

# Winds of political change herald new dawn for mining sector

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THE MINING sector in South Africa is on the road to recovery this year with more than R220 billion worth of investments in the pipeline as the country's changing political climate bolsters investment confidence.

Orion Minerals chief executive Errol Smart this week said Deputy President Cyril Ramaphosa's elevation to the head of the ANC in December was a pivotal moment for business and investment confidence.

Smart said the move has been evidenced by a strong rally in the rand. He said this positive sentiment was further shored up during the World Economic Forum in Davos, where Ramaphosa, a former union leader, promised to deliver economic policy change, saying that South Africa did not want to miss out on a commodity boom and if the

Mining Charter is "holding us back we must deal with that".

Smart said many people had argued that South African mining was ultimately a sunset industry but that sentiment has now shifted dramatically, as "we are seeing a new dawn for commodities following rapid advances in technology with a voracious appetite for base metals".

De Beers Consolidated Mines chief executive Philip Barton said the company was ready to start exploration projects after it was recently awarded 16 exploration licences in the Northern Cape.

"We still have outstanding permits in the Free State, North West and Limpopo.

"We have been told that there is movement on some of those as well and that we can expect action.

"For the past couple of months, we have been doing no exploration work, because we did not have grant. We are now



Chris Griffith CEO Anglo American Platinum, Nico Muller CEO Impala Platinum, Steve Phiri Chief Executive officer Royal Bafokeng Platinum, Hanre Rosouw Head of resources and Investec asset management and Neal Froneman CEO Sibanye Still Water at the Mining Indaba at the CTICC.

PHOTO: AYANDA NDMAMANE/AFRICAN NEWS AGENCY(ANA)

executing these," said Barton. "We believe that South Africa is good for diamond prospecting. We are the only major that has put in money into prospecting."

Robert Friedland, the executive chairperson and founder of

Ivanhoe Mines, said he believed platinum was set for a recovery. He was bullish about the precious metal.

"Do not think we are reaching the end of the platinum industry; nothing could be fur-

ther from the truth," he said.

He said Ivanhoe's Platreef project in Limpopo would become the world's largest platinum group metals operation, with production of 12 million tons a year.

This week, Statistics SA (Stats SA) said mining production in the country rose to its highest levels in nearly 10 years with the biggest year-on-year rise in output since 2010.

On a yearly basis, mining production increased by 4 percent last year compared with a 4 percent decline in 2016. This is despite the sector's poor showing in December.

The Chamber of Mines also told the Mining Indaba that the sector's contribution to the gross domestic product (GDP) last year improved 3.7 percent year-on-year to R312 billion.

Jason Muscat, a senior economic analyst at FNB, said despite a disappointing end to last year, mining was set to

make a solid contribution to the annual GDP.

"We expect the sector to regain momentum in the first half of 2018 given strong Chinese demand, particularly for iron ore. Commodity prices remain supportive and we expect 2018 to deliver another year of mild growth," Muscat added.

Mining executives also said they saw a recovery in their sector, with bright prospects ahead.

The sector has been mired by policy uncertainty for most of the past year because of the proposed new mining charter put forward by the Department of Mineral Resources, which has caused mining firms to hold off on investing and knocked billions off the value of listed mining stocks on the JSE when it was introduced.

The current mining charter requires 26 percent of equity to be held by black investors, and the proposed charter envisages a rise to 30 percent.

Mark Buncombe, the group head of mining and metals for Standard Bank, said: "The centrality of mining to the development of the continent means that 2018 is likely to be a watershed year in Africa's ongoing growth story.

"For the first time in a decade, most commodities, bar platinum, have seen significant price recovery. At the same time, miners have done a lot of work cutting costs with margins, globally, on the increase.

"While the protracted absence of investment in prospecting will weigh on the industry for many years to come, reduced debt levels mean that going in to 2018, balance sheets are generally stronger too."

Buncombe said while the volatility of recent years meant many companies were reluctant to spend, "where real risk-managed opportunities present themselves, in Africa investment is taking place."