BC BURBIDGE CAPITAL

Eastern Africa Newsletter – October 2012

PART I: MONTHLY COMMENTARY

In another busy for month for Eastern Africa there has been no let-up in investor confidence and corporate deal making as yet despite a Kenyan election looming larger in March 2013 (see Deals on p. 3) . The macro picture has improved significantly with inflation now having fallen drastically this year across the region with resulting heavy cuts to central bank and commercial lending rates (see economic statistics table on the next page).

In natural resources Tullow announced its second discovery in Kenya at its second drilling site in Northern Kenya and NYSE listed Anadarko has announced a $120m exploration programme in Kenya's Lamu basin. Up to 10 wells are now expected to be drilled offshore Kenya in 2013. In Tanzania African Eagle announced that first Nickel production will be in 2016 from its new mine located near the gold rich Mwanza region, and Uranium One is now expecting to take Tanzania into the world's top 3 uranium producers with its Mkuju River mine that is planned to begin production next year. It is very difficult for investors into the region to ignore the natural resources sector now and we feel that there is a need for more local capital to be raised because at present almost all of the developments are being financed from London, Toronto and Sydney (AIM, TSX-V, ASX). Some local PE firms have a broad enough remit to be able to invest in the sector but we feel there is certainly an opportunity for more local investment, ideally supported by technical geological expertise to de-mistify and de-risk direct investment deals.

Quite a number of private M&A deals were completed over the month, in particular inbound deals to Ethiopia, as well as an investor exit through the sale of a horticulture business. We are working on quite a number of private equity exits at present, primarily through secondary buyout by firms looking for more exposure to the region. Two new African private equity funds were raised, one large fund in the real estate sector and a smaller, agriculture focused fund for Uganda.

In public equities, East African exchanges have performed extremely well this year, with the three main exchanges showing an average capital return of > 25%. We feel that primary listed equity issuance is finally of serious interest to retail (as well as institutional) investors as evidenced by the successful execution of 5 rights issues this year, as well as more in the making, and a successful IPO subscription from Ugandan energy firm Umeme.

There have also been a number of successful corporate bond issues and we ourselves are seeing increasing interest in debt financing as its cost is beginning to fall back towards reasonably sustainable levels. In conclusion, therefore, it is our view that the landscape is very positive at present for Eastern African companies that are looking to raise expansionary capital, as so many of them are.

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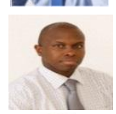

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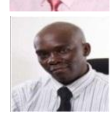

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PART II: FINANCIAL MARKET & MACROECONOMIC STATISTICS

Key Africa Equity Indices Performance

Equity Index	02/01/2012	01/10/2012	31/10/2012	% Performance for Month	% Performance YTD
NSE20	3,212.86	3,965.75	4,147.28	4.6%	29.1%
DSEI (TZ)	1,303.23	1,457.61	1,458.27	0.0%	11.9%
UGSINDX	832.59	1,127.05	1,188.21	5.4%	42.7%
NGSE All Share	20,730.63	26,023.10	26,430.92	1.6%	27.5%
EGX 30	3,679.96	5,650.07	5,768.20	2.1%	56.7%
JALSH (SA)	31,985.67	36,269.27	37,156.28	2.4%	16.2%
S&P 500	1,258.86	1,444.49	1,412.16	-2.2%	12.2%
FTSE 100	5,572.28	5,820.45	5,782.70	-0.6%	3.8%

Key Global Currency Performance

Currency	02/01/2012	01/10/2012	31/10/2012	% Performance for Month	% Performance YTD
KES / USD	85.10	85.30	85.20	0.1%	-0.1%
TZS / USD	1,582.00	1,575.18	1,585.49	-0.7%	-0.2%
UGX / USD	2,480.00	2,560.10	2,584.18	-0.9%	-4.0%
ETB / USD	17.29	18.05	18.12	-0.4%	-4.6%
ZAR / USD	8.07	8.35	8.71	-4.1%	-7.3%
NGN / USD	162.30	157.35	157.06	0.2%	3.3%
EGP / USD	6.03	6.10	6.11	-0.2%	-1.4%
USD / GBP	1.55	1.61	1.61	0.2%	-3.7%
EUR / USD	0.77	0.78	0.77	-0.5%	0.1%

Key Global Commodity Performance

Commodity	02/01/2012	01/10/2012	31/10/2012	% Performance for Month	% Performance YTD
Gold	1,590.00	1,787.00	1,719.00	-3.8%	8.1%
Oil	102.96	92.44	86.23	-6.7%	-16.2%
Silver	2,878.00	3,435.00	3,228.00	-6.0%	12.2%
Copper	7,660.50	8,191.25	7,818.50	-4.6%	2.1%

Interest Rates

Country/Region	Base Rate	Change
Central Bank of Kenya (Kenya)	11.00 %	-2.00 %
Bank of Uganda (Uganda)	12.50 %	-2.50 %
Bank of Tanzania (Tanzania)	7.58 %	0.00 %
South African Reserve Bank (RSA)	5.00 %	0.00 %
Central Bank of Nigeria (Nigeria)	12.00 %	0.00 %
Central Bank of Egypt (Egypt)	9.25 %	0.00 %
Bank of England (UK)	0.50 %	0.00 %
Federal Reserve Bank (USA)	0 % - 0.25 %	0.00 %
European Central Bank (EU)	0.75 %	0.00 %

