

## 17.02.2025 Desert Gold Ventures Inc. - Mali Mining Industry Update

Company: Desert Gold Ventures Inc. <sup>\*5a,11</sup>

ISIN: CA25039N4084

Stock Price: 0.075 CAD (TSX.VE; 11.02.2025; 09:26 pm)

Target Price: 0.311 USD / 0.425 CAD / 0.29 EUR

Rating: BUY

Analysts: Matthias Greiffenberger, Marcel Goldmann

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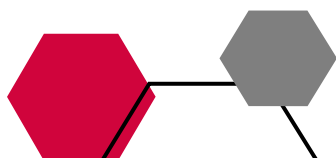
\*Catalog of potential conflicts of interest on page 6

### Opportunities and Challenges in Mali's Evolving Mining Sector

Mali's mining sector is currently undergoing a period of dynamic transformation, triggered by the implementation of a new mining code from August 2023. While the Junta government has framed these changes as a way to ensure that Mali benefits more significantly from its vast mineral wealth, the regulatory adjustments have been designed specifically to increase state ownership in mining projects and raise taxes on the sector. The goal is to capture a larger share of the profits from mineral extraction, potentially boosting the government's revenues. However, there is a broader pattern in the region that is critical to understand. Historically, regulatory changes made by military Junta governments tend to result in a temporary shift, only to be repealed under civilian governance once it becomes clear that these changes have been counterproductive to sector growth and foreign investment. This is a vital consideration for investors and companies operating in the region, as such policy swings can introduce uncertainty and risk to long-term operations.

Under the new mining code, the government has increased its stake in new mining projects from 20% to 35%, and royalty taxes have risen to 10.5% from approximately 6%. While the intention behind these increases is to ensure greater state participation in Mali's mineral wealth, they could act as serious roadblocks to the commissioning of new large-scale commercial mines, potentially slowing sector growth. One of the primary mechanisms introduced to achieve this goal is the expansion of state participation in mining companies. Under the 2019 Mining Code, the Malian state had an automatic "free carried" interest of 10%, with an option to acquire an additional 10% interest for cash. Under the New Mining Code: The free carried interest is now set at a minimum of 10%, implying that the state may negotiate an even higher share in specific projects.

The additional optional participation the state may acquire has increased to 20%. Additionally, whereas the 2019 Mining Code required that a 5% interest be transferred to local Malian investors without defining the specific beneficiaries, the new code mandates that these shares be transferred to the state, which will oversee their allocation to local investors—though no timeline for this process has been provided. In total, the state now has the option to acquire at least 35% ownership of local mining companies operating in Mali, a significant increase compared to other regional mining jurisdictions such as Burkina Faso, Gabon, Kenya, Mozambique, Tanzania, and Senegal, which have typically capped optional state participation at 25%.



Another major headwind for companies and investors has been the suspension of operations at the Direction Nationale de la Géologie et des Mines (DNGM), which has been ongoing for three years. This has created significant disruptions in mining and exploration license renewals and new application processes, leaving the sector in limbo and generating an atmosphere of uncertainty for investors and corporations alike. However, the eventual lifting of this suspension represents a major catalyst once resolved and will mark a significant positive development, restoring confidence and accelerating new investment, assuming it is handled effectively by the Malian government.

## Key Developments

### **Revised mining code designed for long-term growth but raises concerns:**

Mali's new mining code aligns with a broader trend seen in the region, where Junta-led governments have sought to increase state ownership in extractive industries. Historically, these changes are often walked back or rescinded once a country transitions back to democratic civilian rule.

**Commitment to stability and legal clarity:** While regulatory changes have led to operational hurdles, including temporary halts at some sites, the government and mining companies are engaged in constructive discussions to resolve disputes. Positive momentum has already been observed, as major firms such as Allied Gold, B2Gold, and Resolute Mining have reached agreements with the government, while Barrick Gold remains in active negotiations. This dispute resolution process represents another key catalyst for sector stability moving forward.

