



MARCH 2018

#MiningMatters

QUARTERLY UPDATE

A PUBLICATION PRODUCED BY THE CHAMBER OF MINES OF SOUTH AFRICA FOR MEMBERS



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FROM THE CEO



Roger Baxter
CEO – Chamber of Mines of South Africa

I am happy to be able to say that our country and our industry have far greater hope for positive progress since I last communicated with you in a newsletter. The election of Cyril Ramaphosa, first as ruling party president and then as President of South Africa, and the early steps he has taken since that appointment, including the cabinet reshuffle, has been a total game changer, for both the country and for our industry.

The last quarterly newsletter focused strongly on the impending court hearing, scheduled for 19-21 February, to hear our application for the setting aside and review of the Reviewed Mining Charter (RMC) published in June 2017.

The RMC litigation was eventually postponed the day before the hearing after a commitment by President Ramaphosa in his State of the Nation address to engagement on a new charter. The new charter will now be developed through a process of negotiation between all stakeholders, under the co-ordination of the Mineral Resources Ministry, now under the leadership of Gwede Mantashe.

As we learned during his time as NUM general secretary from 1998 until 2006, Mr Mantashe is a tough negotiator. However, he understands the industry and has always shown himself to be concerned about its sustainability.

This assessment was affirmed during the first engagement that he initiated the weekend of 17-18 March with the industry and the unions. While the initial talks were robust, as would be expected, it is clear that we have a common foundation in believing that transformation, competitiveness and growth are and should be mutually reinforcing goals. These imperatives are not at odds with each other.

While we know that the charter negotiations will not be easy, with many countervailing perspectives of the industry and its capacities, we trust the ultimate outcome will be – as in 2004 and 2010 – a consensual one that takes account of both transformational and sustainability imperatives. The Chamber remains committed to playing its part in this regard.

We applaud the other appointments to key positions in the economics cluster of ministries. The return of Nhlanhla Nene to Finance is welcome after his unwise firing just over two years ago. And while it will take a great deal of work to repair the state-owned enterprises that have been mismanaged and damaged over the last several years, new Public Enterprises Minister Pravin Gordhan has displayed great energy and commitment in his approach to these matters, both while serving as Finance Minister and during his difficult time as a member of the relevant Parliamentary Portfolio Committee.

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We join much of the rest of South Africa in looking forward to the new era that we hope has begun under the new government and its leader, President Ramaphosa.

HEALTH AND SAFETY

Notwithstanding these positive developments, it is necessary to acknowledge the one area where the industry's efforts can only be described as disappointing. For the first time in many years, the industry saw a deterioration in its efforts at continuous improvement in its safety performance, as measured by the number of accident fatalities.

I know that the CEOs of our members have recommitted themselves to the quest for zero harm, and have shown this through their work in the CEO Zero Harm Forum. We trust that their work will bear fruit in the months and years ahead.

One good example of our industry's safety commitments was the safe bringing to surface of 955 miners at Sibanye-Stillwater's Beatrix mine after a storm damaged Eskom's power supply to the mine. We congratulate the team that carried this out.

A major focus of the Chamber's recent work was the Mining Indaba, about which you can read in more detail elsewhere in this newsletter.

The Chamber

- played a leading role in the Ministerial Symposium the Sunday before the Indaba;
- held four media briefings on the state on mining, the Mining Charter, a coal strategy for the industry and an emerging miners discussion;
- participated in a World Gold Council event; and
- the Chamber president and I each delivered keynote addresses.

In addition, recently retired Elize Strydom was one of three Indaba leaders who were mandated to receive a memorandum from marchers representing mining communities around the continent who had developed their document at their Alternative Mining Indaba the same week.

In closing, I'd like to pay a special tribute to Elize. She has served the Chamber and the industry loyally for 19 years. She is remarkably respected in all circles in which she has moved, from all members of the Chamber, to other parts of organised business thanks to her remarkable work at Business Unity SA and in Nedlac. She is similarly respected by the unions, their leaders and shaft stewards with whom she has been negotiating through all these years.

Elize will be deeply missed. We wish she wasn't leaving us. But she goes with all our best wishes for the future.



USEFUL LINKS

Chamber notes statements by Minister of Mineral Resources

Chamber welcomes election of President Cyril Ramaphosa

Chamber expresses disappointment at industry safety performance in 2017

CHANGES IN OUR POLITICAL LANDSCAPE – AND WHAT IT MEANS FOR THE MINING INDUSTRY

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Zakithi Zama, the Chamber's Head: Stakeholder Relations, takes a look at the political changes and activity that have taken place in South Africa since our last newsletter was published; the Chamber's standpoint on those developments; and the possible implications for the mining industry.

After weeks of speculation regarding the resignation of the former President Zuma, there have been positive changes in the country's political atmosphere which saw the election of Cyril Ramaphosa in Parliament as the country's President.

The Ramaphosa Presidency is tipped to be business friendly and is perceived to rebuild the government's relationship with the mining industry.

These developments have paved way for meaningful engagement on the Mining Charter

USEFUL LINK

Chamber of Mines responds to cabinet appointments

and the finalisation of the Mineral and Petroleum Resources Amendment Bill (MPRDA).