Projected inflation rates and change in GDP

Country	Projected Inflation Rates		Projected Growth in GDP	
	2012	2013	2012	2013
Kenya	7.0%	7.0%	5.1%	5.6%
Uganda	7.1%	5.0%	4.2%	5.7%
Tanzania	11.1%	9.6%	6.5%	6.8%
Rwanda	6.3%	5.9%	7.7%	7.5%
Burundi	14.7%	8.4%	4.2%	4.5%
Ethiopia	16.6%	9.0%	7.0%	6.5%

Source: IMF, World Economic Outlook Database, October 2012

PART III: SELECTED DEALS (1/4)

BURBIDGE CAPITAL

Date	Buyer	Seller	Investment size	Synopsis
24th Sep 2012	African Development Bank (AfDB)	Pan African Housing Fund (PAHF)	$7 million	Prospective housing developers in Africa received a boost following a $7 million deal between the African Development Bank (AfDB) and a private equity fund. The board of AfDB approved the $7 million equity investment in the Pan African Housing Fund (PAHF), a private equity fund targeting the lower-middle and middle-middle class residential housing market in Africa. The funding is expected to give PAHF the finances to bankroll developers across Africa to implement projects that address the severe shortage of housing and corresponding infrastructure required to keep pace with Africa's fast-paced urbanisation.
25th Sep 2012	Aarti Steel Plc.		$ 54 million	Aarti Steel Plc. is planning to inaugurate a $ 54 million factory in the Oromia Regional State, of Ethiopia. The Indian Steel manufacturing company established the factory on 40 thousand square meter of land in the Galan area of the region after obtaining a business license to invest in Ethiopia earlier this year. The new factory is intended to produce galvanized corrugated steel according to Dinesh Satti, Accounts Manager at Aarti Steel Company. The company based in Punjab conducted substantial market research before entering the market and expects to begin manufacturing different types of steel including round and square steel tubes by next year .
26th Sep 2012		Centum	$ 37 million	Financial institutions were the main buyers of Centum's privately placed bond that raised $ 37 million, about three-quarters of the company's target. According to Centum chief executive James Mworia, he was happy with the level of subscription from the group of strategic investors in light of an uncertain economic environment in which the bond was sold. He added that the investors in this issue were primarily institutional fund managers, insurance companies and banks. The bond issue was handled by transaction advisors NIC Capital between August 27 and September 14. As a private issue it was targeted mainly at institutional investors, who are deemed to have capacity to evaluate investment decisions. The information memorandum on the private placement said that Centum's target was to raise Sh4 billion but had set a 50 per cent minimum subscription or Sh2 billion for the placement to be declared a success.
26th Sep 2012		The Ethiopian Electric Power Corporation		The Ethiopian Electric Power Corporation secured external financing for the Aysha Wind Farm. The project received money from a Chinese financial firm and a European Investment Bank. The Aysha Wind Farm is part of the national wind power project to develop national green power. The construction of the windmill is expected to be launched this financial year by the Ethiopian Metal Engineering Corporation. The farm intended to produce 300MW when completed has been a focus of interest for several international investors. The EEPCo anticipated the international interest for the highly feasible wind farm project in seeking for the best financial offer with a favourable interest rate noted to a high official with the Corporation.
1st Oct 2012	China Development Bank	Ethiopian Sugar Corporation	$ 500 million	The Ethiopian Sugar Corporation Signed a 500 million US dollar deal with the China Development Bank. The loan is intended to finance the construction of two refineries as part of plans to double output in the next ten years. The Ministry of Finance and Economic Development and the Sugar Corporation signed a Memorandum of Understanding for the refineries to be built by the Metal Engineering Corporation in the Southern Regional State. The Sugar Corporation launched the development of 10 plantations and refineries last year as part of its objectives to make the nation one of the 10 largest sugar exporters in the world. The plan calls for increasing the production capacity of the nation to 2.3 metric tons which is significantly higher than the 265 thousand tons produced by the country last year.

PART III: SELECTED DEALS (2/4)

