

MINING THE TRANSITION**La Mancha Resource Capital is open to new investment in Africa****IN DEPTH**

This article is part of the dossier:
African mining for the energy transition

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La Mancha Vincent Benoît in Paris, 9 December 2023. (© Montage JA; Bruno Lévy pour JA)

Vincent Benoît, investment director of La Mancha, explains the fund's minerals strategy and the state of the African sector in the age of elements vital to ecological transition.

Over the past 15 years, La Mancha has undergone a transformation. Originally a Canadian gold producer, 63% owned by French nuclear giant Areva, the group was bought out in 2012 by the family of Egyptian billionaire Naguib Sawiris. They transformed it into a mining holding company in 2015, and then into an investment fund in 2021.

The latter, La Mancha Resource Capital, was created on the strength of its gold holdings, in particular the success of its main asset – 18%-owned Endeavour Mining, the **leading gold producer in West Africa**, with more than one million ounces by 2023. However, at a time when the world is turning the corner on electric batteries, it has widened its interests.

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Vincent Benoît, a former Areva and Orange employee who has worked alongside Sawiris since the takeover in 2012, is a partner and the investment director at La Mancha Resource Capital. We spoke to him about this repositioning, and the African mining sector in this age of critical minerals.

(Editor's Note – This interview was conducted before the dismissal of Endeavour CEO Sébastien de Montessus on 4 January after an irregular \$5.9m payment)

Gold was a success story for La Mancha. Why has it turned its attention to energy transition minerals?

After getting La Mancha back on track – through disposals and by placing its remaining assets in listed companies, in which it took controlling stakes of 20 to 30% – Naguib Sawiris wanted to reform an investment team.

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We were at the end of 2019, and the initial focus was gold. However, by the time we had put the team together, we sensed the advent of transition metals.

“Most of our team have worked in mines on the continent

We unanimously decided that the fund should also look for opportunities in the minerals used to make batteries.

In that sense, is Africa still a priority target?

Of course it is. Our priority is lithium, in West Africa, but also further south, as in Namibia. And copper, on projects with a minimum estimated production of 30,000 to 35,000 tonnes a year, with potential for expansion. In graphite, we have made an initial investment in Guinea, but we are looking at rare earth and precious metals, such as platinum, palladium and, of course, gold.

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Our main shareholder knows Africa well, having operated there with Orascom and mobile operator Telecel. Most of our team have worked in mines on the continent. We are very open to new investment on the continent, and we assess the risks perhaps differently from groups with less insider knowledge.

We are also looking at South America, which is full of opportunities in transition minerals – as in Brazil, where we have made two investments. Beyond that, the US and Canada have good assets, but some constraints, and Central Asia is also worth looking at.

What is La Mancha Resource Capital's long-term objective?

Today, we have around \$1.5bn under management and five investments. We aim to have around 10 companies in our portfolio, rebalancing the position of Endeavour Mining, which currently accounts for more than 70% of the fund.

The aim is also to be a shareholder in geographical champions by mineral, for example in gold in West Africa, as Endeavour Mining is. **We're aiming for a 20%-30% stake in a company**, giving us a seat on the board, so that we can support a team we believe in for the long term, and influence strategy.

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Exploring too early is not part of our mandate. Instead, we are targeting equity rounds to help build the mine. Companies already in production are also in our sights for when they want to finance their organic growth or make acquisitions.

We are supported by the fund's investors, above all the Sawiris family, and a group from the Gulf, but we remain open to other proposals that share the long-term, industrial vision of the existing shareholders.

In the current climate of inflation, what should an investor look out for before financing a mining project?

Due diligence carried out upstream of projects was already very important. With inflation, which can drive up the cost of building a mine, and sometimes even the cost of production, you have to be even more meticulous.

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We recently made an investment where the capital expenditure increased by 35%, despite an alliance with leading industrial partners. But raising such funds is difficult in today's market. Having solid reference shareholders means that solutions can be put in place.

You tried, unsuccessfully, to buy two extraction sites – one copper, the other nickel – alongside Stellantis and Volkswagen. Have car manufacturers become real players in mining finance?

An unprecedented movement is taking place in the mining sector. Some car manufacturers, like other players in the battery value chain, are worried about the risk of shortages of raw materials such as lithium and nickel.

To secure their supplies and, above all, control costs over the long term, they have decided to finance mining projects, whether under construction or already in production, through equity or prepayments. Stellantis, Volkswagen, General Motors and Ford are among them.

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They appreciate working with specialist funds such as ours to analyse the quality of a mining project, and with other third parties such as traders to manage the stages involved in transforming raw ore into the components that go into batteries.

In Guinea, you're a shareholder in SRG Mining, which has signed an agreement to develop a plant to convert graphite into battery anode material with the Chinese group C-ONE. Is it impossible to get ahead without China in the battery value chain?

With graphite, it makes sense to be an integrated player – to transform the raw material into a concentrate, then into CSPG [coated, spheroidised and purified graphite], which is used in anodes. This diversifies our customers geographically and enables us to sell at higher and more consistent margins, which reduces risk. However, China currently produces almost 100% of CSPG. Other producers have only set up pilot plants.

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This is why SRG preferred to form a partnership with C-ONE, a company that has already mastered the technology, to transfer it outside China and reach larger volumes more quickly. This is the opposite of what Western companies have been doing recently.

Is environmental, social and corporate governance [ESG] playing a more important role in your choice of investments?

ESG has always been important in the mining sector because it is an integral part of it. If you want to live together peacefully throughout the life of the mine, you have to live in harmony with the local population to obtain and, above all, maintain the Social Licence to Operate. Of course, there has been bad behaviour, especially from second and third-tier players. But today, more than ever, this is a fundamental issue.

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Investors are vigilant and much more precise about ESG indicators, which they want to review and analyse regularly. We carry out **extensive due diligence before investing**, and we often refuse to finance projects where we consider the social or environmental risks to be high.

Most of the major mining companies are vigilant and invest heavily in these issues, often imposing developed-country standards on themselves when operating in countries with less sophisticated regulations.

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