During the State of the Nation Address, Ramaphosa stated that the MPRDA will be finalised by the end of the first quarter. Furthermore, the President committed to work with stakeholders to revitalise the mining industry and his intervention has led to the joint agreement for the postponement of the court application of the Reviewed Mining Charter.

The recent changes in the composition of the economic cluster Ministers has been widely welcomed. The new Minister of Mineral Resources, Gwede Mantashe has a long history with the mining industry, however, labour also has proximity to the Minister as well. This is not expected to cause major challenges. Mantashe is a seasoned politician and has the ability to balance stakeholder expectations. The appointment of Nhlamhla Nene and Pravin Gordhan in Finance and Public Enterprises, respectively, has been largely welcomed.

The new leadership has a big task of restoring investor confidence and ensuring policy and legislative certainty as well as an enabling environment for the economy to thrive. The Chamber welcomes the government's new leadership and anticipates that it will provide a conducive policy and operating environment for the mining industry.

Whilst the ANC's organisational challenges, issues of service delivery, corruption and allegations of state capture remain, the recent changes provide

hope that governance challenges at State-owned entities will be addressed and that confidence will be restored in the law enforcement agencies, including the National Prosecuting Authority.

The Terms of Reference for the Judicial Commission of Enquiry (Commission), which is led by the Deputy Chief Justice Raymond Zondo, were gazetted early this year and include probing whether there was undue influence in the awarding of mining licences. National Treasury was delegated to ensure that the Commission has adequate funding to carry its mandate and this has been encouraging.

The Portfolio Committee on Mineral Resources (PCMR) also resolved to hold its own enquiry into capture of the DMR. This was decided after former Minister Zwane consistently failed to appear before the PCMR. Both the PCMR's enquiry and the Commission might request members of the Chamber to appear to give evidence. Members should be ready to participate when requested to do so.

Parliament's effectiveness will be in the spotlight in the coming months, seeing that the country will hold national elections early in the second quarter of 2019 and politicians spend most of their time in their respective constituencies during the build up to elections.

The capacity challenges at the DMR and other regulatory issues remain, however, the industry is expected to be supportive of recent positive changes in our political landscape and contribute towards economic stability.

A REVIEW OF MINING INDABA 2018

Mining stakeholders from around the world, including producers, investors, government officials and service providers once again attended the annual Investing in African Mining Indaba which took place between 5 and 8 February this year.

Behind closed doors and on public platforms, key discussions, debates and investor meetings were held that will influence the coming year in our industry across the continent with most participants having expressed a cautiously optimistic view for the prospects of mining in the coming months.

Once again, Mining Indaba was an important opportunity for the Chamber of Mines and its members to discuss some of the key issues the South African mining industry is facing. A number of media briefings and discussions took place with local and international media, including:

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MONDAY, 5 FEBRUARY 2018

The **State of the Mining Industry** media briefing was hosted by Chamber CEO, Roger Baxter and Vice President, Neal Froneman. The facts and figures pocketbook for 2017 was launched at the briefing.

TUESDAY, 6 FEBRUARY 2018

The **Mining Charter, today and tomorrow** was hosted by Chamber CEO, Roger Baxter, Senior Executive: Public Affairs and Transformation, Tebello Chabana and Senior Executive: Employment Relations and Legal, Dr Elize Strydom.

USEFUL LINKS

Mining Indaba 2018: Chamber of Mines hosts media briefing on the state of the mining nation

Mine SA 2017 facts and figures pocketbook

USEFUL LINKS

Mining Indaba 2018: Chamber of Mines hosts media briefing on the reviewed Mining Charter



A REVIEW OF MINING INDABA 2018 CONTINUED

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TUESDAY, 6 FEBRUARY 2018 (cont)

Restoring the dream – achieving the potential of the SA mining industry

Chamber CEO, Roger Baxter presented a keynote address on what the industry and its stakeholders can do to contribute to restoring the South African dream by ensuring that the full potential of mining is achieved.



USEFUL LINKS

Restoring the dream presentation

Restoring the dream: speaker notes



Small group media discussion: emerging miners

The Chamber also hosted a small group media discussion on the work currently being done by the Chamber's Emerging Miners' Desk. The session was hosted by Grant Mitchell, who heads up the Emerging Miners' Desk. He was joined by Paul Ranamane, Group Executive Chairman of Opal Mining who reached the semi-finals of the Mining Indaba Investment Battlefield Competition.



USEFUL LINKS

Emerging miners' desk congratulates Opal Mining for reaching the semifinals of the Mining Indaba investment battlefield competition

Chamber-mentored black emerging miner hits high spots in contest



WEDNESDAY, 7 FEBRUARY 2018

At the media briefing on the Coal Strategy for the South African mining industry, the Chamber published the full report. The briefing was hosted by Chief Economist: Henk Langenhoven and Senior Executive: Environment, Health and Legacies, Nikisi Lesufi.

