

## Eastern Africa Newsletter – August 2012

### PART I: MONTHLY COMMENTARY

We are continuing to see good uptake of Private Equity deals in Eastern Africa, with investments announced this month in the real estate, agriculture, hospitality and media sectors and an exit in the IT sector. (Please see our Deals section on p.3). The inception of a pure real estate focused PE fund was also announced in Kenya as well as further capital being successfully raised by PE firms operating across the continent.



The macro picture has improved further. Inflation has now fallen significantly across the major economies of the East African Community (please see our table on the next page) leading to further decreases in interest rates. As well as taking the pressure off leveraged businesses and the banks themselves, we believe this may also now lead, in due course, to further LBO transactions in the region, both PE investments and pure M&A.

Please note that we have also now inserted a GDP growth table as well as the inflation table into this newsletter, and we will update these quarterly.

In the Oil and Gas sector Apache Oil Corporation began drilling for oil in the off-shore Lamu basin in Kenya. The block is also part-owned by Tullow, Pancontinental Oil and Origin Energy. Initial drilling results are expected in the next 2 months. Oil major Statoil is now apparently also looking to become involved in Kenyan off-shore exploration with interest in a deep-water block. Ophir Energy Plc announced it will start drilling for oil along the Dar es salaam coast early next year and Tullow announced further drilling – the commencement of its drilling activity in South Omo, Ethiopia – in January 2013.

It is the investments by multi-nationals into the O&G sector in the region that are grabbing the headlines, however, increasingly we are aware that the mining sector too is picking up momentum and increasing interest from the majors. African Barrick Gold announced the acquisition of Aviva Corporation's gold assets in Western Kenya for A\$20m (with further earn-out potential), and 18 companies submitted their proposals for the right to mine the Mui Basin coal project in Kitui, Kenya. In Ethiopia, London listed exploration firm Stratex also announced further successful exploration at its gold operations.

We continue to focus ourselves more and more on the opportunities surrounding the natural resources industry in East Africa. In particular we will be looking to advise on local listings through our listed equities division as well as private equity capital raising and M&A. We are keen, not only on the Exploration and Production businesses themselves, but also the local service providers. The opportunity here we believe stems from the fact that the E&P firms will be encouraged by government to use local services firms. We also feel locally produced equipment will have a competitive edge due to the slow progress of equipment through the two main East African ports.

In Mergers and Acquisitions the key themes of the month have been the expansion by Kenyan firms further into Eastern Africa as well as Southern Africa and in-bound M&A from South Africa into East Africa (see the Deals and Press sections).

Finally, in listed equities we saw the East African markets move up only marginally despite the unveiling of another generally stellar set of corporate results for H1. The banks, in particular, saw phenomenal growth again but in other sectors also EPS growth of > 25% was announced. Once again we note that these results are not being fully reflected in equity market values in the region as quite a number of companies continue to trade at multiples which should make them very attractive to foreign buyers looking to achieve EPS accretion as well as some exposure to East Africa.

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## PART II: FINANCIAL MARKET & MACROECONOMIC STATISTICS

### Key Africa Equity Indices Performance

Equity Index	1/2/2012	7/2/2012	7/31/2012	% Performance for Month	% Performance YTD
NSE20	3,212.86	3,763.91	3,832.42	1.8%	19.3%
DSEI (TZ)	1,303.23	1,438.45	1,442.46	0.3%	10.7%
UGSINDX	832.59	1,058.55	1,071.86	1.3%	28.7%
NGSE All Share	20,730.63	21,571.67	23,061.38	6.9%	11.2%
EGX 30	3,679.96	4,942.41	4,862.53	-1.6%	32.1%
JALSH (SA)	31,985.67	33,652.69	34,596.90	2.8%	8.2%
S&P 500	1,258.86	1,365.51	1,379.32	1.0%	9.6%
FTSE 100	5,572.28	5,640.64	5,635.28	-0.1%	1.1%

