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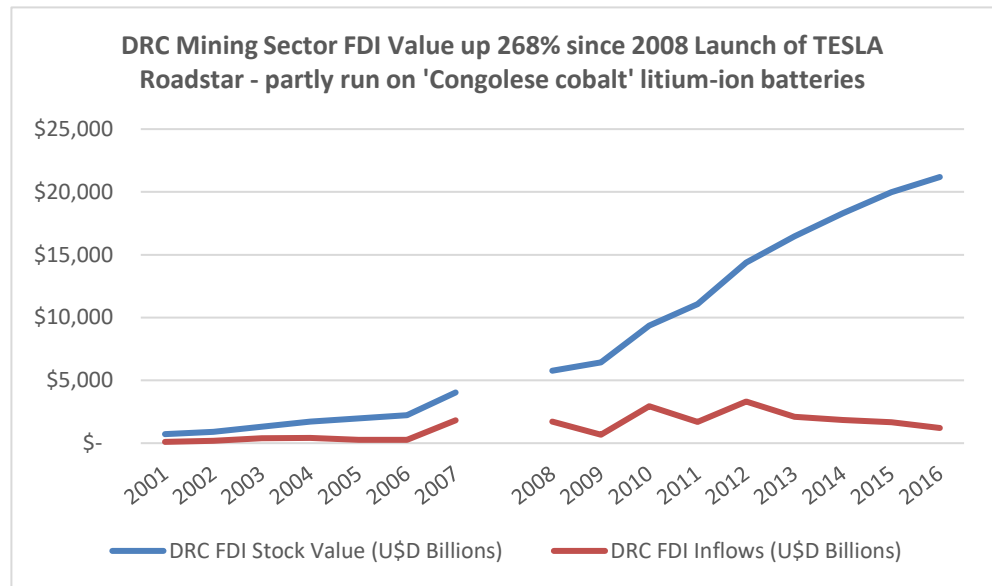
**ABOUT DAMINA**

DaMina Advisors is a preeminent Africa-Asia focused independent frontier markets political risk research, due diligence, M&A transactions consulting and strategic geopolitical risks advisory firm.

DaMina Advisors is legally registered and has offices in the US, Canada, The UK and Ghana. DaMina is headquartered in Toronto.

## DR Congo – Smelts the World’s 1st Cobalt Civil War

DR Congo, Africa’s second largest country, and the world’s largest cobalt exporter is careening towards another civil war – the third since 1960. Much like how the rise of oil in the Middle East gave rise to numerous wars, and a permanent US military armada, the growing criticality of cobalt – a major ingredient in lithium ion batteries – for electric cars, and the global pivot ‘away from oil’ is fueling new unstable power dynamics in the DRC.



Source: UNCTAD/ DaMina Advisors

On the eve of President Joseph Kabila this week enacting a new mining code that will hike royalties on cobalt by 500%, declare it a ‘strategic national asset’ while unilaterally amending all the ‘stability agreements’ with the major global miners operating in the country, the general gravitational forces of the nation are pulling it towards another civil war.

DR Congo’s 46-year old Kabila, despite repeated promises to step down from power, after 17 years in office, shows no signs of doing so. Rather Kabila is strengthening his political infrastructure to outlast his stay in the office. Kabila has yet to name a successor. With his main political opponents either dead or in exile, Kabila’s reign beyond 2018 is looking increasingly likely. Kabila may yet pull a ‘Putin’ and swap the prime minister/ defense minister role with a favored protégé only to return later.

Facing an increasingly domestically consolidated president, DR Congo’s key opposition leaders are increasingly resorting to sponsoring violent protests and funding anti-state terror activities to destabilize the regime from within. The country’s copper-cobalt producing region of Katanga will be the most affected by another civil war. Kabila’s wealthiest and most determined opponent is a former governor of Katanga. Kabila himself is from the province, making it a potential epicenter of any conflict. Katanga seceded from DRC in the 1960s and could do so again if the current negative political trends continue.

