



QUARTERLY UPDATE

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OF MINES OF SOUTH AFRICA FOR MEMBERS

HIGHLIGHTS IN THIS ISSUE

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From the CEO: "The past few months have seen rising tension and uncertainty in our nation"

The Chamber of Mines of South Africa is a mining industry employers' organisation that supports and promotes the South African mining industry. The Chamber serves its members and promotes their interests by providing strategic support and advisory input. A key role of the organisation is to facilitate interaction among mining employers to examine policy issues and other matters of mutual concern to crystallise and define desirable industry standpoints. The Chamber also acts as a principal advocate for mining in South Africa to government, communicating major policies endorsed by its members.



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Mining modernisation, the future of South African mining

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FROM THE CEO

THE PAST FEW MONTHS HAVE SEEN RISING TENSION AND UNCERTAINTY IN OUR NATION

Roger Baxter
CEO – Chamber of Mines of South Africa

#FeesMustFall protests have virtually brought our universities to a standstill, while allegations of state capture and political manoeuvring have seemingly placed us on the edge of a precipice. The mining industry and the Chamber have not been isolated from these events that have undermined our currency and wiped out many billions from the market capitalisation of SA Inc.

As we noted in a statement issued on 11 October, the Chamber is deeply concerned about the state of public institutions in South Africa and has raised the matter with the Presidency.

LEGISLATIVE UNCERTAINTY REMAINS

South Africa's regulatory and legislative environment remains uncertain, particularly in respect to mining. This was a message that we – as business representatives in a roadshow to US investors led by Minister Pravin Gordhan – heard loud and clear. Investors need stable, predictable and competitive regulation and policy to be able to make positive investment decisions. Finalisation of the MPRDA amendment bill and the contested Mining Charter are imperatives for the industry.

ON A GLOBAL STAGE

Competing on an international stage was again pointed out in the latest edition of PWC's SA Mine, which gives us useful insight into how we as an industry are faring compared with our global counterparts. The report makes three important observations:

- First, without a doubt, the global and local industry has been affected by the slowdown in China and lower commodity prices. This is not unique to South African producers.
- Second, the South African mining sector's costs have risen at a fast pace, while at a global level companies have reduced costs in aggregate. This is cause for concern.

- Third, the focus globally and locally has been on consolidation, capital discipline, reducing cost pressures, improving productivity and innovation drives. And, it is here that we as an industry can make a meaningful difference.

The World Economic Forum 2016-17 Global Competitiveness Report on South Africa also notes that – as a nation – we have improved our competitiveness ranking to position 47 out of 138 countries (which means we are one position away from being in the top third). Our institutions rank 40th - one of our key strengths – our property rights at 29th, judicial independence at 16th, and the efficacy of our legal framework in resolving disputes at 9th. We were 1st in the strength of auditing and reporting standards and in the protection of minority shareholders, 2nd in the soundness of our banks, and 3rd in respect of the efficacy of corporate boards and also stock market regulation.

With the world's best auditing and reporting standards, the third best regulation of our stock exchange and with South Africa having global leading practice transfer pricing laws and a capable SARS, it is interesting to see that people continue to push a perception that transfer mis-pricing is rife in the mining sector in South Africa. The policies, capabilities and facts of the country point to a different view.

“Investors need stable, predictable and competitive regulation and policy to be able to make positive investment decisions.”



FROM THE CEO continued

HOPE FOR SOUTH AFRICAN MINING

Despite the challenges, prospects for the South African mining industry remain positive. And although there has been a decline in overall commodity production, South Africa still holds a sizable proportion of the world's resources. To turn this potential into a reality, the modernisation of South African mining is required. You can read more about the modernisation of the South African mining industry on page 8.

It's worth remembering that mining still matters to South Africa. In 2015, mining contributed 7.7% of South Africa's GDP, creating around 1.4 million jobs directly and indirectly.

DEALING WITH THE PAST, PLANNING FOR THE FUTURE

I believe that in years to come we will come to see this time as a turning point in our history, a time of introspection, reconciliation and collaboration. In a keynote address on the eve of the Joburg Indaba, Chamber Vice President Neal Froneman introduced the Zambezi Protocol to audiences, recommending it as "a fresh multi-stakeholder socio-economic compact based on a revised set of key principles and relationships, and provides the key to unlocking value from Africa's vast mineral endowments." More about his speech may be found on page 5.

