that Rosario Investments Ltd, controlled by the prominent black businessman Mzi Khumalo, has acquired a significant interest in the company. Cluff is using most of the proceeds of the placing to fund platinum interests in southern Africa. However, part of the funds are being used to complete a feasibility study for the Kalsaka gold project in Bukina Faso where a gold resource of some 670,000 oz has been identified.

One negative development in the gold sector was the announcement during the year from London-listed Randgold Resources Ltd that it had decided to end its active exploration in Burkina Faso.

Apart from gold exploration, there was little else to report in terms of mining activity. There was no further information concerning the possible restart of the Perkoa zinc mine; and, in 2001, Johannesburg-based Metorex Ltd signed a memorandum of understanding with the government as the basis for securing the mining lease, and expected the feasibility study to take 12 months. Perkoa possesses indicated resources of 6 Mt averaging 18% Zn, plus an inferred resource of 880,000 t at 14.8% Zn.

In July 2002, Afcan Mining Corp. announced that it had been granted a phosphate prospecting permit for the Kodjari property. The three-year permit covers an area of 108 $km^2$ in the southeast part of the country near the border with Benin. The Kodjari deposit was discovered 20 years ago and has an estimated resource of 65 Mt averaging 28% $P_2O_5$ but development has been hindered by the government's ban on imports of sulphuric acid, needed to convert ore into fertiliser. A Canadian company, MetChem has since demonstrated that sulphuric acid could be derived locally by roasting sphalerite.