### Key Global Currency Performance

Currency	02/01/2012	02/07/2012	31/07/2012	% Performance for Month	% Performance YTD
KES / USD	85.10	84.15	84.10	0.1%	1.2%
TZS / USD	1,582.00	1,573.50	1,577.92	-0.3%	0.3%
UGX / USD	2,480.00	2,480.00	2,485.00	-0.2%	-0.2%
ETB / USD	17.29	17.74	17.84	-0.6%	-3.1%
ZAR / USD	8.07	8.17	8.24	-0.8%	-2.0%
NGN / USD	162.30	163.25	160.85	1.5%	0.9%
EGP / USD	6.03	6.06	6.07	-0.3%	-0.7%
USD / GBP	1.55	1.57	1.57	-0.1%	-1.2%
EUR / USD	0.77	0.79	0.81	2.9%	5.4%

### Key Global Commodity Performance

Commodity	02/01/2012	02/07/2012	31/07/2012	% Performance for Month	% Performance YTD
Gold	1,590.00	1,592.00	1,622.00	1.9%	2.0%
Oil	102.96	83.72	88.08	5.2%	-14.5%
Silver	2,878.00	2,736.00	2,820.00	3.1%	-2.0%
Copper	7,660.50	7,647.25	7,580.50	-0.9%	-1.0%

### Interest Rates

Country/Region	Base Rate
Central Bank of Kenya (Kenya)	16.50 %
Bank of Uganda (Uganda)	17.00 %
Bank of Tanzania (Tanzania)	7.58 %
South African Reserve Bank (RSA)	5.00 %
Central Bank of Nigeria (Nigeria)	12.00 %
Central Bank of Egypt (Egypt)	9.25 %
Bank of England (UK)	0.50 %
Federal Reserve Bank (USA)	0 - 0.25 %
European Central Bank (EU)	0.75 %

### Projected inflation rates and change in GDP

Country	Projected Inflation rates		Projected growth in GDP	
	2012	2013	2012	2013
Kenya	7.03	7.00	5.20	5.70
Uganda	15.00	5.26	4.16	5.37
Tanzania	15.57	7.94	6.42	6.66
Rwanda	7.50	6.00	7.60	7.00
Burundi	10.27	8.40	4.81	5.03
Ethiopia	25.40	15.49	5.04	5.46

Date	Buyer	Seller	Investment size	Synopsis
21st August 2012		Umeme		Uganda's power distributor, Umeme, confirmed plans to sell its shares at the Uganda and Kenyan bourses in the fourth quarter of the year, making it the first company to do a cross-border IPO in the region. According to the power firm, which is principally owned by private equity fund Actis, it intends to sell its shares at the Uganda Securities Exchange (USE), and the Nairobi Securities Exchange (NSE) between October and December this year. If approved, listing on both bourses will boost chances of achieving a full subscription in what may be the only initial public offer (IPO) in Uganda and Kenya this year. According to the firm, the sale of a minority of its shares will diversify the ownership of Umeme and enable a re-organisation of the company's capital structure. The power company has appointed Stanbic Bank of Uganda as the transaction advisor and lead receiving bank, African Alliance Uganda as the sponsoring broker, and PricewaterhouseCoopers Uganda as the reporting accountants. South Africa based law firm Webber Wentzel has been appointed legal advisor along with Uganda's Masembe, Makubuya, Adriko, Karugaba & Ssekatawa Advocates, and Kenya's Anjarwalla & Khanna Advocates.