USEFUL LINKS

Mining Indaba 2018: Chamber of Mines hosts media briefing on the coal strategy for the South African coal mining sector

National Coal Strategy for South Africa

Chamber exhibition stand

The Chamber's exhibition stand – manned by Head: Administration, Jeannette Hofsaier and Head: Stakeholder Relations, Zakithi Zama – proved to be an effective tool to engage with various stakeholders and to provide additional information about the industry and the Chamber's activities.



A REVIEW OF MINING INDABA 2018

CONTINUED

Overall, the Mining Indaba was a great success and provided a platform for many stakeholders to interact and engage on various topics that are critical to the industry and its stakeholders.

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HEADLINES

A THIRD OF SA MINERS SAY NO NEW INVESTMENTS IN 2018 – SURVEY

The survey of 16 companies accounting for over 80% of national mining output included all of the big players such as Anglo American and Sibanye-Stillwater.

5 February 2018

“TONE DEAF” MOSEBENZI ZWANE FAILS TO READ THE ROOM



#miningindaba18: Regulatory environment threatens investment in mining

FINDING A SHARED VISION

Patrick Cairns / 8 February 2018

Restoring the relationship between government and the mining industry



#MININGINDABA: CHARTER AT THE MERCY OF Z LEADERSHIP

Mining industry makes compelling case for protection of coal

WHY PROSPECTS FOR COAL ARE LOOKING UP

BE FRIENDLIER PLEASE, SA TOLD

SA needs to offer a more conducive business environment to investors or they will turn to opportunities elsewhere. But mining minister Mosebenzi Zwane has made them feel particularly unwelcome.

RESTORING THE DREAM

ACHIEVING THE POTENTIAL OF THE SA MINING INDUSTRY

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In his address at the 2018 Mining Indaba, Roger Baxter, Chamber CEO, discussed how the mining industry reaching its full potential could help restore the South African dream.

THE IMPORTANCE OF MINING TO SOUTH AFRICA

Roger began his address by talking about mining's contribution to the country. In 2017, projected estimates indicate that the industry constituted 6.8% of the economy. In real terms, the industry is estimated to have expanded by 3.7% in 2017, with a contribution of R312 billion. The direct contribution of mining to fixed investment amounted to R93.4 billion; while total primary mineral sales reached R424 billion. Despite the somewhat depressed state of the industry, it paid R5.8 billion in royalties, and taxes of some R16 billion.

Employment stood at 464,667 by the 3rd quarter 2017, up from 457,290 at the end of 2016, largely thanks to industrial minerals - iron ore, chrome, coal, manganese. So despite tough times, the industry is holding its own, helped by a gradual, improvement in the world economy.

REGULATORY ENVIRONMENT

However, Roger said, the challenges of the regulatory environment in 2017 were arguably the worst the industry has ever experienced. The extent of the damage done to South Africa's institutions, the economy as a whole and the mining industry in particular, has been immense, he said. The unilaterally imposed revised Mining Charter resulted in a loss to South African listed mining companies of R51 billion in one day.

Key governance and policy challenges have eroded business and investor confidence. Using just one benchmark as an example, the Fraser Institute Investment Attractiveness Index ranks South Africa in the top quartile for mineral potential. But, conversely, South Africa is ranked lower than other mining jurisdictions in terms of best practice policy, legislation, regulation and operating environment. There's clearly a mismatch between potential and current outcomes, Roger emphasised.

The Fraser Institute Investment Attractiveness Index ranks South Africa in the top quartile for mineral potential

Roger described how, towards the end of 2017, the Chamber had surveyed its members with the following two critical questions:

- What could happen if the policy, regulatory and governance environment improved substantially?

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RESTORING THE DREAM

ACHIEVING THE POTENTIAL OF THE SA MINING INDUSTRY CONTINUED

- Is the industry's current lack of investment attractiveness and the contrast in rankings for different criteria by international institutions due to a lack of potential or is it due to the negative impacts of toxic policy, poor governance and an uncertain regulatory environment?

Sixteen companies making up the bulk of mining production in South Africa participated in the survey, the results of which informed the *What if?* report.

The survey results highlighted the issues affecting investment, production, transformation and contribution to the economy by the industry:

- 1** The lack of a nurturing environment to stimulate long-term investment, exacerbated by a regulator which has failed to build partnerships for growth.
- 2** Ongoing policy and legislative uncertainty, with the June 2017 Reviewed Mining Charter the biggest blow to the industry.
- 3** Poor governance in the DMR with political interference in the award of prospecting and mining rights, state capture, unethical leadership, the hollowing out of capacity in the DMR.
- 4** Infrastructure constraints (for example the electricity crisis and the curtailment of mining to what is possible using 90% of normal electricity supply, and the lack of a dedicated heavy haul rail facility for manganese) have curtailed competitiveness and investment.
- 5** The exacerbating impact of failing local authorities (and concomitant heightened community protest action) on the lack of trust between business and society and the very real impact that has on mining operations.
- 6** The uncertain political outlook, coupled with unprecedented low levels of business and investor confidence, act as disincentives for investment in mining in South Africa, but also in relation to other sectors.