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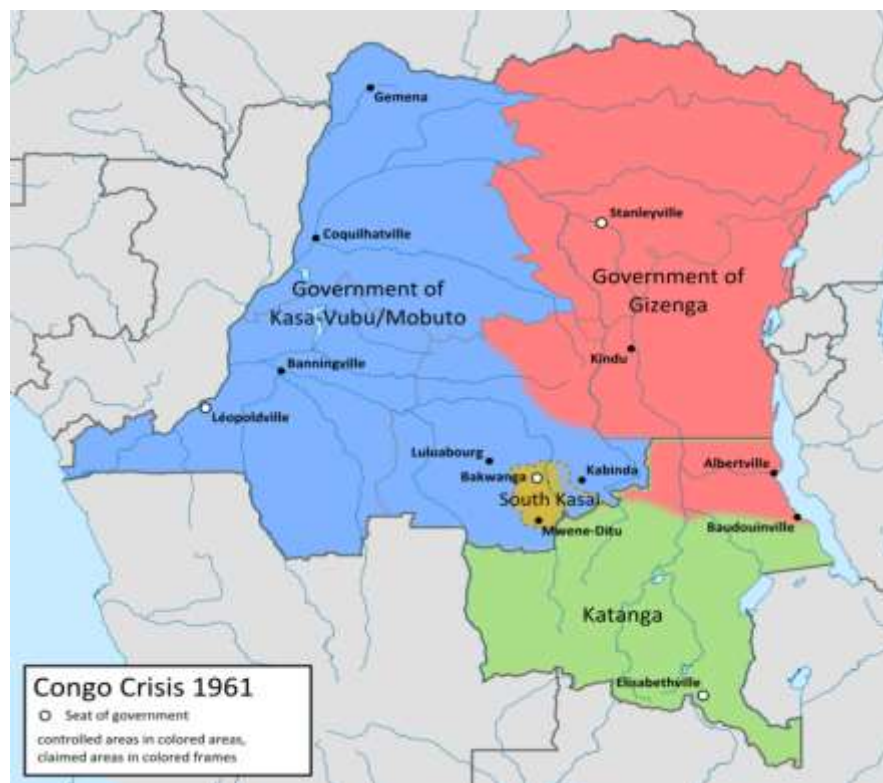
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External factors may also catalyze a slide into conflict. Geopolitically DR Congo faces a new more complex terrain than it did in the 1990s at the end of the second civil war. Its neighbor South Sudan has imploded. Tanzania, where Kabila grew up, has an authoritarian leader who may yet relish international glory, the way his predecessor and mentor President Julius Nyerere did in 1979, when Tanzania invaded Uganda. Kabila's one time strong backers Angola's Eduardo Dos Santos and Zimbabwe's Robert Mugabe are both ingloriously out of power, with their improbable successors suspicious of Kabila long stay in office. With Kabila's potential backers, Rwanda's Paul Kagame now courting international acceptance, and Uganda's Yoweri Museveni, worrying about his own domestic political situation, the geopolitics of the Great Lakes region may imply that any conflict in DRC may quickly degenerate into a full blown conflict among the neighbors.

### A new DRC civil war could re-partition country like it did in 1961



Even the UN, which at one point had over 20,000 peacekeepers in the country, after spending nearly \$10bn is exhausted. A dramatic UN peacekeeping scale back in 1960 catalyzed the first Congolese civil war. A similar action in Rwanda in 1994 precipitated that country's civil war and genocide. The current UN cut backs in DRC ahead of the scheduled elections in December 2018 – already logistically impossible to hold in a free and fair environment – may yet catalyze another Congolese civil war and further imperil the country's mining sector, particularly the export of cobalt. A spike in cobalt prices will decelerate the global shift to a de-fossilized energy mix and support rising oil demand and boost prices.

A new Congolese civil war, in addition to a unilaterally re-vamped mining code which retroactively hikes royalties and taxes and amends the country's current 'stability pacts' with miners threatens to significantly erode 20%-30% of the value of the country's mining sector investments estimated at almost \$100billion.

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