He reminded us of the comment made earlier in the year, at the Chamber AGM, by Chamber President Mike Teke: "The journey to our greatness, cannot be carried out by one person alone or one group alone. It cannot be carried out by government alone, or the unions alone, or the industry

by itself. Optimising mining's contribution to this country, the neighbouring countries, our employees and their families, does not lie in litigation, mutual enmity and ongoing conflict. The road to a better future for all mining's stakeholders lies in collaboration and partnership."

In keeping with this view, the Chamber's submission to the national hearing on underlying socio-economic challenges of mining-affected communities was one such step. See page 7.

Concerned with the developments in the political sphere and to allegations of state capture, the Chamber of Mines has decided to back the CEO Initiative Pledge. The CEO Initiative Pledge is a stance by the leaders of government, business and labour which commits pledgers to standing for our legal framework and governance in our country, while rejecting corruption, state capture and attempts to undermine the integrity of the NPA and the Minister of Finance. You can read the pledge by clicking on its link in the *useful links* below. Finally, as a member of BUSA, the Chamber welcomed the decision of the NPA to withdraw the charges against the Minister of Finance and his former colleagues. See the statement below.

As always, we welcome feedback from our stakeholders on this newsletter, and issues of interest and concern.

Roger Baxter
 CEO
 Chamber of Mines of South Africa

USEFUL LINKS

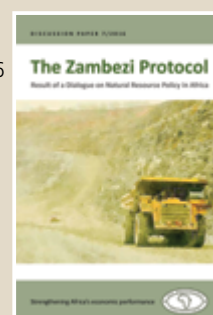
Chamber response to NPA's announcement

CEO initiative pledge

Joint statement from BUSA, BLSA and the CEO initiative in response to the withdrawing of charges against the Minister of Finance



SA Mine 2016

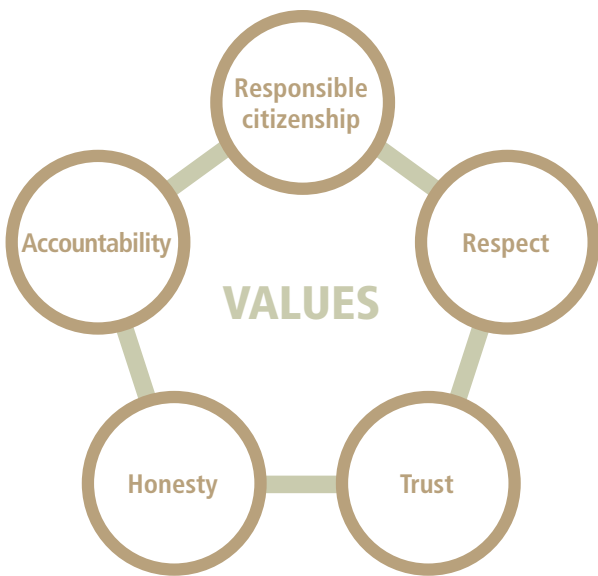


The Zambezi Protocol

MEMBERS' COMPACT IN THE SPOTLIGHT

The Chamber of Mines advocacy role as a mining industry employers' organisation that supports and promotes the South African mining industry is well known, as is its role in providing strategic support and advisory input.

What is perhaps less well known is that, while the Chamber does not exercise executive authority in respect of its members, members are obliged to conduct their business according to agreed values which dictate the minimum standards of conduct required of them in order to become a member of, or remain a member of, the Chamber. These five values (below) and 10 business principles are embedded in a mandatory code of ethical business conduct – called the Members' Compact – to which members of the Chamber subscribe.



Over and above the principles, Chamber members commit to complying with all relevant legislation, and to making every possible effort to comply with meeting, or bettering, the targets outlined in the Mining Charter. Chamber members also subscribe to the principles and commitments outlined in various agreements, such as the Presidential Framework Agreement for a Sustainable Mining Industry and the Framework for Peace and Stability in the Mining Industry.