BURBIDGE CAPITAL

Date	Buyer	Seller	Investment size	Synopsis
1st Oct 2012			$ 15 million	The European Union will launch a 15 million euro ($19.4 million) private equity fund to promote medium-sized agro-based businesses in Uganda. EU officials in Kampala said the Agriculture Equity Fund, to be launched early next year, will give small and medium agri-businesses access to funds for expansion, through provision of equity capital for a period of 5-8 years. Officials said the fund will also offer technical assistance and training in business planning, management and accounting, market information, and linkages to business opportunities. According to the EU, there are about 10 funds specialising in agriculture and agri-business in Africa, ranging in size from $30 million to $450 million. According to the EU head of delegation Roberto Ridolfi they have started the fund in recognition of the fact that, despite the discovery of oil in the Albertine Rift Basin, Uganda's economy and most of its population will still depend on agriculture. Dr Ridolfi said the beneficiaries of the fund will be agricultural entrepreneurs.
1st Oct 2012		KDN		Telecoms infrastructure firm Kenya Data Networks (KDN) announced to sell a significant stake to a strategic investor in December to inject cash and help it recover from losses. Altech of South Africa, which owns 60.8 per cent stake, says it needs new capital to shore up its Kenyan business that is facing stiff competition from rivals Wananchi Telecoms, AccessKenya and Telkom Kenya. According to KDN's chief executive Shahab Meshki the search for the equity investor has attracted a number of local and foreign firms. The Kenyan unit has been in losses mainly due to the loss of big contracts including the multi-million shilling contract with Safaricom last year — a move that has seen KDN along with Altech's West Africa operations hit earnings of the parent company. It's not clear whether the company will create new shares to accommodate the investors or the principal shareholders will cede their shares to the targeted owners, whom analysts reckon is likely to be a private equity fund.
2nd Oct 2012	BHO		$ 120 million	Indian bio-products firm BHO is to invest 120 million US dollars in agricultural development in Ethiopia over the next four years. The company signed a 25 year lease on a 27 thousand hectare plot of land in the Western Gambella area in 2010. The land which should be cleared in the next three years is highly fertile according to Sunny Maker, Chief Operating Officer with BHO. The company plans to develop cotton and rice plantations on the land according to sources. The company plans to use natural ground water as irrigation for the cotton while the rice will be rain fed foregoing any need to utilize the nearby Baro River explained Maker. The project is expected to earn 135 million US dollars in annual sales to the domestic and international markets by 2017 according to the Maker's projections.
3rd Oct 2012	Anadarko Petroleum Corporation		$120 million	Anadarko Petroleum Corporation plans to spend Sh10.2 billion ($120 million) prospecting for oil in the Lamu basin where it operates offshore deep-water blocks. Their Regulatory filings indicate that the New York Stock Exchange (NYSE)- listed firm plans to spend the money on oil and natural gas drilling in the Kifaru and Tembo areas. Work begins later this year or within the first three months of next year. Anadarko is one of the foreign companies that are prospecting for oil, natural gas and other minerals in Kenya. It operates five deep-water blocks L-5, L-7, L-11A, L-11B and L-12A off the shore of Kenya —which also go by the name Kifaru and Tembo prospects—through its subsidiary Anadarko Kenya Company.
5th Oct 2012	Standard Bank Group & International Finance Corporation (IFC	Eaton Towers	$ 60 million	British cellular tower specialists Eaton Towers secured $60 million in debt financing for infrastructure expansion in Uganda. It was secured from Standard Bank Group, acting through Stanbic Uganda, and the International Finance Corporation (IFC). According to Peter Lewis, Eaton Towers' chief financial officer, the debt funding was a clear demonstration of their ability to efficiently leverage telecom assets across Africa. Mobile operators in Africa were increasingly viewing tower sharing as a key strategy to facilitate reductions in operating costs and capex, enabling them to focus on providing mobile services. The sale of towers to Eaton Towers would allow the telecom firm to concentrate on its core business. This however is the second time Eaton Towers is acquiring bank debt funding this year. In January, it secured a $30 million debt from Standard Bank Group, through Stanbic Bank Ghana and the Standard Bank of South Africa, to build and develop telecom towers across Ghana. In September last year, Eaton Towers secured $150 million from Capital International Private Equity Funds, a private equity investor, to expand its tower-sharing business in Africa.

Date	Buyer	Seller	Investment size	Synopsis
5th Oct 2012		Uchumi Supermarkets	$ 1.1 million	Uchumi Supermarkets is set to test investors' appetite for its stock with the second rights issue in six years, and the first since its collapse in 2006 and subsequent revival. The retailer announced that it intends to sell $ 1.1 million newly created shares to raise cash for regional expansion. Uchumi Supermarkets shares' average price for the past six months was $0.1924, according to analysis. The share sale is subject to a shareholders' approval at the firm's upcoming annual general meeting. Chief executive of the retailer, Jonathan Ciano, said the rights cash will be used primarily for opening new branches. Uchumi has plans to open at least seven branches in the coming months, with five having been opened in the recent past.
10th Oct 2012				Emerging markets private equity firm Actis raised $278 million for investment in African real estate to ride a housing boom fuelled by a growing middle class. Actis, one of the largest private equity investors in the world's poorest countries, said the fund, Actis Africa Real Estate 2, will focus on retail and office development in east, west and southern Africa, excluding South Africa.
10th Oct 2012		Standard Chartered Bank	$ 37 million	Standard Chartered Bank rights started trading becoming the fifth rights issue this year at the Nairobi Securities Exchange (NSE). The lender was seeking to raise Sh3.2 billion through the sale of 22.08 million new shares to its shareholders. Standard Chartered rights came a day after the rights of CfC Stanbic Holdings, the parent company of CfC Stanbic Bank, ended trading on the Nairobi bourse. Standard Chartered rights issue was being offered at Sh145, a 31 per cent discount to the closing price of Sh210 as at September 10.
15th Oct 2012	Ethiopian Electric Power Corporation	GCOC	$ 340 million	The Ethiopian Electric Power Corporation signed an agreement for the construction of Adama II Wind Power Generation Project with Chinese company GCOC. The agreement worth 340 million US dollars was signed by Mihret Debebe Chief Executive of the EEPCo and Wang Yantao, manager with GCOC. The power project, which is an extension of the Adama I Wind Power Project is expected to play an important role in effecting the economic transformation of the country. The projects will supply power for the industrial activities in Adama town and the surrounding areas. The national potential for generating wind energy has been projected to be significant according to Mihret. The wind power projects will contribute to alleviate the general energy shortage in the country. China is committed to support Ethiopia's industrialization plans for the coming ten years he said. The Adama I Wind project was constructed within a period of one year but it is expected that Adama II will take 18 months to construct.
15th Oct 2012		Umeme	$68.4 million	Uganda's electricity distributor, Umeme, launched the country's biggest initial public offer on, hoping to attract investors across the region. The $68.4 million offer will see Actis, the London-based private equity firm sell a 38.3 per cent stake in Umeme to the general public. Actis owns 100 per cent of the electricity distributor. Umeme's shares went for $0.11 with the offer closing on November 7. Ugandans, Kenyans and Rwandan investors, as well as international investors were expected to take part in the offer. The offer values Umeme at $178million, making it the second largest listed company at the Uganda Securities Exchange after Stanbic Uganda, which was valued at $398 million. Umeme plans to use the funds raised from the IPO to reduce its interest-bearing debt and be able to secure better financing options over the next few years, to help finance its capital investment programme.
15th Oct 2012	TPS Eastern Africa Ltd (TPSEA)	Aga Khan Fund for Economic Development (AKfed) and The National Social Security Fund of Uganda		Hotel and hospitality firm TPS Eastern Africa Ltd (TPSEA) is seeking to acquire a majority stake in its Ugandan subsidiary. It intends to acquire up to 79.19 per cent of the issued shares in TPS Uganda Limited (TPSU) through a share swap agreement between the Aga Khan Fund for Economic Development (AKfed), a holding company for the hotel firm, and the National Social Security Fund Uganda (as sellers). Finalisation of the acquisition is subject to approval by the Capital Markets Authority (CMA) and by TPSEA's shareholders at an extraordinary general meeting which will be held on a date to be announced later. In a statement issued by TPSEA board, AKfed will acquire 32,346,160 ordinary shares in TPSEA as a result of the acquisition, after which the Nairobi Securities Exchange (NSE) will be requested to admit the news shares to listing on the Main Investment Segment.