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RESTORING THE DREAM

ACHIEVING THE POTENTIAL OF THE SA MINING INDUSTRY CONTINUED

A further critical finding of the survey was that the estimated currently planned capital spending in the mining sector of R145 billion could potentially increase by R122 billion or 84% in a more stable and conducive environment. Around 48,000 jobs could be created in the industry, with both direct and indirect jobs amounting to around 150,000.

NEW LEADERSHIP

Roger said that the Chamber and its members are cautiously optimistic about initial signals from the new leadership of the ruling party. He expressed hope for a renewed focus on responsible and ethical leadership in the national interest. Ethical leadership, good governance and adoption of competitive, stable and predictable policies would mean considerable new investment in mining, create huge economic and transformation benefits for the country and a sizable increase in jobs, export earnings, GDP and transformation.

The industry has to deliver lasting benefits and upliftment to employees and their families

The CEO also recognised that the industry itself has much to do:

- contribute to the responsible, safe and sustainable exploitation of the country's mineral resources
- address and bridge the deficit in trust between the industry and neighbouring communities
- deliver lasting benefits and upliftment to employees and their families
- address and redress legacy issues

SAFETY AND HEALTH

Roger spoke of how the Chamber was deeply disappointed by the deterioration in safety performance during 2017. A particular concern during 2017 was the number of accidents related to seismic activity and subsequent fall of ground incidents. There has been a notable increase in the number of rockbursts. At the same time rockfalls, which are typically the main cause of fall of grounds, decreased.

The industry has picked up on this development, and immediately put plans in place to address this. This has been one of the areas that has received much attention from the industry's Zero Harm CEO task team. The Chamber's MOSH learning hub established a task team to develop leading practices on rockbursts, and its findings will be shared across the industry.



RESTORING THE DREAM

ACHIEVING THE POTENTIAL OF THE SA MINING INDUSTRY CONTINUED

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Addressing fall of ground incidents, particularly at deep-level mines, is an area that joint industry efforts have focused on in recent times. This focus is reflected in the more than R150 million that the Mine Health and Safety Council (MHSC) has invested in falls of ground research.

Through the MHSC, more than R250 million has been spent on research into seismicity associated with our deep-level mines. In addition, R40 million has been spent on fundamental and applied research and technology transfer. The research outcomes led to new mine designs and methods. The number of fatalities associated with seismicity has fallen from 48 in 2003 to 7 in 2016.

Roger emphasised that a key driver of modernisation is the emphasis on Zero Harm. While mining is still largely a labour-intensive process, the industry makes use of a wide range of technologies to reduce and prevent health and safety incidents. Central to curbing underground accidents, as far as possible, is the removal of miners from working-face dangers and in-stope health hazards. Where that is not possible, technology is directed at protecting employees.

TRANSFORMATION

In 2017, a survey of Chamber members was carried out to assess the progress the industry has made in terms of the 2010 Mining Charter's transformation pillars. In total, 28 mining companies covering all sectors and representing an estimated 70% of the industry by production and 67% by employment, participated in the survey.

The outcomes showed that, based on the principle of recognition of continuing consequences of previous transactions, ownership of the industry by HDSAs stood at 39% at the end of 2016, which is significantly above the Charter target of 26%. In 2016 alone, some R2.2 billion flowed to HDSAs in dividends from the surveyed companies.

In respect of procurement, the industry continues to exceed targets, as it does in most categories for employment equity.

Also in 2016, the industry spent 5.5% of its annual payroll – of R7.74 billion – on human resource development. This is over and above the skills levy payment of R1.46 billion.



In summary, Roger said it would take the following to restore the dream, and enable the mining industry to achieve its full potential to the benefit of all South Africans:

- **Ethical leadership and good governance from all parties, and a stakeholder leadership partnership to drive a proper growth and transformation strategy for the country**
- **A regulatory and legislative environment that is stable, predictable and competitive**
- **A stable and constructive labour relations environment and an earned social licence to operate**
- **Access to available, efficient and cost-effective infrastructure (such as electricity, rail)**
- **And finally, solutions to improve productivity in terms of next generation mining, and to reduce cost pressures**

USEFUL LINKS

Restoring the dream presentation

The full What if? report, infographic and Business Day op ed by Henk Langenhoven, chief economist

THE IMPORTANCE OF SUSTAINABLE GROWTH

ANDILE SANGQU ADDRESSES MINISTERIAL SYMPOSIUM

The Chamber's Vice President, Andile Sangqu, recently addressed the ministerial symposium at the 2018 Mining Indaba.

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2018 MINISTERIAL SYMPOSIUM

In 2017, Mining Indaba created a new format of the ministerial symposium with the aim of promoting greater engagement among high level guests at the event, which include African mining ministers and mining company leaders.

Roundtable discussions are professionally moderated, allowing participants to discover how national mining governments, financial institutions and mining companies are currently working with each other. This process also helps identify challenges that create obstacles to Africa's optimal mineral development as well as ascertain potential strategies for addressing these challenges.

At the 2018 Indaba, in-depth discussions were held on each problem identified in 2017 with the aim of coming up with a set of solutions for each issue. The intention of the programme is to develop a short-to medium-term action plan to build an extractives sector that works for all.