20th August	Boston Partners	Kuriftu Resorts	\$50million	Boston Partners, owner of the Ethiopian Kuriftu resorts, secured 50 million US dollars in financing from the Fairfax Africa Fund, LLC based in the US. The funds are expected to finance the expansion of the Kuriftu Resorts chain in the East African region. Fairfax and Boston announced that they had concluded a 50 million US dollars investment agreement to construct, own and manage a chain of hotels and resorts in East African countries including Ethiopia, Djibouti, Kenya and Tanzania according to a statement they released. Boston Partners is delighted to have the American private equity firm as a strategic partner as it realizes its plans to expand the successful Kuriftu brand of hotels and resorts across the region over the next five years.
15th August 2012	Tullow	Statoil		Norwegian oil firm Statoil sold a 25 percent stake in an exploration licence in the gas-rich prospects offshore Mozambique to Tullow Oil, completing a deal flagged in April. According to Statoil, the farm-down reflects the attractiveness of their acreage in Mozambique and having Tullow onboard allows them to share the geological risk while retaining a significant working interest. Africa-focused Tullow already has minority interests in two onshore licences in the Tanzanian portion of the Rovuma Basin, along the Mozambique border, comprising the Mtwara and Lindi licences. Statoil, which will retain a 65 percent stake, announced in April that it had found a partner for the two blocks in the Rovuma basin but did not disclose its potential partner. The firm expects to begin drilling in the area in 2013 and hopes the block could add to its lucrative gas finds in East Africa. The firms did not disclose financial details.
15th August 2012	Africa Barrick Gold (ABG)	Aviva Mining (Kenya) Limited	\$31.1 m	Africa Barrick Gold (ABG) announced that it is acquiring rights to prospect for gold in western Kenya at a cost of Sh2.67 billion. The company, which is listed on the London Stock Exchange, has applied to buy-out Aviva Mining (Kenya) Limited's prospecting rights in Nyanza and Western provinces where recent activity has found large amounts of gold. Aviva (K) is a subsidiary of Aviva Corporation Limited, which is listed on the Australian Securities Exchange (ASX) and the Botswana Stock Exchange. The ABG-Aviva deal comes only two months after international gold-producer GoldPlat reported a 162 per cent increase in the volume of gold reserves discovered at its Kilimapesa mines in Trans Mara district.
14th August 2012				Commercial Bank of Africa (CBA) raised Sh1.5 billion from its shareholders through a private placement that will be used to finance the lender's expansion into the region. The bank, which already has a presence in Tanzania, said that it planned to enter the Ugandan market later this year by starting a new operation. The expansion plans have also seen the bank restructure its top management to help it manage the growth as it eyes Rwanda and Burundi next year. CBA has been upgrading its core banking system to support cross border transactions and future expansion plans. Other markets targeted by the bank besides Rwanda and Uganda include South Sudan, Mozambique, DRC and Ethiopia.

