

Investing in Zimbabwe?

By Neil McKenna

On the 7th February 2008, I attended the closing sessions of the Mining Indaba in Cape Town, where Andrew Cranswick was given the unenviable task of closing out the final session of the conference with his punt on a company called African Consolidated Resources Plc (ACR). After a week of similar talks by CEOs punting projects from all over Africa, it seemed farcical that Andrew was urging potential investors to buy into his company with a focus on mineral exploration within Zimbabwe. He clearly has a passion for Zimbabwe and a desire to see things change, but his reserved statements regarding the political issues only reinforced my skepticism on the merits of investing in such a company.

At the time the company was trading on AIM at approximately 12p/share. Andrew Cranswick explained to an all but empty auditorium that the perceived market risks were much greater than the reality within Zimbabwe and that ACR were poised to take advantage of an inevitable improvement of conditions within Zimbabwe within the short- to medium-term. A good speculative buy....maybe. But not for me!

However, the events of the past couple of weeks have re-focused the attention of the world on Zimbabwe (formerly known as the 'bread basket of Africa', the country is now in a state of ruin). For the first time in two decades, there seem to be the first glimmers of hope that things are set to change in Zimbabwe.

As I write, it remains unclear how the election results will present themselves, and on the whole I think the international community still regards the whole process with a high degree of scepticism. Nevertheless, the mood in Zimbabwe is changing....

This change in perception is dramatically demonstrated in the movement of the ACR share price over the past few weeks.

Share Price Comparison Chart



At the beginning of March, large volumes of shares were traded at approximately 17p/share, on speculation of the upcoming elections. On the 3rd of April, as election results began to reveal themselves, ACR's share price doubled! This has corrected subsequently, but clearly ACR is trading off a new, significantly higher base. The next move of this share will be highly sensitive to the final outcome of the presidential vote, but clearly this share demonstrates the willingness of investors to re-enter Zimbabwe in the Minerals Sector.

I will be keeping a very close eye on this share over the next few weeks..... Andrew Cranswick must be a very happy man.

At Venmyn, we remain strongly supportive of our Zimbabwean compatriots and their mineral industry under stable investment and legal conditions. We anticipate working on many projects in the future as the inevitable return to certainty emerges.

Who are ACR?:

African Consolidated Resources (ACR) is a mineral exploration company, headquartered in London, with a local head office in Harare, Zimbabwe. ACR listed on the AIM market of the London Stock Exchange on June 30, 2006.

Why Invest in ACR?:

The perception that business in Zimbabwe is high risk, has significantly discounted most assets. The Directors of ACR believe that mineral resources in particular are a class that has been significantly undervalued. This perception creates an investment opportunity rarely available in world-class mineral belts. ACR have acquired large areas of prospective land throughout Zimbabwe and aim to take advantage of changes in business risk perceptions while continuing to develop world class mineral assets within Zimbabwe.