The Compact was introduced in 2015, and is a 'living document' that will be continuously refined and developed after consultation with members.



USEFUL LINKS

[Chamber of Mines membership compact](#)

CHAMBER RESPONDS TO THE FEES MUST FALL DEBATE


The Chamber of Mines was the focus of three separate marches by students and unions over the past three weeks, having seemingly been identified as a symbolic representative of South African business, which is seen as a promising source of the funding required to fulfill the demand for free tertiary education.

For its part, the Chamber emphasised its long history in the provision of education in South Africa, particularly tertiary education.

In an opinion piece published in Business Day, Chamber CEO Roger Baxter said, "The Chamber and its members support the idea of quality, relevant and accessible tertiary education. Of course, quality and accessible pre-schooling, primary and secondary education is the foundational structure of any student's tertiary education. So considerations around quality and resourcing are as vital in these spheres as they are in tertiary education. These are among the difficult issues that have to be grappled with, and are among many other social considerations, in an environment of economic scarcity where free education, while an inspiring aspiration for many, still seems a long way off."

In closing Roger Baxter noted: "We believe that tertiary education should be funded properly by government, with contributions from the corporate sector, and sliding scale contributions from students. Government should, over time, be encouraged to allocate a greater share of available revenue streams towards higher education, while balancing this with other demands of the country that are its responsibility. The funding model should not place undue pressure on poorer students, and should allow poorer families access to tertiary education on a sustainable basis.

"Ultimately, university education is not 'free' and its funding needs to be appropriately prioritised, bearing in mind the enormous funding requirements for other basic education needs, social needs such as healthcare and social grants and other state functions."



IT'S A FACT:

- In 2015, in addition to R11.3 billion paid in taxes and royalties, the industry paid R1 billion to the skills levy and spent a further 5% of payroll on skills development as required by the Mining Charter.
- That's a R5 billion investment in skills development and education projects, including financial support for more than 6 000 students at tertiary institutions.
- Over the past five years, Chamber members have supported around 12 500 students by providing full bursaries to study at various tertiary institutions. This is in addition to scholarships for the children of their own employees ranging from primary school to tertiary education.
- During the same time period, 5 500 students and graduates participated in mining industry workplace experiential learning programmes and were provided with learnerships and internships in workplaces.
- In total, 18 000 students have been supported over a five-year period – at a cost of more than R1.6 billion.
- About R180 million of this amount was spent in supporting lecturers in the mining engineering-related faculties at universities. Without these funds, many lecturing positions would not exist and the universities would not be able to attract the appropriate skills.

"We believe that tertiary education should be funded properly by government." Roger Baxter

USEFUL LINKS

[The Chamber's response to the Wits SRC](#)

[The Chamber's response to COSATU](#)



"Chamber has education as its bedrock,"
Roger Baxter, Business Day



JOBURG INDABA

The annual Joburg Indaba delivered on its promise of hard-hitting, straight talking.

Chamber representatives put on a good showing this year, with presentations by Chamber Vice Presidents, Neal Froneman and Andile Sangqu. The Chamber’s head of safety Dr Sizwe Phakathi also delivered a presentation, while Chamber President Mike Teke and Senior Executive responsible for Modernisation, Sietse van der Woude, both participated in panels.

Neal Froneman’s keynote address on ‘A roadmap for mining to realise its economic and transformational potential in South Africa’ received much attention.

In closing, Mr Froneman noted that the vision for a fully transformed and successful South African mining industry “can be realised through a renewed collective will and re-booted relationships that are not contaminated with historical perceptions and legacies.

“Ultimately all South Africans have an interest in creating an environment in which the mining industry delivers on its potential in building a stronger nation. As stakeholders in the South African mining industry, our futures are inextricably linked. We urgently need to make the bold call to support each other in securing a stronger shared future that delivers on economic growth and contributes towards the achievement of South Africa’s National Development Plan.”

In responding to the question of how good or bad is industry productivity, Andile Sangqu said that “it is clear that we are neither all good, nor are we all bad”, and proceeded to address the question in three parts: (1) Where have we made good progress? (2) Where is there a lot more to be done? And (3) What are some possible solutions?