Date	Buyer	Seller	Stake	Synopsis
13 th August 2012	Eagle Africa	Guardian Insurance Brokers & Pace Insurance Brokers		Kenyan insurance broker Eagle Africa, bought unspecified stakes in two firms in southern Africa. Eagle Africa Insurance now owns part of Guardian Insurance Brokers of Malawi and Pace Insurance Brokers of Zambia, placing the company on top of the race to become the dominant insurance broker in revenue and locations in the region. The new acquisitions now stretch the company's operations beyond Kenya, Uganda and Tanzania. According to Eagle Africa Managing Director Mr. Sam Ncheeri, they were eyeing additional regional markets because insurance opportunities are growing. He, however, did not disclose the amount of money the company has set aside for expansion, or value of deals already made. The firm joins the long list of brokerage businesses with branches in the region or planning such expansion, including Aon Minet Insurance Brokers, Clarkson Notcutt Insurance Brokers, Alexander Forbes Insurance Brokers Kenya, Liaison Group and KenBright Insurance Brokers.
10th August				Redhouse Group, a local private equity firm, ventured into the marketing services scene with a Sh420 million investment. Redhouse Group has established a public relations, advertising, and media buying unit and secured access to similar business run by Media Edge Group in which it has bought a majority stake. The advertising market is dominated by ScanGroup with a 77 per cent market share, followed by Access Leo (six per cent), Ogilvy (five per cent), and Mindshare (three per cent). Redhouse has tapped the services of former senior executives at Scangroup's subsidiary Ogilvy East Africa to gain from their experience in the competitive market. Its advent is likely to raise competition against established firms like ScanGroup and Access Leo Burnett.
8th August 2012				According to the promoters of the Longonot Gate, plot owners at the Sh85 billion integrated housing development in Naivasha can start construction by October. The promoters of the 2,400-acre serviced-plot project have completed putting in place basic infrastructure such as security, access roads, and bore holes to allow for the commencement of construction.
6th August 2012	Craft Silicon	Fanisi		Craft Silicon, one of Kenya's largest software firms, has bought back the 30 per cent stake held by Fanisi, the venture capital firm, in the latest mergers and acquisitions (M&A) deal in East Africa.
6th August 2012				Mauritian meat processor Ireland Blyth Ltd (IBL) entered the East African processed meat products market through a partnership with Kampala-based Fresh Cuts Ltd, raising the stakes in a sector dominated by imported meat products. The partners are expected to leverage IBL's expertise to give Fresh Cuts a leg up as it expands into the export market. According to IBL CEO Nicolas Maigrot, Uganda was the starting point for the company's expansion into the rest of Africa. Started in 1972, following the merger of two leading companies that had been trading in Mauritius since the early 19th century, Blyth Brothers and Ireland Fraser, IBL is one of the largest business groups in Mauritius.
1st August 2012	Pearl Capital Partners	Northern Uganda Agricultural Centre Ltd (NUAC)	\$ 1.2 million	Pearl Capital Partners announced its second investment, through the recently-formed African Agricultural Capital Fund, early this month. The fund said it invested \$1.2 million in a mix of equity and debt in Northern Uganda Agricultural Centre Ltd (NUAC), a large scale mechanized farm located in Nwoya District, northern Uganda, producing cereals for sale as seed and food grain in Uganda. A large proportion of the PCP investment in NUAC, \$700,000, will be in debt, which will be used to finance the working capital of the business such as buying fertilizers and seeds. The equity investment, where PCP acquired a 25 per cent stake in NUAC, amounted to \$500,000. This will be used to finance the land buying, as NUAC wants to increase the area under cultivation by four times to 1,000 hectares, and construction of storage facilities. At the end of May 2012, PCP announced a Ksh50 million (\$0.6 million) investment in the form of a convertible loan in Kenya's Wilmar Flowers.
1st August 2012				The International Finance Corporation — the World Bank's private lending arm — will advance a \$9 million loan to Alios Finance Group for the firm's operations in the East Africa region. Alios Finance Kenya and Alios Finance Tanzania will receive \$5million and \$4 million respectively to be repaid over the next five years. The French lender is relocating its African headquarters from Tunis to Nairobi, as it positions itself to tap into the fast growing regional asset finance industry. The entry of Alios in Nairobi highlights the growing interest by global lenders and private equity funds in the region, with a rise in demand for funding, especially to small and medium businesses. Alios lends to small and medium sized companies working in transportation, manufacturing and services to acquire equipment either through loans or hire purchase.