PART III: SELECTED DEALS (4/4)

BURBIDGE CAPITAL

Date	Buyer	Seller	Investment size	Synopsis
17th Oct 2012	Supras Resources Ltd	Export Processing Zones Authority (EPZA)		The Export Processing Zones Authority (EPZA) of Tanzania said an Indian based firm, Supras Resources Ltd is expected to inject $17m into copper refining. According to the EPZA, the investment which will be undertaken through its special scheme known as export processing zones would boost forex earnings by $12m through export per year. According to Dr Adelhelm Meru the investment would enable Tanzania to export refined copper products to East African countries and around the world. Through that investment, they were expecting to create over 150 direct jobs for the first year and another 300 direct jobs in the next three years once the project is in full operation. Meru noted total investments will be $17m in three phases whereby $2m will be injected during the first year and $7.5m in the second phase as well as another $7.5m on the final phase.
22nd Oct 2012		Transcentury		Transcentury, the NSE listed investment firm, entered an agreement to sell off the stake in Tanzania's tea packaging firm, Chai Bora. The investment firm owns 95 percent of the tea packer which it hopes to offload to the unnamed party in January next year, as it concentrates on the region's mining, oil and gas exploration and infrastructure development.
25th Oct 2012	Uranium One			Uranium One's Tanzanian unit said it hoped to start building its Mkuju River uranium mine in 2013 and that, once completed, it would propel the east African country into the world's top ten uranium producers. According to Mantra Tanzania's managing director Asa Mwaipopo the Mkuju River project in southern Tanzania had an updated resource of 119.4 million pounds of uranium. It would take a two-year period for completing construction work before they started to produce uranium oxide. Tanzania would become number 3 in Africa in uranium production after Niger and Namibia, Mwaipopo told a mining and energy conference in the northern Tanzanian town of Arusha. Toronto-listed Uranium One is the operator of the Mkuju River project, which is owned by the Canadian uranium producer's majority shareholder, Russia's JSC Atomredmetzoloto (ARMZ). ARMZ acquired the Mkuju River project when it bought Mantra Resources last year for around $1 billion. Uranium One has the option to purchase the project and the company aims to buy the asset by mid-2013.
25th Oct 2012	African Eagle Resources Plc			- African Eagle Resources Plc said it planned to start construction of a nickel mine in Tanzania in 2014, with first production of the metal expected to begin in 2016.The company said its Dutwa project located around 100 km east of the gold-rich Mwanza region, has a resource of 110 million tonnes at 0.9 percent nickel. That represented around 1 million tonnes of nickel metal, Aidan Schoonbee, project director of African Eagle's Dutwa resource said in a presentation to an energy and mining conference in the northern Tanzanian town of Arusha. The anticipated life of mine was over 20 years.

PART IV: UPCOMING EVENTS/CONFERENCES

Events	Date	Venue	Theme
The Oil & Gas East Africa Summit 2012	15 - 16 Nov-12	Nairobi, Kenya	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 uniting energy ministers from across East Africa and international oil & gas companies for a two-day Summit focusing on the latest developments and opportunities in East Africa's booming oil and gas industries.
The Africa CEO Forum	20 - 21 Nov-12	Geneva, Switzerland	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.
SuperReturn Africa 2012	3 - 5 Dec-12	Mazagan Beach Resort - Casablanca, Morocco	Attendees at SuperReturn Africa come from around the world and include the region's leading fund managers and LPs including, pension funds, DFIs, insurance firms, SWFs and foundations.
East Africa Summit 2012	5 - 6 Dec-12	Serena Hotel, Kigali	Returning for its second year, The East Africa Summit will once again bring together international business leaders, policymakers, heads of state and senior editors from The Economist, to ask the tough questions on what can be done to reform the trade landscape.
East Africa New Frontier Exploration Forum	21-22 Jan 13	Marriott London Marble Arch Hotel, United Kingdom	Key Topics: Gain an insight into Africa's newest discoveries, Understand how gas monetisation is key to operational success, Discuss the role of LNG in commercialising East African gas, Examine the future potential for oil in the region and Assess the current infrastructure and learn about future development
Investing in African Mining Indaba	4 - 7 Feb-13	Cape Town, South Africa	Investing in African Mining Indaba is the world's largest mining investment event and Africa's largest mining event. For 19 years, Investing in African Mining Indaba along with its partners in Africa have channeled billions of dollars of foreign investment into the mining value chain. Mining Indaba is the world's largest gathering of mining's most influential stakeholders and decision-makers vested in African mining.
The 7th Africa Economic Forum 2013	06-Mar-13	Johannesburg, South Africa	The 7th Africa Economic Forum 2013, is a Premier-Annual Forum focused on the fundamentals shaping Africa's economic future and brings together leading corporates, state officials, industries, senior executives and economic thinkers on Africa's economies in a content-rich meeting. The Agenda is shaped around leading-edge shifts within the Continent's political economy, evolving commercial landscapes impacting investment and business operations, and Africa's emerging role/s and strategic position within a highly competitive, rapidly globalizing world.
Power And Energy Africa	29 Apr - 01 May - 13	Kenyatta International Conference Centre (KICC) Nairobi, Kenya	Power And Energy Africa is an internationally acclaimed trade expo on energy and power related industries. The trade fair attracts participation from sectors such as power transmission equipments, transitional and renewable energyall others that contribute significantly to the power engineering and alternative energy sectors of the region.
4th Eastern Africa Oil, Gas & Energy Conference 2013	19 - 20 Jun-13	InterContinental Hotel, Kenya	Themes covered include: Government policies, state interventions in the oil/energy market, state oil/energy companies, private energy investments and interests, corporate portfolio and strategies, new entrants, competition and regulation, plus critical issues impacting the Eastern African future

