

Mining & Minerals

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SOUTH AFRICA

Positive disruption: How do we shape a transformative future for African mining?



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Positive disruption: How do we shape a transformative future for African mining?

As we approach the 2024 Investing in African Mining Indaba (Indaba), the theme of positive disruption takes centre stage.

This year's conference marks a significant milestone, celebrating its 30th anniversary by charting a fresh course and purpose. To capture the spirit of this transformation, the 2024 theme is 'Embracing the power of positive disruption: A bold new future for African mining'.

"Positive disruption" has been a buzzword for quite some time. What does this really mean? There are varying definitions of this concept, but in summary "positive disruption" implies a change to the status quo, embracing a strategic and forward-thinking approach and fostering and utilising innovation to drive sustainable growth.

Embracing positive disruption requires:

- an honest and frank evaluation of "where we are now" (which is not always a comfortable conversation);
- a proper understanding of "what is required for the future" – and how we can create or take advantage of new opportunities;
- a pro-active, creative, and positive mindset to find solutions to current obstacles and challenges; and
- being receptive to innovation, new developments, and change.

Can the Indaba really contribute to positive disruption? We believe so, as the Indaba creates a unique platform for the industry to collaborate, share strategic perspectives, identify challenges, and workshop solutions. It is a forum where political power shares a stage with economic power,

allowing for engagements that are essential for driving change. The Indaba further presents an opportunity for businesses to showcase technological developments and innovations such as automation, digitisation, and other technologies, which can be used to transform mining practices.

While the Indaba possesses the potential to catalyse optimistic developments across the continent, for South Africa at least, the starting point is the honest and frank evaluation of the current domestic position.

South Africa's Crossroads

The Johannesburg Mining Indaba in October 2023, centred on South Africa, unfolded amidst formidable challenges – looming mass layoffs, load shedding, rising crime, and upheaval at Transnet marked by leadership change.

Speakers candidly addressed these issues, reflecting an industry at a critical juncture. The prevailing sentiment described the South African mining sector as teetering on a precipice, where meaningful change is critical if we are to avoid going over the proverbial cliff.

Six months on, domestic challenges in South Africa have intensified, and progress toward a turnaround has been slower than many had hoped. Despite its rich resources and technical expertise, South Africa grapples with persistent systemic and structural challenges.

As we approach this year's Indaba, it's necessary to highlight some of the critical challenges before we can move into a positive disruption for the domestic mining industry.

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Cadastral System Woes

The inefficiencies in South Africa's cadastral system have impeded the streamlined allocation of mineral rights, dissuading potential investors and halting exploration projects, which has led to substantial financial losses and missed opportunities for the industry.

While South Africa has many complex hurdles to overcome, this particular issue could have been resolved years ago.

Thankfully on 31 January 2024, the DMRE finally announced the appointment of PMG Consortium to run the cadastral system. PMG Consortium consists of three companies described in the DMRE media statement as follows:

- **Pacific GeoTech Systems:** which has more than 23 years of experience in delivering online enterprise resource management systems in jurisdictions such as British Columbia, New Brunswick, Manitoba, Nova Scotia, Nunavut, Northwest Territories, Ontario, and Yukon, Canada, Colombia; and Greenland;
- **MITS Institute:** which has more than 13 years of experience in the provision of business, technology, and cyber solutions to private and public sector clients in South Africa; and
- **Gemini GIS and Environmental Services:** which has more than 13 years of experience in the provision of UAV surveying, mapping, monitoring, and inspection services to private and public sector clients in South Africa.

This announcement will provide some relief to industry players and the identity of the service provider has been well received thus far.

Hopefully, the PMG Consortium can get up and running quickly to clear the massive backlog of mining rights applications. There is no doubt that it has a daunting task ahead.

Transportation Bottlenecks

South Africa's mining industry faces severe challenges stemming from transportation bottlenecks, notably in its freight rail network and ports. A persistent lack of prudent financial management and investment in transportation infrastructure over an extended period has resulted in a decay of critical infrastructure and led to widespread corruption, exacerbating the problem.

The congested ports and inadequate rail systems have not just caused South Africa to miss the commodities boom, and pass up opportunities for investment, job creation, and GDP growth but have led to the stagnation, downsizing, and collapse of mining companies. Unfortunately, the severity of the logistics crisis and its effect on all import and export businesses (not just mining) is yet to be felt in full.



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The issues are particularly dire in the coal sector, where the performance on the coal line has reached alarming levels due to cable theft, vandalism, and lack of infrastructure investment. The private sector, in a desperate bid to ensure the uninterrupted delivery of essential resources, has been forced to step in, installing and funding its own security measures. Other commodities have followed suit. Government and industry have started collaborating through the National Logistics Crisis Committee, but this process must be accelerated.

Whilst the private sector is indeed willing to assist (and will be required to assist, as Government and Transnet's coffers are running on empty), the additional burden on private entities adds to operational costs which many companies will just not be able to bear. Government needs to consider more concrete long-term incentives to make this collaboration a reality.

Regulatory Uncertainties

South Africa grapples with continuing regulatory policy shifts in its mining sector as evidenced by the changes to the Mining Charter and attendant litigation. There is also an ongoing policy *"tug of war"* between the DMRE, and the Department of Trade and Industry, which has not assisted in policy certainty in relation to transformation and B-BBEE.

These uncertainties create an environment that deters foreign investment and does not fulfil the goals of meaningful transformation. South Africa should be open to learning some lessons from its more investor-friendly neighbours.

Navigating progress positively

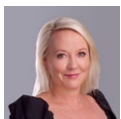
With meaningful collaboration between Government and the private sector, South Africa still has the opportunity to shape its mining industry's future and contribute significantly to the broader African mining landscape. The Indaba provides a strategic platform for this interaction and collaboration. However, to unleash the potential of positive disruption at this year's Indaba, a transition from rhetoric to tangible actions is required.

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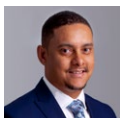
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BBBEE STATUS: LEVEL ONE CONTRIBUTOR

Our BBBEE verification is one of several components of our transformation strategy and we continue to seek ways of improving it in a meaningful manner.

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