USEFUL LINKS



Speech: “A roadmap for mining to realise its economic and transformational potential in South Africa”, Neal Froneman



Speech: “An address on industry productivity. How bad (or good) are we really?”, Andile Sangqu



Presentation: “Safety: how good (or bad) are we really?”, Dr Sizwe Phakathi

ILLEGAL MINING ON THE RISE MRS STEPS INTO THE BREACH

Illegal mining is on the rise in South Africa and presents challenges that need to be addressed collaboratively by all stakeholders, and at all levels. The tragedy of illegal mining came to the fore again recently, when a group of illegal miners were allegedly trapped underground at an abandoned mine in Langlaagte, and Mines Rescue Services' (MRS) brigadesmen risked their lives in search and rescue operations.

"Illegal mining takes place both at abandoned mines and in some cases even at operating mines," says Neil Metzger, Chamber of Mines security coordinator. "It is highly organised and orchestrated by sophisticated crime syndicates. The miners, known in South Africa as zama-zamas, are often heavily armed and where trespassing on operating mines set ambushes and booby traps for employees, security and rival groups of illegal miners."

The Chamber has recognised that the only way to deal with the problem is to focus on both the supply and demand side of illegal mining, but this is not an easy task. While local police and mine security deal with miners and surface buyers, the Chamber of Mines, the South African Police Service, the National Coordinating Strategic Management Team and the Department of Mineral Resources are working to identify and deal with the bulk buyers, the distributors and the international receivers. This work is undertaken hand-in-hand with international agencies such as the United Nations Interregional Crime and Justice Research Institute, European police, Interpol and international embassies.

The national coordination and strategic management team (NCSMT) recently visited the Harmony operations (29/30 September) in the Free State to get a better understanding of the illegal mining problem underground. Site visits to other mining operations are planned for the future.

At a briefing of the media following the incident at Langlaagte, Chamber of Mines President Mike Teke commended the work of MRS. MRS is a private sector organisation originally established by the Chamber of Mines, that trains volunteers for mine rescue work and provides rescue and recovery services, resources and expertise for an effective emergency service, primarily for the South African mining industry.

Said Mr Teke, "We rarely hear of the true extent of the service, dedication and bravery of MRS volunteer brigadesmen. They work in close-knit teams, where language, culture, occupation and history don't matter. What matters is training, physical fitness, discipline and a stable temperament. And, above all, a willingness to serve, to trust and be trusted. The 906 current brigadesmen, and the thousands who have trained before them, honour the badge: 'voluntate servio' (voluntary we serve). They deserve our admiration, respect and thanks."



Mines Rescue Services CEO, Christo De Klerk, alongside some of the equipment used by rescue team members during operations

USEFUL LINKS

[Interview: "Illegal mining is spreading like a wildfire", Warren Dick interview with Christo De Klerk](#)

["Illegal mining out of control – Mines Rescue Services", Natasha Odendaal, Mining Weekly](#)

[Mines Rescue Services presentation](#)

[Mines Rescue Services website](#)

[Illegal Mining fact sheet](#)

[Media release: Chamber of Mines salutes the heroes of Mine Rescue Services](#)

THE CHAMBER MAKES A CASE FOR MINING AFFECTED COMMUNITIES AT THE SAHRC

CHAMBER OF MINES PRESENTS AT SAHRC NATIONAL INVESTIGATIVE HEARINGS ON THE UNDERLYING SOCIO-ECONOMIC CHALLENGES OF MINING-AFFECTED COMMUNITIES

The Chamber of Mines voluntarily presented at the SA Human Rights Commission (SAHRC) National Investigative Hearings on the underlying socio-economic challenges of mining-affected communities. Held over four days in late September and early October 2016, the hearing will be completed in early November 2016.

The SAHRC is an institution established in terms of Section 181 of South Africa's Constitution. The hearings are being held under the SAHRC's mandate to promote respect for human rights and a culture of human rights; promote the protection, development and attainment of human rights; and monitor and assess the observance of human rights in the Republic.

The issues dealt with in the Chamber's submission range from housing and living conditions, transformation, skills development and women in mining, Social and Labour Plans, and environmental planning. The Chamber acknowledges areas in which mining-affected areas communities have been impacted, and makes recommendations for improvement. The Chamber's submission was presented by Senior Executive for Transformation and Stakeholder Relations, Tebello Chabana.