New regulations give local investors a stake in mining industry

Foreign companies applying for mining licences in Kenya will now be required to partner with local investors before such licences are issued. According to new mining regulations gazetted by the minister for Environment and Mineral Resources, all mining ventures will now entail local equity participation of at least 35 per cent. The new regulations come in the wake of efforts by the Environment ministry to revamp activity in the mining sector through new laws that boost participation by local investors. According to ministry spokesperson Moses Kariuki the introduction of the local equity participation requirement is meant in particular to end a practice through which foreign companies have acquired full rights in mining activities, excluding local investors and communities around mining areas from benefits derived from such activities. He said the ministry was seeking to scale up local participation in capital intensive investments like mining to generate more revenue for the government through taxation. The past mining practice in Kenya had been skewed in favour of foreign investors that had not been keen on having local participation. The new regulations fell in the direction of where the ministry was going with the draft mining laws that were yet to be passed, said Mr Kariuki. Mining in Kenya is regulated through the Mining Act of 1940 that has been reviewed only twice and which industry stakeholders argue has failed to meet the current needs of the sector. In the draft Geology, Minerals and Mining Bill 2012, the Environment ministry is also seeking to increase the number of mining licences in order to earn more income for the Treasury. This will involve introduction of new classes of royalties depending on the value of minerals that will see companies involved in mining diamond and gold, for example, pay higher royalties than those involved in the mining of lesser value minerals. Once passed into law, the bill would pave way for the creation of a Kenya Mining Investment Corporation that will oversee promotion of new investments in the mining sector as well as a Kenya Geology, Minerals and Mining Authority that will be responsible for the regulation of activities in the sector. Kenya has deposits of gold, coal, iron ore, titanium and rare earth metals, but the lack of a clear policy framework to regulate the mining industry has seen the country miss out on opportunities to exploit the sector to its full potential.

http://www.nation.co.ke/business/news/New+regulations+for+mining+industry/-/1006/1605072/-/wgwn0x/-/index.html

Oil firms raising capital for drilling

International firms exploring for oil in East Africa are bringing in new partners and raising more capital. Ophir Energy started the process of identifying a partner to drill oil and gas wells along the coast of East Africa, while Vanoil Energy plans to raise at least $30 million to fund exploration in Kenya. Listed on the London Stock Exchange, Ophir aims to have a strategic partner ahead of its 2013 drilling programme in offshore exploration areas L9 and L15 in Kenya, and deep sea acreages 1, 3, 4, 7 and East Pande in Tanzania. Chief executive officer Nick Cooper said details of the 2012- 2013 drilling plan will be provided on October 23. In the past three years, East Africa has attracted millions of dollars in foreign investments for oil, gas and mineral exploration. As the prospects brighten, explorers are seeking finances to import drilling machinery. A three-dimensional seismic survey will be carried out to map potential oil and gas depots in acreages L9 and L15 in Kenya, and 7 in Tanzania. The survey is a method of exploration geophysics that uses the principles of seismology to estimate the properties of the Earth's subsurface from reflected seismic waves. It is used by geologists and geophysicists to map and interpret potential petroleum reservoirs. The firm is interpreting a recently acquired 3D survey in East Pande exploration areas. Ophir's management estimates that natural gas resources discovered in acreages 1, 3 and 4 in Tanzania of 380 to 600 billion cubic metres meet the threshold for natural gas development. Vanoil Energy plans to spend $4 million to $4.5 million, out of $30 million raised this year, to complete 100 square kilometres of 3D seismic survey in exploration area 3A and 3B in north eastern Kenya. The Canadian firm will spend the rest of the money to drill two wells in acreage 3A and 3B covering 24,682 square kilometres. Vanoil is preparing to sink the first well in the first quarter of 2013 to a depth of 3,500 to 4,000 metres.

http://www.theeastafrican.co.ke/business/Oil+firms+raising+capital+for+drilling/-/2560/1514450/-/sutkvc/-/index.html

Actis raises $278 mln for Africa real estate

Emerging markets private equity firm Actis raised $278 million for investment in African real estate to ride a housing boom fuelled by a growing middle class. Actis, one of the largest private equity investors in the world's poorest countries, said on Tuesday the fund, Actis Africa Real Estate 2, will focus on retail and office development in east, west and southern Africa, excluding South Africa. Although African economies are growing quickly - second only to Asia - there is a lack of sufficient liquidity in Africa's public capital markets, and investors are increasingly turning to private equity to tap into the continent's economic growth. Sub-Saharan Africa has a population of 800 million people and is the fastest urbanising region in the world but lack of capital often constrains real estate development, David Morley, head of Real Estate at Actis, said in a statement. Governments recognise the crucial role of FDI (foreign direct investment) in this regard. Infrastructure development is a capital-intensive business that most African governments struggling with large budget deficits cannot afford, making other regions more attractive to investors. The private equity group has over $300 million invested in the east African region. Earlier this year, it said it was looking to invest around $300 million annually in Africa, with much of that earmarked for bigger markets such as South Africa. Paul Fletcher, a senior partner at Actis, said the fund was evidence of Actis's broader investment plan of building domestic infrastructure in the emerging markets.