Issues discussed included a lack of trust, lack of engagement, capacity deficit, governance and regulation gaps, weak inter-sectoral linkages, and the need for greater engagement with the financial sector.

Andile began his address by noting the common ground between the themes of this year's World Economic Forum (WEF) and the Mining Indaba. The theme of the WEF was *Creating a Shared Future in a Fractured World*, which resonates with the Mining Indaba's focus on innovation, sustainability and collaboration – specifically the challenge of providing the foundation for sustainable junior and major mining growth in Africa.

Both themes are forward-looking and both recognise that sustainability must be at the heart of all that we do, said Andile.

"As the 48th WEF annual meeting sought to rededicate leaders from all walks of life to developing a shared narrative to improve the state of the world, so do we – as government leaders, business, key opinion formers and influencers – have a role to play in developing a shared narrative to develop and improve conditions in Africa for all her people. It is our collective task to steer a way to harness our natural resources and talent to drive sustainable



THE IMPORTANCE OF SUSTAINABLE GROWTH CONTINUED

Andile identified key challenges with the potential to get in the way of sustainable growth.



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and innovative growth," Andile continued.

WATER

The mining industry has for many years been grappling with issues around water, its availability, its scarcity, and its propensity to act as a medium for contamination and pollution. The current unprecedented crisis in Cape Town has sharpened the focus on concerns around water and climate change. "It is our job to translate the realities of these threats into future mining scenarios, their impact on host

communities, and on the very sustainability of this industry," said Andile.

DIGITALISATION AND THE FOURTH INDUSTRIAL REVOLUTION

Andile expressed how it was important to consider the opportunities host countries could create while seeking to harness local talent, thus mitigating any potential adverse effects on employees and communities.

ARTISANAL AND SMALL SCALE MINING (ASM)

ASM is a very serious challenge in South Africa and takes place most often at abandoned mines and in many cases in disused portions of operating mines. Because these activities are illegal, it is almost impossible to determine an exact value for the ASM industry. However, it is believed to run into billions annually. It presents a range of negative social and financial impacts including serious risk to the personal safety of the miners concerned.

ATTRACTING INVESTMENT

"We need to re-ignite our mining economies to make them attractive to investors," said Andile. He went on to stress the importance of capital and asset managers who are no longer just passive business partners, but, with their access to the best of human capital, and with track records of spotting and shaping trends, their acumen will be a critical ingredient in providing the constant impetus for innovation and sustainable solutions for the industry.

CELEBRATING 30 YEARS OF THE WORLD GOLD COUNCIL

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Chamber CEO, Roger Baxter and Chamber Vice President, Neal Froneman, were included in a special reception at this year's Mining Indaba to celebrate 30 years of the World Gold Council (WGC). Below are some highlights from Roger's and Neal's addresses and an introduction by WGC's Chief Market Strategist, John Reade.

John began by focusing on the major structural changes and drivers of change in the gold market over the longer term. He said the WGC had found it very instructive to examine how the market has changed over the 30 years of the Council's existence.

John said that if we rewind to 1987, we would see that the gold market was:

- smaller and more concentrated
- less open and efficient market
- not well understood and often mistrusted
- relatively inaccessible to most consumers and, particularly, investors
- viewed as peripheral and archaic by governments, policy makers and regulators

Citing a long list of positives for gold, John highlighted that over 30 years we have seen annual gold mine production grow by 88% and the value of that production increase by 427%. More countries now produce gold than ever before – no one country dominates – and it plays a more significant role in many developing economies, particularly in Africa. Over the same period, the volume of annual gold demand has more than doubled and the value of that demand has grown by 475%.



More people in more countries now own gold – for more reasons – than at any previous time in history. The gold market is now shaped by a great diversity of drivers and this contributes to a far more robust market which, over the longer term, should be of benefit to most industry participants.

This is no longer a western-led, jewellery-led market. The key structural changes have been:

- the rise of investor interest and demand for gold
- the growth of demand in the East, with China and India now constituting over 50% of annual physical demand

John concluded, "Although the global picture for gold is far more robust and positive, we have to acknowledge the challenges facing the industry, not least for production in the country with the world's most substantial reserves of unmined gold – South Africa."

CELEBRATING 30 YEARS OF THE WORLD GOLD COUNCIL CONTINUED

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Roger began his address by looking back on the history of the WGC. The opportunity to participate in creating and promoting a market for gold demand was first identified at the Chamber's Gold Producers' Committee meeting. A detailed study of the role that the Chamber might play in promoting gold sales led to the establishment of the International Gold Corporation – or Intergold – in 1971, with members of the Gold Producers' Committee as its first board of directors.

Intergold gave special emphasis to sponsorship and participation in jewellery associations and other bodies concerned with gold promotion. People such as Robin Plumbridge, retired Chair and CEO of Gold Fields; and Tom Main, former Chamber Chief Economist and CEO, became acknowledged world experts on gold and, for 15 years, the precious metal was promoted through Intergold.