## PART IV: UPCOMING EVENTS/CONFERENCES

Events	Date	Venue	Theme
The Annual Africa Property Investment Summit	4 to 5 -Sep-12	Sandton Sun Hotel, Johannesburg	The Africa Property Investment Summit is independently co-ordinated by players currently active on the continent, ensuring the highest calibre of delegates and speakers to discuss latest trends, share experiences and enjoy insightful debate. The 2011 summit brought together delegates from 16 different countries with excellent industry representation. The Africa Property Investment Summit has established itself as the premier event of its kind, and has flourished into a full scale networking opportunity bringing together the best real estate minds in the business. The overwhelming response from delegates and corporates alike confirms our mandate to present the definitive forum for local and international property professionals and investors.
The 14th Annual East Africa's Power Industry (EAPIC) Convention	10 to 13-Sep-12	Dar es Salaam, Tanzania	To assist in Tanzania's electricity power generation goals and infrastructure expansion in Generation, transmission & Distribution and foster investor confidence and facilitate more private sector participation.
Private Equity Mauritius 2012	17 to 18 -Sep-12	Balaclava, Mauritius	Private Equity Mauritius conference has been at the forefront of global Private Equity industry establishing its reputation as one of the largest and most influential gathering of Private Equity leaders in the region. From a gathering of almost 250 C-level delegates, including more than 100 foreign delegates coming from India, South Africa, Tanzania, USA, Singapore, Dubai and other regional countries at its launch in 2009, Private Equity Mauritius 2012 is set to continue this tradition of sharing views, ideas and strategic insights into the ever changing world of private equity.
The Nigeria Banking and Capital Markets Conference	20-Sep-12	Lagos, Nigeria	Euromoney Conferences will launch its Nigeria Banking and Capital Markets Conference; Financial Stability and Access to Capital, bringing together policymakers, financiers, local and international investors to highlight and debate the need for financing and the development of Nigeria's capital markets.
Hotel Investment Forum	25 Sep-12	InterContinental, Nairobi	Bench Events and The Kenya Tourism Development Corporation (KTDC) announced the Africa Hotel Investment Forum (AHIF) will be hosted in Nairobi on 25-26 September 2012 at the InterContinental. AHIF will aim to showcase the potential Kenya has to offer as well as other high-growth destinations across the continent as a whole. The Economist magazine recently identified that over the past decade six of the world's fastest-growing countries were African. Attending AHIF will offer a platform to meet potential partners and seek out new deals in this exciting growth market.
MBI (Mining Business & Investment) East Africa 2012	27 to 28 -Sep-12	Laico Regency Hotel, Nairobi Kenya	This year's initiative is organised and supported by the Kenyan Ministry of Environmental and Mineral Resources, the East African Community, Kenyan Investment Authority, Kenya Chamber of Mines and Prescon UK. The event promises to bring an array of East African and global leaders together in a forum to examine some of the most critical business management and technology issues facing East African booming mining sector. The MBI East Africa 2012 event will bring together executives and professionals to explore timely themes including investment planning and growth paths for the East African mining sector.
African M&A and Private Equity Forum	September, 2012	Waldorf Hilton, London	This one-day forum is focussed around M&A origination on the sub-continent; examining the investment opportunities, legal frameworks and practical transactional advice for getting deals done in Africa. It attracts an international audience from Europe and Africa of corporates, private equity houses, investment banks, strategic financial advisory, transaction services and legal advisory firms.
East Africa Oil & Gas Summit	1 to 3-Oct-12	London, UK	This East Africa Oil & Gas Summit will act as a platform to assist in developing the hydrocarbon future of East Africa by focusing primarily on upstream oil & gas opportunities and investment possibilities in Mozambique, Tanzania, South Sudan, Kenya and Uganda. The Summit will provide opportunities to network and meet key Ministers and government officials from East Africa region. Be
16th Kenya International Trade Exhibition (KITE)	06-OCT-12 to 08-OCT-12	Kenya, Nairobi Kenyatta International Conference Center	The 16th KITE - Kenya International Trade Exhibition on multisector products, equipment and machinery will present over 10,000 products, equipment and machinery from over 30 countries. Trade visitors from East and Central African countries are being invited directly and in collaboration with several regional trade bodies in Kenya, Tanzania, Ethiopia, Uganda, Somalia, Mozambique and Zaire.
Eastern African Community (EAC) Investment Forum	16 to 17-Oct -12	Dubai	EAC Investment Forum which would be held in association with the EAC in Dubai on October 16 and 17, would not only inform the business community of Dubai about the investment potential of the African countries but will also allow both sides to discuss joint cooperation in areas of mutual interest.
The Oil & Gas East Africa Summit 2012	15 to 16 -Nov-12	Nairobi	The area's potential for oil & gas discoveries is causing huge international excitement. A host of recent discoveries across the region has seen East Africa take the spotlight as being one of the world's final and most exciting frontiers for oil & gas exploration. The Oil & Gas East Africa Summit 2012 will be
The Africa CEO Forum	20 to 21- Nov-12	Geneva	The Africa CEO Forum is the first high-level meeting of heads of major African corporations. The conference and workshop programme of the Africa CEO Forum is dedicated to the challenges African business leaders are confronted with today, its objective being to promote the continent's private sector and to contribute to its international promotion. Developed in close cooperation with the African Development Bank, the Africa CEO Forum is jointly organized by the Groupe Jeune Afrique and Rainbow Unlimited GmbH.
Private Equity in Emerging Markets 2012	23-Oct-12	Intercontinental Park Lane, London	With developing countries now attracting a higher proportion of investment capital than ever before and private equity fundraising in these markets reaching its highest level in three years, this timely conference will focus on how investors are maximising returns, managing risk and creating value. Building on the success of last year's event, 'Private Equity in Emerging Markets' will bring together industry leaders to analyse the opportunities in high growth markets within Asia, Latin America, the Middle East, Africa and emerging Europe, with a particular focus on sector potential and prospects for successful exits.
SuperReturn Africa 2012	3 - 5 Dec-12	Mazagan Beach Resort - Casablanca, Morocco	