http://af.reuters.com/article/investingNews/idAFJOE89802A20121009

BC BURBIDGE CAPITAL

World Bank Approve $1.15 Billion Loan for Ethiopia

The World Bank has approved a 1.15 billion US dollar loan to fund a range of development activities in Ethiopia according to astatement issued by the bank. The bank also approved a new Country Partnership Strategy for Ethiopia at the same time. The new strategy is intended to build upon the development of the country to encourage more growth, employment, health and education. The ban released the interest free credit totaling 1.15 billion US dollars on the basis of the new strategy explained the statement. The loan is particular targeted towards enhancing the access of services to poor people and to enhance the infrastructural development plans noted the statement. This decision means that the bank will mobilize 600 million birr for the third phase of the Promoting Basic Services program servicing an estimated 84 million people. The program co-sponsored by the European Union the UK department for International Development and the African Development Bank has been able to hire 100 thousand new primary school teachers, 38 thousand health extension workers and 45 thousand agriculture extension workers since 2006 said the statement. The program is expected to support Ethiopia in achieving several of the Millennium Development goals by providing the funding required to obtain key trained personnel.

http://www.2merkato.com/201209281646/world-bank-approve-115-billion-loan-for-ethiopia

ARM eyes cement deals in Africa with cash-rich investor

Cement maker ARM is looking for deals in news markets across Africa as an outlet to deploy cash and strategies it will receive from a Nigeria-based lender it has offered a board seat. Cement maker is seeking to spread its reach across the continent and will be keen to close joint venture and acquisition deals, especially in West Africa where it lacks a presence, said deputy managing director Surendra Bhatia. Having AFC (Africa Finance Corporation) on their board was a strategic decision that would help them in entering the new markets where it was already established, especially in the West Africa region, said Mr Bhatia. AFC would help them expand either through a green field, joint venture or acquisition across Africa because they had the money and would also be in the next strategic plan running from 2016 to 2020, he noted. ARM has appointed Andrew Alli, the chief executive officer of AFC, to its board and analysts said that the financier is keen on developing strategy for the cement manufacturer ahead of its acquiring a stake. The Nigerian based lender last month advanced $50 million (Sh4.2 billion) loan to ARM and has the option to convert the debt into a stake equivalent to 13.6 per cent of the cement firm within six years. The $50 million notes may be convertible any time during a six-year period — at the option of the investor— at a fixed price of $ 3.20 a share (Sh268), which could result in 15,625,000 new ordinary shares. ARM, which also makes fertiliser, lime and sodium silicate, said proceeds from the issue of the convertible note would be used to complete ongoing projects and invested in a further one million tonnes per annum clinker and cement capacity. AFC is a development finance institution established in 2007 and based in Lagos, Nigeria. It looks at developing or financing infrastructure projects. Its partnership with ARM comes at a moment when the cement maker is looking to tap the growing consumption of cement in the continent spurred by the booming real estate and rising infrastructure spends by governments. This is the reason ARM is mulling over the possibility of listing its non-cement business that is dominated by fertiliser production as a separate entity. It says this will help it to focus on increasing cement sales. The company had a target of getting more than half its revenue from outside Kenya by 2015 compared with about 25 per cent at the moment. Earlier, ARM said it was in talks with private equity companies on providing $20-25 million for a 30-50 per cent stake in the fertiliser subsidiary, which would then be listed separately in three to five years. Should AFC convert the debt into equity, it will join the Paunrana family as a strategic investor in ARM. The Paunrana family collectively owns 45 per cent of the firm, which includes an 18 per cent ownership by ARM's managing director. The firm said Monday its net profit stood Sh826 million compared to Sh192 million in the same period last year, helped by a foreign exchange gain of Sh42 million compared to a loss of Sh681 million last year on its dollar dominated borrowing.

http://www.businessdailyafrica.com/Corporate+News/ARM+eyes+cement+deals+in+Africa+with+cash+rich+investor++/-/539550/1593558/-/item/1/-/3xvrq1z/-/index.html

Base Resources shares dive on Kenya mine ownership law

Australian miner Base Resources' shares slumped 31 percent on a few weeks ago on worries that Kenya may take over part of its key project under a new law requiring the state to own at least a 35 percent stake in mining licenses. The company said late on Friday it was trying to line up talks with the Kenyan government to understand whether the rule would apply to its $275 million Kwale mineral sands project, which would be the country's first large-scale mine. It said the new regulation did not spell out whether it applied to existing mining leases, but it had legal advice the rule did not apply to the Kwale project, and if it did, it would be unconstitutional. Further, the Investment Agreement also provided that in the event of the Government taking action tantamount to expropriation or nationalization, Base was entitled to compensation for the full market value of all property thus taken, the company said. The mine, due to start production in the second half of 2013, is expected to produce 330,000 tonnes of ilmenite a year, about 10 percent of the world's supply, 80,000 tonnes of rutile per year, which represents 14 percent of global output, and 40,000 tonnes of zircon. Base's shares plunged A$0.125 to a near three-month low of A$0.285 in a firmer broader market.