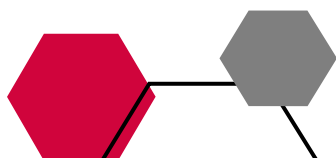
**Sustained gold production and future prospects:** Mali's industrial gold production saw a temporary dip in 2024 but remains robust at 51 metric tons (PY: 66.5 metric tons). With new projects in development and expansions such as B2Gold's Fekola project progressing, production is expected to rebound in the coming years, reinforcing Mali's position as a top global gold producer. However, investor sentiment remains cautious as companies navigate the shifting regulatory landscape.

**Proactive Industry Engagement and Political Catalysts:** Mining companies continue to engage with the Malian government to ensure regulatory clarity and business continuity. While concerns persist, the expectation of an eventual election and potential return to a civilian-led government introduces another key catalyst. Historical precedent suggests that a new administration may reassess the current mining code, potentially rolling back some of the more restrictive measures.

## Company-Specific Updates

**Desert Gold Ventures (DAU):** Desert Gold Ventures is strategically positioned to capitalize on Mali's evolving mining landscape. The company holds a 440 km<sup>2</sup> land package in the Kenieba Window, surrounded by major industry players such as Barrick Gold, B2Gold, Allied Gold, and Endeavour Mining. Given the ongoing regulatory transition, Desert Gold sees increased potential for strategic partnerships and M&A activity.

**B2Gold (BTG):** With environmental approvals secured for the Fekola expansion, B2Gold is well-positioned for increased production. The project is expected to significantly contribute to Mali's gold output starting this year, reinforcing the country's strong mining sector.



**Barrick Gold (GOLD):** The Loulo-Gounkoto complex remains one of Mali's largest gold operations. While facing temporary regulatory challenges, Barrick is actively negotiating with the government, demonstrating a commitment to long-term collaboration and continued operations in Mali.

**Resolute Mining (RSG):** Resolute Mining is actively engaged in strategic discussions with the government regarding its long-term presence in Mali. The company's willingness to work within the evolving regulatory framework underscores the resilience and adaptability of mining operators in the region.

## Conclusion

Mali's mining sector is in a phase of constructive evolution, balancing state interests with investor confidence. The government's engagement with industry leaders suggests a commitment to refining policies that promote sustainable growth and long-term investment. While regulatory changes introduce significant challenges, they also present opportunities for a more stable and equitable mining environment.

Key positive catalysts moving forward include:

**Lifting of the DNGM suspension**, which would reinstate clear licensing and renewal processes, removing a major barrier to investment.

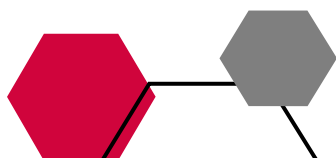
**Resolution of disputes with major mining companies**, already achieved with Allied Gold, B2Gold, and Resolute Mining, with Barrick Gold still in negotiations.

**A potential election**, which could lead to a rollback of the current mining code, aligning Mali with historical regional patterns where Junta-era policies are often revised under civilian rule.

Current valuations in the sector reflect a worst-case scenario, with many investors previously fearing full nationalization—a scenario that has not materialized. As political and regulatory conditions improve, this disconnect presents a compelling opportunity for companies with strong positions in Mali.

For Desert Gold Ventures, these conditions offer significant potential upside. With an expanding gold resource in a prime location near major players, the company stands to benefit from improving investor sentiment. As valuations adjust to reflect the improving reality on the ground, Desert Gold remains a promising exploration and development play with strong upside potential.

**We reaffirm our target price of USD 0.311 (CAD 0.425; EUR 0.29), emphasizing its strong upside potential, and maintain a Buy rating.**



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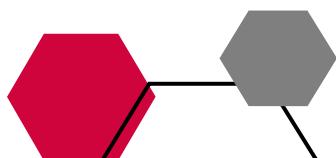
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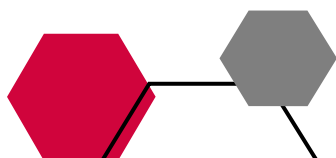
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