## PART V: OTHER NEWS (1/3)

### Tiger Brands eyes Kenyan acquisition

South African food and consumer healthcare group Tiger Brands is eyeing more acquisitions in Kenya as part of a strategy to grow the share of revenues that it generates outside its home country. The company already owns 51 per cent of Haco Industries, a Kenyan firm. It is willing to spend Sh54 billion (5.4 billion rand) on acquisitions to achieve a target of growing revenues generated from outside South Africa to 30 per cent, a report by UBS Investment Research has indicated. Tiger Brands East Africa managing director Polycarp Igathe, who is charged with overseeing the company's operations in eastern Africa, confirmed that the firm plans to grow its presence in Kenya through acquisitions or startups. Mr. Igathe said that the discoveries of coal, oil, and gas in east Africa had increased the attractiveness of the region to investors. He declined to talk about any specific targets, but said Kenya had become a serious player in the Tiger Brands business. The firm announced early last month that it had struck a deal to buy 63.4 per cent of Nigeria-based Dangote Flour Mills as part of a bigger plan for expansion of its footprint in the Africa region. The deal is awaiting approval from regulators. In the report, dated June 22, UBS Investment Research says Tiger Brands is targeting to raise its revenues by at least Sh54 billion from outside South Africa. Dangote Flour Mills acquisition is expected to bring Sh25 billion of the targeted revenue, indicating that another Sh30 billion worth of revenue would be sought from further expansion. Excluding exports from South Africa to other African countries, this would amount to 20 per cent more revenues. Both exports and on-the-ground operations (acquisitions and greenfield) should then generate 30 per cent of the revenues outside South Africa in the next five to 10 years. Mr. Igathe was recently appointed to the position of regional managing director for Tiger Brands in East Africa, and was replaced by Geoffrey Kiarie as the new MD for Haco Tiger Brands. The drive for more business outside of South Africa appears to be driven by low growth opportunities in an economy with lower growth in recent years relative to its other African peers.

<http://www.businessdailyafrica.com/Tiger+Brands+eyes+Kenya+n+acquisition+/-/539552/1480312/-/106pila/-/index.html>

### Chinese firm eyes Kenyan gold company

A giant Chinese firm could soon enter into the country's gold mining industry through a planned purchase of stakes in a rival London-listed company that has already secured exploration rights in western Kenya. Canada's Barrick Gold confirmed Thursday that it was in talks to sell a 74 per cent stake in London-listed Africa Barrick Gold (ABG) to Beijing-based China National Gold Group Corporation. If successful, the deal would hand the Chinese firm a stake in the country's gold mining sector because ABG has already announced that it is buying out Aviva Mining (Kenya) Ltd's prospecting rights in Nyanza and Western provinces where recent activity has found huge reserves of gold. The deal could also signify China's resolve to grow its presence in Africa's gold prospecting business as the Asian nation attempts to satisfy growing demand for the mineral by investors in its domestic market. China has a small presence in Africa's gold mining industry. Aviva (K) is a subsidiary of Aviva Corporation Ltd listed on the Australian Securities Exchange (ASX) and the Botswana Stock Exchange. ABG said the planned acquisition would hand it a 51 per cent stake that Aviva Mining (K) presently holds in a joint venture with Lonmin Plc. The deal would also hand ABG access to Aviva Mining's right to earn up to 75 per cent interest in a second joint venture with Advanced Gold Corporation. The principal assets of the present joint venture between Aviva and Lonmin Plc are two special licences — SL123 and SL213 — located in Nyanza province's Ndori and Siaya areas respectively. The second joint venture between Aviva and Advanced Gold has three main assets — SL265, SL266, and L267 — in Western province's Bukura, Sigalagala, and Rosterman, respectively. As part of the deal, ABG plans to offer Aviva an initial cash consideration of Sh1.73 billion (A\$20 million) and an additional Sh867.6 million (A\$10 million) once it offers an instrument confirming the existence of the indicated three million ounces of gold in the targeted mines. ABG has also accepted to provide an additional Sh86.7 million (A\$1 million) to Aviva (K) to cover the cost of an agreed exploration programme from June 1, 2012 until when the transaction closes. Aviva said that the deal would boost its cash reserves and help pursue coal projects which it has lined up in Botswana. Analysts said that the acquisition would help ABG deal with uncertainties in the Tanzania market in the wake of tighter tax policies being pushed by the government.