http://af.reuters.com/article/investingNews/idAFJOE89S00720121029

Egypt's Citadel Capital eyes Uganda's oil refinery project

Egypt's Citadel Capital could be an investor in Uganda's proposed $2.5 billion oil refinery project, the Egyptian private equity firm's managing director said. Uganda, east Africa's third-largest economy, has said it intends to build a refinery once it starts producing crude oil, and it recently raised its estimated oil reserves to 3.5 billion barrels from 2.5 billion barrels. Citadel secured $3.7 billion in financing for an Egyptian petroleum refinery project in June, and the firm's managing director Karim Sadek said the company is now looking at refining potential deals in sub-Saharan Africa, including Uganda. He said Citadel never invests in projects without a local partner, and he would not be drawn on the size of the investment the private equity group might make since the refinery plans are still in their infancy. Uganda has outlined plans to build a refinery in Hoima, about 220 km west of its capital Kampala, and in July the government said it was aiming to take up to a 40 percent stake in the plant with a private investor acquiring the remaining 60 percent.

http://af.reuters.com/article/energyOilNews/idAFL6E8L1AKY20121001

Tullow strikes oil in second Northern Kenya operation

British petroleum company Tullow discovered additional oil deposits in northern Kenya, moving the country closer to having commercially exploitable reserves. Sources with knowledge of Tullow Kenya's operations said the Twiga 1 South well, where exploration began mid this year, has yielded more than 30 metres of net pay' deposits, 10 metres more than the initial discovery at the pioneer Ngamia well. Twiga well, which Tullow co-owns with Africa Oil at 50 per cent working interests each, is in Lokichar sub-basin onshore Block 13T in North Western Kenya. Tullow Oil was expected to announce the fresh discovery before the end of this month, but was delayed by a mechanical fault on the drilling rig, according to its partner, Africa Oil. Africa Oil expected to announce drilling results from the Twiga South-1 well, currently being drilled in Block 13T, in early to mid-November, the Canadian company said in a statement. The Business Daily has, however, learnt that the UK explorer has discovered 'data quality oil' at a depth of 2,337 metres against full depth of 3,600 metres. Ngamia 1 had been a super well at 100 metres of net pay and because the wells are close by, they should expect similar results, said our source. Drilling at Twiga South-1 well, in Block 13T, is expected to continue to a total depth of 3,114 meters and targets the same structural layers and reservoirs as the Ngamia-1 oil well, which is located 23 kilometres to the south. Discovery of additional oil deposits is being seen as positive for Kenya even as the country awaits the official announcement next month. Analysts described the discovery of 30 metres of net pay deposits as very significant for the Tertiary Rift but cautioned that it was prudent to wait for release of a proper report. Tullow's manager for Kenya, Martin Mbogo, declined to respond to questions on the Twiga well. The company's spokesperson for Kenya, Anne Kabugi, was non-committal with the details but did not refute the information. They had never discovered gas off shore but they were making good progress. Apache was continuing with Mbawa, said Mr Heya. Another US firm, Anadarko, will in late November begin drilling for natural gas in two wells in Lamu. Exploration activity is taking place in both on-shore and off-shore blocks located in Kenya's four major basins – Anza, Lamu, Rift and Mandera with a view to discovering commercially viable deposits and reduce reliance on imported oil. Kenya imports 3.6 million tonnes of refined petroleum products annually. This is equivalent to a per capita consumption of 94.4 kilogrammes, which is still below the average for developing economies – a development that has been attributed to slow economic growth and over dependence on rain-fed agriculture.

http://www.businessdailyafrica.com/Corporate+News/Tullow+strikes+oil+in+second+Northern+Kenya+operation+/-/539550/1607508/-/item/1/-/ble3g1z/-/index.html

East Africa plans tighter laws to protect minerals

The East African Community is crafting joint tighter laws to regulate the region's mining sector following increased interest by global exploration firms. The bloc's director for productive sectors, Nyamajeje Weggoro, said although the region had vast mineral resources, the partner states had not realized the benefits. He said it is crucial to put in place appropriate regulatory and policy frameworks to ensure efficient development of downstream and upstream strategic industries that rely on the mining sector. Several international firms are currently prospecting for minerals such as gold, titanium and diamond in the region. Dr Weggoro said such frameworks should aim at enabling the region to maximize on the resource rents from mineral extraction but at the same time facilitate the creation of new employment opportunities through investment in value addition and mineral processing industries. Recent discovery of large reserves of gold in western Kenya continues to attract foreign interest with several international mining firms either moving to grow their output or buy into existing businesses. The coastal strip, especially around Kwale, has also caught the attention of international firms following the discovery of rare minerals such as niobium and titanium that is an important pigment for industrial, domestic and artistic applications. Several international firms are also angling for stakes in coal mining at the Mui basin in Machakos County. Neighbouring Tanzania also has robust activity in its mining sector a thanks to the vast reserves of minerals such as gold. Analysts, however, warned that lack of a comprehensive policy on mining was denying regional economies a chance to enjoy the proceeds of the business. Kenya is now developing new mining policies to regulate the sector that has largely been overlooked over the years. The ministry of Environmental and Natural Resources is working on a Mining Bill 2011 that is expected to revamp the industry. Tanzania is pushing for tighter tax policies for mining firms operating within its market. The government wants mining companies operating within its borders for more than five years to start paying a corporate tax of 30 per cent, citing rising prices of precious metals at the world market.
http://www.businessdailyafrica.com/East+Africa+plans+tighter+laws+to+protect+minerals/-/539546/1517466/-/u665osz/-/index.html