In 1986, the Chamber's Council set out the terms of reference of the WGC. Agreement was reached to transfer Intergold's assets and activities to the new Council, registered in Geneva. The rationale behind the formation was largely the fact that global gold production had increased and was forecast to continue increasing, and that it was important to bring into the marketing initiative these other producers. The implementation of sanctions in 1986 also contributed greatly to this decision.

Of course, a number of South African producers – AngloGold Ashanti and Sibanye-Stillwater among them - remain members of the WGC and play their part in the development and marketing of this metal.

Roger emphasised that despite the fact that South Africa is no longer the significant producer it once was on a global scale, to South Africa, the gold sector remains important. In 2017 the sector produced 138 tonnes of gold, paid royalties of R1 billion and employed 112,000 people.

The Krugerrand remains the world's most widely-held and actively-traded gold bullion coin

Roger also took the opportunity to talk about the Krugerrand, a joint success story between the Rand Refinery, Chamber of Mines and the WGC. The Krugerrand – which turned 50 years old last year - remains the world's most widely-held and actively-traded gold bullion coin, with more than 60 million units having been sold globally. It was developed in the 1960s by the Chamber of Mines working with the South African Reserve Bank and the South African Mint.

Following the collapse of the gold standard in 1971, the promotion of gold – and hence the establishment of Intergold and then the WGC - was considered vital. The chosen vehicle to drive demand was the Krugerrand.

Krugerrands were mass produced to enable the 'man in the street' to purchase gold easily and with confidence. In 1980, the fractional Krugerrands were added to the 1oz Krugerrand so the smaller buyer could buy gold at an affordable price.

Although Krugerrands are legal tender, their value has never been displayed on the coin. This is because the value of each coin is its fine gold content, which is linked to the prevailing gold price.

"The Krugerrand really is worth its weight in gold," concluded Roger.

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Neal's focus in his address was how can to get resources out of the ground, in the safest and most efficient way, while at the same time ensuring that shareholders, employees and communities all benefit.

There are four key issues that Neal described as critical for the future of the gold sector:

MODERNISATION

Neal said, "By modernisation, I do not mean mechanisation. I mean the transformation of how we work at every level of the organisation, recognising that people – and not machines – are at the heart of what we do. To be successful, introducing technology will need to be addressed in a holistic manner, adopting a systems and people-centric approach. All elements of mining – including reporting structures, skills development, change management, stakeholder engagement, community development and environmental

management – will need to evolve to suit the requirements of mechanised operations.

"So what do we mean by a modern mining industry? In brief, a modern mining industry will optimally extract and beneficiate the country's natural resources, causing no harm to people and planet. It benefits both the local community as well as the national economy. It procures locally, is a preferred employer of well-skilled people and creates appropriate risk-adjusted returns for investors. Regulations, taxation and incentives are consistent, transparent and recognise mining as a long-term driver of economic growth."

SOCIAL COMPACTS

The second key issue Neal highlighted was that of a social compact between management and labour, although social compacts can and should operate at many levels – including with communities.

A modern mining industry will optimally extract and beneficiate the country's natural resources, causing no harm to people and planet

Said Neal, "In 2015, the CEOs of five of the country's top gold companies penned an open letter to our colleagues in labour. In it, we stressed that the South African gold mining industry was facing challenging times and that we, as leaders, wanted to start a constructive conversation with the leaders of organised labour and our employees that will contribute to the sustainability of the gold industry and, as a result, the retention of employment.

"We indicated that the industry was at a crossroad, with many stakeholders – from investors, to communities, to labour, to companies and government – of the belief that the industry is not meeting expectations. An onerous responsibility rests on the leaders of labour and business to manage the economic and social returns from gold mining in ways that minimise conflict and restore stability, certainty and confidence among all stakeholders about the future. We also said that we believed that the leaders of business and organised labour cannot continue to do things the way we have done them in the past. We need to move away from our history of adversarial, positional bargaining where the focus is only on our own narrow needs without regard to the future viability of the industry and the jobs and livelihoods it supports."

Neal explained that while some of these ideas found some traction, in the end the appeal for a social and economic sustainability compact was not accepted. Three years later, wage negotiations are due to start again and more mines and shafts have closed, more jobs have

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CELEBRATING 30 YEARS OF THE WORLD GOLD COUNCIL CONTINUED

been lost, and, he believes, the precipice faced three years ago is even steeper.

TRUST DEFICIT

The third issue Neal spoke about was the trust deficit between mining companies and society. He urged those interested in this subject to take a closer look at the Zambezi Protocol. The Protocol sets out a template for Africa to realise optimal value from its vast mineral wealth based on a foundation of trust and more constructive partnerships. It challenges all industry stakeholders to develop a vision of what a sustainable, successful industry should look like.

HONEST AND ETHICAL GOVERNANCE

Lastly, Neal pointed out that nothing would be possible without honest and ethical governance, and a ministry that supports the industry rather than undermining it. "As an industry, and

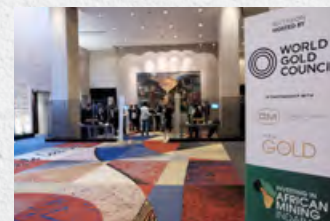
indeed a country, we will only be able to reach our full potential if we are able to encourage investment by achieving policy certainty; eradicating any associations with corruption and state capture; and stopping wanton disregard for the law, such as the inappropriate use of Section 54s, in its tracks."