Tebello Chabana

USEFUL LINKS

The Chamber's submission: presented by Senior Executive for Transformation and Stakeholder Relations, Tebello Chabana

Presentation to SAHRC – National Hearing on underlying socio-economic challenges of mining-affected communities

GOT
QS

SO MANY QUESTIONS, SO LITTLE TIME...

Take a look at the [Chamber of Mines website](#) for our FAQs on mining topics, such as:

So why is the mining industry modernising?

So the mining industry is not meeting its housing targets?

So what has changed since Marikana and the Farlam Commission?



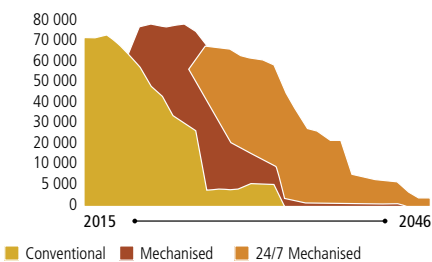
MINING MODERNISATION, THE FUTURE OF SOUTH AFRICAN MINING

For over 100 years, South Africa's mining industry has been governed by traditional, labour-intensive mining. In order to reach ore-bodies, mines are having to mine deeper resulting in higher costs and increasingly unsafe working conditions. If the industry does not mechanise it will be unable to reach the depths necessary to mine South Africa's deep-level complex ore-bodies profitably which could result in premature mine closures. Research suggests that 200 000 job losses by 2025 could affect 2 000 000 people indirectly.

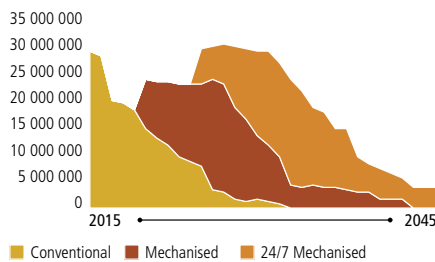
Modernisation in South African mining is a necessary change for the long-term sustainability of the industry. Many stakeholders believe that mechanisation is a euphemism for job losses and that eventually people will be replaced by machines, this is not the case. Mechanisation will pave the way to new and better ways of mining that will protect employees from hazardous working conditions and unemployment. Mechanisation will take employees away from the rock-face through upskilling and training and will also make mines more productive and profitable, allowing them to extend their life-of-mine beyond what is currently forecast.

Potential benefits from fully mechanised in South African gold mining

GOLD MINES TEC



GOLD TONNES PER YEAR



Mining Hub

To facilitate and accelerate the process of mining modernisation, a Mining Hub is being set up to co-ordinate research and development of mining equipment manufacture and skills development by mining companies, in collaboration with original equipment manufacturers (OEMs), research entities, skills-development entities and government.

The hub is envisaged as a public-private partnership with a view to 'open innovation' so that the costs and rewards of research and development (R&D) would be divided equitably among contributors.

The primary objective of the hub is to be a partnership that advances the mining cluster by

- co-ordinating research and development with initial focus on future underground narrow reef, hard-rock mining systems
- developing South African mining manufacture that supports the country's narrow-reef, hard-rock mines, and promotes export potential of locally manufactured mining equipment
- facilitating skills development for future narrow-reef, hard-rock mining systems.

MINING MODERNISATION, THE FUTURE OF SOUTH AFRICAN MINING continued

RESEARCH AND DEVELOPMENT

The foothold for mechanisation in South Africa will be technological innovation through R&D. Detailed plans have been developed to accelerate progress on all the building blocks for modernising mining through partnership between the public and private sector. An example of one such collaboration is the creation of the Mining Hub.

HOLISTIC CHANGE AND EVOLVING THE INNOVATION ECOSYSTEM

In order for the Mining Hub and other industry initiatives to succeed, the transition from traditional to modernised mining must be addressed in a holistic manner, adopting systems and a people-centric approach. All elements of mining – including reporting structures, skills development, change management stakeholder engagement, community development and environmental management – need to be modernised.