BHO to Invest $120 Million in Ethiopia

Indian bio-products firm BHO is to invest 120 million US dollars in agricultural development in Ethiopia over the next four years. The company signed a 25 year lease on a 27 thousand hectare plot of land in the Western Gambella area in 2010. The land which should be cleared in the next three years is highly fertile according to Sunny Maker, Chief Operating Officer with BHO. The company plans to develop cotton and rice plantations on the land according to sources. The company plans to use natural ground water as irrigation for the cotton while the rice will be rain fed foregoing any need to utilize the nearby Baro River explained Maker. The project is expected to earn 135 million US dollars in annual sales to the domestic and international markets by 2017 according to the Maker's projections. The contract signed between BHO and the Ethiopian government give it the option of increasing its land holding to 100 thousand hectares should it demonstrate successful performance on the land it has already been allocated. BHO has already invested more than 5 million US dollars in Ethiopian project with the financing being covered by the owners so far and with the possibility of arranging further funding from the Development Bank of Ethiopia said Maker. There are several companies who have launched investment projects in the Gambella area.
http://www.2merkato.com/201210011650/bho-to-invest-120-million-in-ethiopia

Tullow Drilling Crew Preparing for Arrival

The Ethiopian Ministry of Mines is in the process of facilitating visas for the Tullow drilling crew that will oversee the launch of drilling processes by the company in January. The crew is expected to be composed of 20 primarily Polish experts. Tullow is preparing to launch drilling activity on its concession in the Southern Omo Valley according to its tentative program said Sinkensh Ejigu, State Minister for Mines. The schedule set for drilling may be changed if the visa processes prove to take longer than expected she said. Tullow is also in the process of clearing the drilling machinery that it has imported for the purposes of its project with customs. The machines arrived in Port Djibouti 2 weeks ago according to sources. The ministry is facilitating the custom clearance for the machines to support the company's effort according to Sinkenesh. It is to be remembered that the Full Tensor Gradiamametric Gravity Survey use to establish the geographical characteristics of the concession area was conducted by the Chinese company BGP Geo Service plc. The process leading up to drilling is very complicated and with a range of components making it difficult to predict the outcome although Tullow officials have already informed the Ethiopian government of the presence of considerable oil reserves in the area according to a geological expert with the ministry.

http://www.2merkato.com/201210221708/tullow-drilling-crew-preparing-for-arrival

Umeme pulls a first, launches regional IPO

Uganda's electricity distributor, Umeme, will launch the country's biggest initial public offer on Monday, October 15, hoping to attract investors across the region. The $68.4 million offer will see Actis, the London-based private equity firm sell a 38.3 per cent stake in Umeme to the general public. Actis owns 100 per cent of the electricity distributor. Umeme's shares will each go for $0.11 with the offer closing on November 7. Ugandans, Kenyans and Rwandan investors, as well as international investors are expected to take part in the offer. However, it is still unclear whether Tanzanian's will be allowed to take part in the offer, since the country restricts its nationals from participating in IPOs because of foreign exchange restrictions. The offer values Umeme at $178million, making it the second largest listed company at the Uganda Securities Exchange after Stanbic Uganda, which was valued at $398 million at the end of last week. Umeme plans to use the funds raised from the IPO to reduce its interest-bearing debt and be able to secure better financing options over the next few years, to help finance its capital investment programme. It will be the first IPO where a Ugandan company plans to list shares for trading in both Kenya and Uganda, bucking a trend where Kenyan companies have usually cross listed at the USE. They were pleased with the approval received from the CMA, which helped Umeme achieve its goal of diversifying its ownership, while providing the Ugandan and wider East African Community and international investors an opportunity to own a stake in Umeme, said Charles Chapman, Umeme managing director, in a press statement. Umeme said it will list at the NSE by introduction, where a company does not raise cash when its shares begin trading at the stock market. The company, though, did not say why it opted to list by introduction at the NSE as opposed to offering the IPO in Kenya. Officials at Kenya's capital market authorities said they will meet with Umeme's officials next week to finalise the approval process. They were supportive of Umeme's cross-listing at the NSE but one or two things needed to be checked before they approved the process, said Kung'u Gatabaki, Chairman of Kenya's Capital Market Authority (CMA). By cross listing at the NSE, Umeme hopes to attract Kenyan investors who have an appetite for share offers in the region. East African retail customers have been offered 20 per cent of the shares, qualified institutional investors in the East African Community (25 per cent), international investors (46 per cent) and Umeme employees and directors nine per cent of the 622,378,000 shares on offer. With Umeme cross listing at the NSE, investors will also have the option of picking between the Ugandan electricity distributor and Kenya Power. The shares of electricity distributors are considered a good bet by many analysts because of their ability to withstand tough economic climates by passing on their increased costs of operations to consumers. A lot of utilities had pricing power because they were allowed to set the prices of their services, said Johnson Nderi, a research analyst with Suntra Investment Bank. He said the listing of Umeme at the NSE will very interesting with the option of investors to pick between Kenya Power and Umeme. Kenya Power last week announced it will increase the fuel cost and forex components of electricity charges beginning this month. Umeme recently released its 2011 annual report, which reflected a 45 per cent growth in Earnings Before Interest Taxation Depreciation & Amortisation ('EBITDA') before exchange rate differences of Ush103.6 billion ($40.4 million), up from Ush71.2 billion ($27.8 million) in 2010. Umeme has had its fair share of challenges incurring losses due to both power interruptions as a result of illegal power use and repairing damaged transformers.

http://www.theeastafrican.co.ke/news/Umeme+in+69m+US+dollars+IPO+to+crosslist+in+Kenya+too/-/2558/1532554/-/item/2/-/8f6o1uz/-/index.html

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