<http://www.businessdailyafrica.com/Chinese+firm+eyes+Kenyan+gold+company/-/539552/1481272/-/10n99tgz/-/index.html>

### **Kenya invites bids to build berths at Lamu port**

Kenya has invited bids for the design and construction of three berths at its second port at Lamu on the northern coast, the head of the Kenya Ports Authority (KPA) said on Monday. The \$5.3 billion port is part of a \$23 billion transport corridor project to link Lamu to Ethiopia and newly independent South Sudan, bringing investment and much-needed jobs to the region. It also includes the construction of a railway, pipeline, highway, airport and refinery. Gichiri Ndua, managing director of KPA, said the request for expressions of interest was open to local and international firms. As well as cutting over-reliance on Kenya's existing Mombasa port, the project is aimed at deepening trade in east Africa and opening up northern Kenya, a vast area whose economy lags behind the rest of the country.

<http://www.businessdailyafrica.com/Kenya+invites+ bids+to+build+berths+at+Lamu+port+/-/539546/1466762/-/hwv1be/-/index.html>

### **Kenya's first big mine to spur sector investments**

Kenya's first ever large-scale mine, operated by Australia's Base Resources, is on track to start output in the third quarter of next year, potentially spurring further investment into the country's underdeveloped mining sector. Output from the Kwale mineral sands mine at the coast, is expected to triple the country's mining export revenues and overtake coffee, which brings in about \$200 million per year, as Kenya's fourth-largest source of hard currency. The mine will produce 80,000 tonnes of rutile per year, or 14 percent of the world's supply, 330,000 tonnes of ilmenite and 40,000 tonnes of zircon, when it is fully operational. Rutile, which is composed of titanium dioxide, is an important pigment for industrial, domestic and artistic applications. Zircon is mainly used in the ceramics industry, while ilmenite is related to titanium. If the Kwale project is successful, the mining industry and Kenya's government hope it could prove to be a catalyst for further investment by foreign and local companies. Authorities had concluded in the 1970s that the country did not have any mineral endowments, following the governments' geological surveys, opting to focus on farming, tourism, industries and financial services.

<http://af.reuters.com/article/investingNews/idAFJOE87F07L20120816>

### **Kenya Re gears up for southern Africa expansion**

Kenya Re plans to open a branch in southern Africa by early next year as it seeks geographical and sectorial diversification with its special local concessions set to expire in three years. The company draws more than half of its earnings from Kenya and plans to grow its continental business by setting up more branches in key regions. It gets a mandatory 18 per cent of the local reinsurance premiums but this guarantee is set to end in 2015, exposing it to international competition. Kenya Re Managing Director Jadhiah Mwarania said they were already underwriting risks in southern Africa markets, but the physical branch will help them offer better services and grow their business. The listed company is mulling over setting up the branch in Botswana, Mozambique, Zambia, or Zimbabwe once it completes research on the capital and regulatory requirements in each of the countries. Mr. Mwarania added that in the medium term, the company would open another branch in northern Africa where it will target ordinary reinsurance and retakaful, a cover for Islamic insurance firms. Kenya Re has established a Sharia advisory board that will help it tap into the nascent retakaful business in Kenya and Islamic states in northern Africa. Besides Kenya, the company has an office in Ivory Coast from where it serves the French speaking insurance market of West Africa. Kenya Re is one of four players in that market and has a 16 per cent share of the Sh39 billion worth of premiums. The expansion plan comes after the company announced a 36.5 per cent growth in net profit in the first half, helped by increased premiums and investment income. Its net profit stood at Sh1.1 billion in six months to June compared to Sh845.7 million the year before as net premiums rose to Sh2.8 billion from Sh2.3 billion. Investment income rose 40 per cent to Sh979.4 million helped by the firm's disposal of a sports complex in Nairobi's South C area for Sh310 million. The company's share price stood at Sh10.6 on Friday on gaining 39.4 per cent in the past six months. It also plans to start underwriting risks in Kenya's oil and gas industry that has recorded increased activities in the past two years. It has engaged Total Risk Solutions, an Australian risk management consulting firm, to train its staff on the necessary skills and expertise to underwrite the highly lucrative but risky oil and gas industry. Mr. Mwarania said the company will absorb up to five per cent of the big-ticket risks and will cede the rest to large international re-insurers like Lloyds of London. The covers include compensation for damages suffered by employees, oil rigs and pipeline infrastructure and could extend to loss of gas and oil stocks if the country finds commercial quantities of the commodities.