Although industry is out of the starting block, it cannot rely on an ad hoc approach to modernisation. The South African innovation ecosystem is in the unique position that it must evolve out of necessity – constant improvements in current mining methods are no longer sufficient. The South African mining industry invests disproportionately low in innovation compared to other industries and only uses 1% of the data available to inform business decisions.

Mining companies have spent over R500 million annually over the past couple of years on innovation and the Chamber has advocated that substantive investments be made by government to accelerate these efforts.

THE WAY FORWARD

The Chamber of Mines is in the process of developing an innovation-focused strategy and is encouraging industry leaders to play their part in the quest to modernise the industry and improve lives.

The Chamber of Mines is supporting the global VCI Innovation State of Play assessment as part of a global benchmarking exercise which will provide the Chamber with critical findings that will enable the adoption and facilitation of further innovation in the South African mining industry.

The Chamber is excited about the industry's participation in the multiple avenues being explored to get South Africa on par with global innovation best practices and hopes that in time it will be a leader in the adoption of new mining innovations in developing countries.



Sietse van der Woude
Senior Executive Modernisation and Safety

Innovation MOA

In August this year, the Chamber signed a historic memorandum of agreement with the Gauteng Growth and Development Agency's The Innovation Hub to jointly further advance ore-body knowledge and understanding in the region.

The Innovation Hub is Africa's first science and technology park accredited by the International Association of Science Parks.

Chamber of Mines modernisation portal

The Chamber of Mines has recently launched a modernisation portal dedicated to mining modernisation. The portal provides accurate and up to date information on modernisation that is relevant to all stakeholders. We hope that it will serve as a useful tool to disseminate accurate information and debunk myths around modernisation.

THE PAGE IS ACCESSIBLE VIA THE CHAMBER OF MINES WEBSITE:

www.chamberofmines.org.za/home

OR CAN BE ACCESSED DIRECTLY AT:

www.mine2030.co.za

USEFUL LINKS

Modernisation: towards the mine of tomorrow

Global benchmarking of South Africa's mining innovation to embed innovation into strategy

Mine 2030 website

Modernisation FAQs

Chamber of Mines and Gauteng Growth and Development Agency's the innovation hub sign historic MOA

"New initiative aims to take South African mining into a modernised future", Dylan Slater, Mining Weekly

MORE CHAMBER NEWS



August 17 2016: Chamber of Mines and Gauteng Growth and Development Agency's The Innovation Hub sign historic MOA

August 30 2016: Chamber of Mines notes Bloomberg article detailing proposed targets for spending on LED

September 02 2016: Mike Teke: Zero harm our aim

September 05 2016: Chamber of Mines reacts to senseless murder of RBM executive

September 12 2016: Chamber of Mines notes with concerns reports of trapped illegal miners at Langlaagte

September 14 2016: Mike Teke: Lip service simply not an option – industry committed to transformation

September 22 2016: Chamber of Mines views education as key

September 26 2016: Chamber of Mines presents at SAHRC National Investigative Hearings on the underlying socio-economic challenges of mining-affected communities

September 27 2016: Chamber of Mines salutes the heroes of Mines Rescue Services

September 28 2016: Chamber of Mines receives student memorandum

October 04 2016: Chamber Vice President, Neal Froneman, delivers address at Joburg Indaba

October 05 2016: Chamber Vice President, Andile Sangqu, delivers address on industry productivity

October 06 2016: Global benchmarking of South Africa's mining innovation to embed innovation into strategy

October 07 2016: Chamber of Mines confirms receipt of Cosatu memorandum

October 11 2016: Chamber response to NPA's announcement

October 13 2016: Chamber of Mines responds to Wits SRC #FEESMUSTFALL

October 14 2016: Chamber of Mines confirms receipt of SAUS memorandum

October 26 2016: Chamber of Mines welcomes medium-term budget policy statement

October 27 2016: Chamber of Mines responds to COSATU memorandum

October 31 2016: Joint statement from BUSA, BLSA and the CEO initiative in response to the withdrawing of charges against the Minister of Finance

November 01 2016: Chamber of Mines responds to SAUS memorandum

November 03 2016: Chamber of Mines voices concern regarding DMR appointment

November 03 2016: Chamber of Mines welcomes release of the State of Capture report