Neal concluded by saying that, the collective custodians of the South African gold industry in business, government and labour, have to choose, and choose quickly. "Do we want to see the South African gold industry sustained and thriving for another 50 years or are we content to allow it to peter out and die?"

The Zambezi Protocol sets out a template for Africa to realise optimal value from its vast mineral wealth

USEFUL LINK

The Zambezi Protocol



NATIONAL COAL STRATEGY FOR SOUTH AFRICA

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The Chamber of Mines Coal Leadership Forum recently commissioned a report – National coal strategy for South Africa - to determine what needs to be done to improve the profile of the coal mining industry against increasingly negative public opinion around the use of this resource.

The South African coal mining industry recognises and accepts the science of climate change and that human activities have a negative impact on the earth's climate

USEFUL LINKS

[Full national coal strategy report, executive summary and speaker notes](#)

[Coal Mining Matters](#)

The Forum, consisting of coal executives, believes that coal is the most variable and valuable chemical of all mineral commodities and that it should be protected, nurtured and used wisely. They are also of the opinion that ensuring South Africa remains competitive and able to meet the energy demands of the country's developing economy, while at the same time reducing carbon emissions, will require close collaboration between all stakeholders including suppliers, users of coal and regulators.

The coal strategy for South Africa outlines the challenges faced by the coal mining sector. The report also provides some insight into the future as a number of different scenarios were developed which could play out in the future depending on various factors that could impact the demand for, and supply of coal.

Nikisi Lesufi, the Chamber's Senior Executive: Environment, Health and Legacies and Henk Langenhoven, the Chamber's Chief Economist, gave a media briefing on the coal strategy at the recent Mining Indaba. At the briefing, Nikisi and Henk made it clear that the South African coal mining industry recognises and accepts the science of climate change and that human activities have a negative impact on the earth's climate. The industry also understands the need to act to ensure that South Africa remains competitive in a carbon-constrained world.

THE ROLE OF COAL IN SOUTH AFRICA

Nikisi and Henk outlined the key role coal has played and continues to play in South Africa.

The commodity has been instrumental in the country's development and even today remains one of our most abundant and valuable resources. It remains a critically important source of primary energy (electricity and liquid fuels) that drives our economy. More than 82% of our electricity requirements are met by coal. The coal mining industry has significant impact on the manufacturing, construction and finance as well as electricity sectors. It is the largest component of mining by sales value.

In 2017, the coal industry:

- employed 81,962 people
- paid employees R22 billion in earnings
- indirectly created and sustained 170,000 jobs outside the industry
- paid R1.1 billion in royalties
- contributed R123.2 billion in sales

NEGATIVE VIEWS ON COAL

Negative views on coal and its impact on the environment have resulted in a precipitous decline in the use of coal by the major economies of the world. Many jurisdictions, including South Africa, have put in place strict environmental laws which have affected demand for coal.

More than 82% of our electricity requirements are met by coal

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NATIONAL COAL STRATEGY FOR SOUTH AFRICA CONTINUED

A total shift in demand for our coal from European markets to Asia has taken place, with India now accounting for almost half of our country's total exports in terms of volumes.

In South Africa, the government has ratified the Paris Agreement on Climate Change which came into effect in November 2016, demonstrating government's commitment to address the challenges associated with climate change.

Nikisi and Henk spoke of how in South Africa, three industries in particular will be adversely affected by the implementation and enforcement of strict environment laws. These include the electricity and the liquid fuels manufacturing sectors and the iron ore and steel industry. Together, these sectors account for more than 80% of domestic coal demand in terms of value and approximately 70% in terms of volumes.

Significant strides have been made in mitigating emissions arising from coal powered electricity generation. Technologies such as high efficiency, low emissions (HELE) drastically reduce

greenhouse gas emissions, while carbon capture storage can be used to achieve the same outcome.

Coal remains the cheapest baseload technology. If the South African economy is to remain competitive, it is critical that the least cost option for electricity generation forms part of the energy mix.

Nikisi and Henk also spoke of the launch of the Coal Mining Matters initiative. This is a collaborative approach by South African coal producers, under the auspices of the Chamber of Mines, to provide insight into the coal industry and its contribution to the country's economy and society at large.

For the foreseeable future, coal will continue to play an important role in the South African economy and the industry is committed to investing in and making use of clean coal technologies in order to actively participate in the country's transition to a low-carbon economy.

Significant strides have been made in mitigating emissions arising from coal powered electricity generation



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OPAL MINING REACHES SEMI-FINALS OF THE MINING INDABA INVESTMENT BATTLEFIELD COMPETITION

The Chamber of Mines Emerging Miners' Desk (EMD) recently congratulated Paul Ranamane, Group Executive Chairman of Opal Mining, on reaching the semi-finals of the 2018 Mining Indaba Investment Battlefield Competition.