<http://www.businessdailyafrica.com/Kenya+Re+gears+up+for+southern+Africa+expansion+/-/539546/1477524/-/tcxohl/-/index.html>

**Rwanda set to achieve growth target of 7.7pc**

The Rwandan economy is on the path to achieving its growth target this year, propelled by improving trade with the East African region. Last week, the central bank said the quarterly GDP figures were in line with the growth projections of 7.7 per cent for this year. Last year, the economy grew by 8.6 per cent. Apart from favorable domestic macroeconomic conditions, such as declining inflation and a stable currency, Rwanda is benefiting from better economic conditions around East Africa. Not only is inflation generally on the decline in the region, but regional currencies are also stabilizing in comparison with last year, when inflation skyrocketing (in double digits) and currencies were weakening mainly in the three major economies of the region. Specifically, inflation in Kenya — Rwanda's biggest trading partner — has been falling steadily from a record high of 19 per cent early this year to 7.74 per cent in July. In the first half of 2012, total trade with EAC countries increased to \$454.62 million from \$402.05 million in the first half of 2011 — an increase of 13.1 per cent. Imports from the EAC hit \$397.25 million between January and June this year, up from the \$365.97 during the same period recorded last year. While higher food and energy prices have kept inflation at approximately 8 per cent on an annual basis, in June it fell to 5.92 per cent from 8.18 per cent in March 2012 and 8.34 per cent in December 2011. Inflation is projected at 7.5 per cent for this year. The composite index of economic activities increased by 11.1 per cent at the end of June 2012 compared with the same period in 2011. Total turnover for the industrial and service sectors rose by 23.6 per cent, with industry growing by 21.7 per cent and services by 24.4 per cent.

<http://www.theeastafrican.co.ke/news/Rwanda+set+to+achieve+growth+target+of+7+7pc+/-/2558/1476930/-/arplrvz/-/index.html>

**Tanzania wants gas explorers to unite**

British oil and gas explorer Ophir Energy Plc. is likely to team up with other companies to jointly construct a natural gas liquefied plant with an export terminal in Tanzania. Tanzania Petroleum Development Corporation (TPDC) is expected to conclude talks with Ophir and Statoil to build together a two-train Liquefied Natural Gas (LNG) plant instead of putting up separate facilities. TPDC argues that joint venture will bring down the cost of building LNG export projects as Tanzania prepares to forego some revenue. Under the deal, Tanzania will forego revenue to allow Ophir with its partners—BG Group of Britain and Statoil of Norway working with ExxonMobil recover costs of building the facilities for a specified period of time. Tanzania is getting support from the World Bank for its gas exploration project. Statoil with ExxonMobil of America in June this year discovered 3 trillion cubic feet (TCF) of gas in Lavani well offshore Tanzania. Ophir has discovered about 2 TCF of gas in Papa-1 well drilled in offshore exploration area 3. Ophir started sinking Papa-1 well located 100 kilometres from Tanzania's coast in May this year using the Metro 1 drill ship and it took 57 days to reach the depth of 5,544 metres. This was the sixth consecutive discovery by the joint venture in offshore exploration areas 1, 3 and 4. Ophir's preliminary analysis showed that Papa-1 well has about 2 trillion cubic feet of recoverable natural gas. Ophir's chief executive officer Nick Cooper said Papa is the first discovery well in exploration area 3 to confirm the prospects of Rufiji Delta and Mzia-1 well in May 2012 confirmed the potential of the Rovuma Delta. The BG-Ophir first four discovery wells have combined resources of 7 TCF of natural gas. The discoveries at Mzia and Papa are expected to increase gas resources to about 10 trillion cubic feet. Interests among multinational companies in Tanzania have increased due to a string of discoveries that have bolstered the country's potential to supply LNG to Asian and European countries in future. Ophir and BG have started identifying appropriate site for onshore LNG export facility and environmental impact assessment study is to be done before the end of the year. It is estimated that Ophir and BG will invest between \$10 billion to US\$20 billion in Tanzania due to their successful streak of natural gas discoveries in offshore exploration areas 1, 3 and 4.

<http://www.theeastafrican.co.ke/business/Tanzania+wants+gas+explorers+to+unite+/-/2560/1477194/-/8snq49/-/index.html>

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