Opal Mining is moving ahead with plans to mine vanadium, coal and platinum group metals. Lawyer Paul runs Opal full-time, and his future strategy for the company includes having its own operating mines and listing on an appropriate securities exchange.

Opal is a member of the Chamber of Mines and has been working closely with the EMD. The EMD assists emerging miners by providing advice and support and acts as a resource centre for the smaller Chamber member companies. In addition, the EMD provides smaller member companies with advice and assistance in raising finance for projects, in some technical aspects of mining such as geology and engineering, in skills development, and compliance with the Mineral and Petroleum Resources Development Act (MPRDA) and the Mining Charter.

There were 22 participants in this year's Battlefield competition, which was won by Toronto-listed Thor Explorations for its gold exploration project in Nigeria.

Grant Mitchell who heads up the EMD said: "We are extremely proud of Paul and his team. This is a tremendous achievement, particularly given the challenging environment in which emerging miners operate. We look forward to seeing Opal Mining going from strength to strength."



USEFUL LINK

Chamber of Mines Emerging Miners' Desk

THE INVESTMENT BATTLEFIELD COMPETITION

Identifying the best emerging mining companies for investors and supporting the development of new projects is a critical part of Mining Indaba. The Investment Battlefield Competition takes this a step further. Over a one day session, participating emerging mining companies pitch their projects on stage to a panel of investor judges, who provide on-the-spot feedback.

Mining Indaba defines an emerging mining company as a relatively new business that is currently developing one or two projects. Companies must have a market cap of below \$50 million or be a privately-owned company with equivalent market value, be located in Africa, and must be an active mining company (not just own exploration licences).

Competition prizes include a free stand at the following year's Indaba and promotion in the post event report.

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RELEASE OF FACTS AND FIGURES POCKETBOOK

The Chamber launched its Facts and Figures pocketbook for 2017 on 5 February 2018 at the Mining Indaba's State of the Mining Industry media briefing, hosted by Chamber CEO, Roger Baxter and Vice President, Neal Froneman. The Chamber's Chief Economist, Henk Langenhoven, and his team compiled the pocketbook which showcases the mining industry and provides insight into what the numbers mean for our country and the future of the industry.



USEFUL LINK

Chamber of Mines Facts and Figures pocketbook for 2017



GOODBYE TO ELIZE

On 28 February we said a fond farewell to our Senior Executive: Employment Relations and Legal, Dr Elize Strydom. Labour law and employment relations expert Elize joined the Chamber in 1999 as an industrial relations manager and rose through the ranks to her executive position, serving the Chamber and industry loyally for 19 years. Elize is highly respected in many quarters, from members of the Chamber to organised business - thanks to her work at Business Unity SA and in Nedlac - and among the unions, their leaders and shaft stewards with whom she has been negotiating for many years.

Elize will be deeply missed. But we wish her all the best for the future.

COAL MINING MATTERS LAUNCH

On 7 February, Nikisi Lesufi, the Chamber's Senior Executive: Environment, Health and Legacies and Henk Langenhoven, the Chamber's Chief Economist, announced the launch of the *Coal Mining Matters* initiative at a Mining Indaba media briefing on the coal strategy.

Coal Mining Matters is an initiative by South African coal producers, under the auspices of the Chamber of Mines, to provide insight into the coal industry and its contribution to the South African economy and society at large. The aim of the initiative is to provide accurate, honest and balanced information about coal's contribution to the development of the South African economic landscape, the work currently underway by the industry and the plans in place for its future.

ADDITIONAL INFORMATION – LATEST MEDIA RELEASES

To find out more about the Chamber's recent activities, take a look at the media releases listed below:

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5 December 2017

Chamber talks partnership at launch of Kuruman one-stop centre

13 December 2017

What if? Mining investment in South Africa in an improved policy and regulatory environment

15 December 2017

Chamber of Mines notes Nersa's approval of a 5.23% electricity tariff increase for 2018/2019

18 December 2017

Chamber of Mines notes outcome of 54th ANC national conference leadership election

10 January 2018

Chamber of Mines welcomes appointment of Judge Zondo to head state capture inquiry

26 January 2018

Chamber of Mines welcomes publication of terms of reference for state capture inquiry

2 February 2018

Chamber pleased to note all employees at Sibanye-Stillwater's Beatrix mine were safely brought to surface

7 February 2018

Emerging Miners' Desk congratulates Opal Mining for reaching the semi-finals of the Mining Indaba Investment Battlefield Competition

7 February 2018

Mining Indaba 2018: Chamber of Mines hosts media briefing on the coal strategy for the South African coal mining sector

16 February 2018

Chamber welcomes election of President Cyril Ramaphosa

17 February 2018

Chamber of Mines applauds President Ramaphosa's commitment to ethical leadership and to putting South Africa first

18 February 2018

Chamber agrees jointly with DMR to postpone court application on Reviewed Mining Charter

19 February 2018

Chamber recognises court order

21 February 2018

Chamber of Mines notes budget speech

27 February 2018

Chamber of Mines responds to Cabinet appointments

20 March 2018

Chamber notes statements by Minister of Mineral Resources

