



A NEW STRATEGY FOR THE PLATINUM SECTOR

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PGM SECTOR REMAINS ONE OF THE LARGEST COMPONENTS OF THE MINING INDUSTRY TODAY

IN 2018, THE PGM SECTOR:

Largest
mining employer

Significant export
revenue
earner

Significant development,
investment and
transformation
footprint



Contributed
R0.9 billion
in royalties



Exported around
89%
of metals produced

Produced around
270 tonnes
of PGMs

Earned around
R96 billion
in revenue

PGM sales amounted to
around
R105 billion
(R94 billion exported)



Paid employees
R48 billion
in earnings



Employed around
168,000
people directly

SOUTH AFRICAN ECONOMY HAS BENEFITED SIGNIFICANTLY FROM PGM MINING

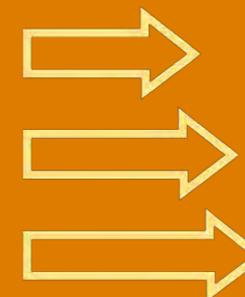
THE PGM INDUSTRY:



Profits distributed to multiple stakeholders, principally across the South African economy

In 2006 the SA PGM mining industry:

- employed over 200,000 people
- produced 9.9Moz of PGMs valued at R65 billion (US\$9.6 billion)
- margins were typically above 30%
- capital expenditure was nearly R20 billion (US\$3 billion)



VIABILITY OF PGM INDUSTRY IS UNDER SERIOUS THREAT



AN INDUSTRY FACING SERIOUS HEADWINDS

Most significant financial indicators (return on assets, return on investment, gearing etc.) **have deteriorated significantly**

- By 2018 the SA PGM industry:



employed around 168,000 people



produced 270 tonnes of PGMs valued at R105 billion (US\$7 billion)



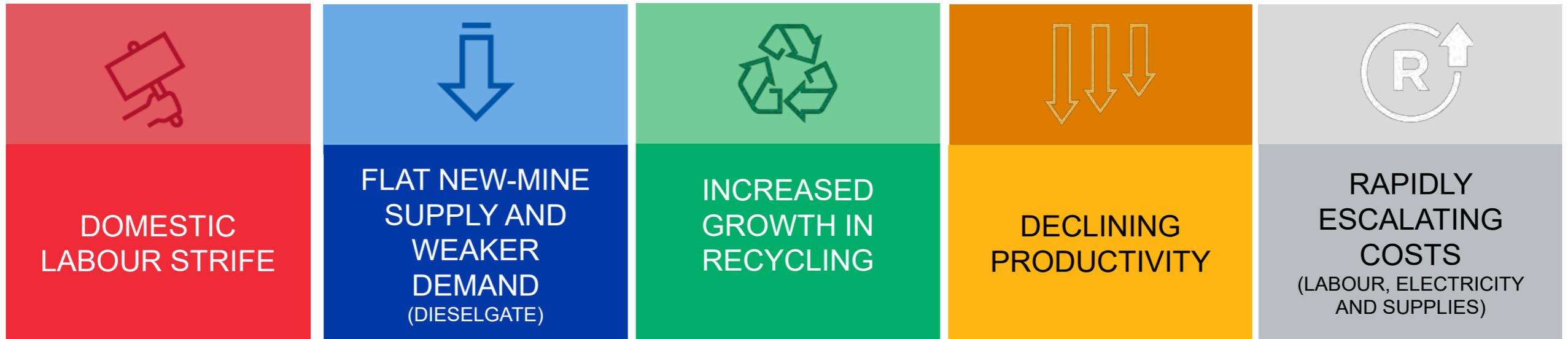
margins on average were negative and the industry made an aggregate loss



capital expenditure below R10 billion (US\$0.7 billion)

INDUSTRY CHALLENGES

- Challenges in the platinum market resulted in sustained decline in the \$ price
- Structural changes in global supply and demand fundamentals include:



ESKOM TARIFF INCREASES

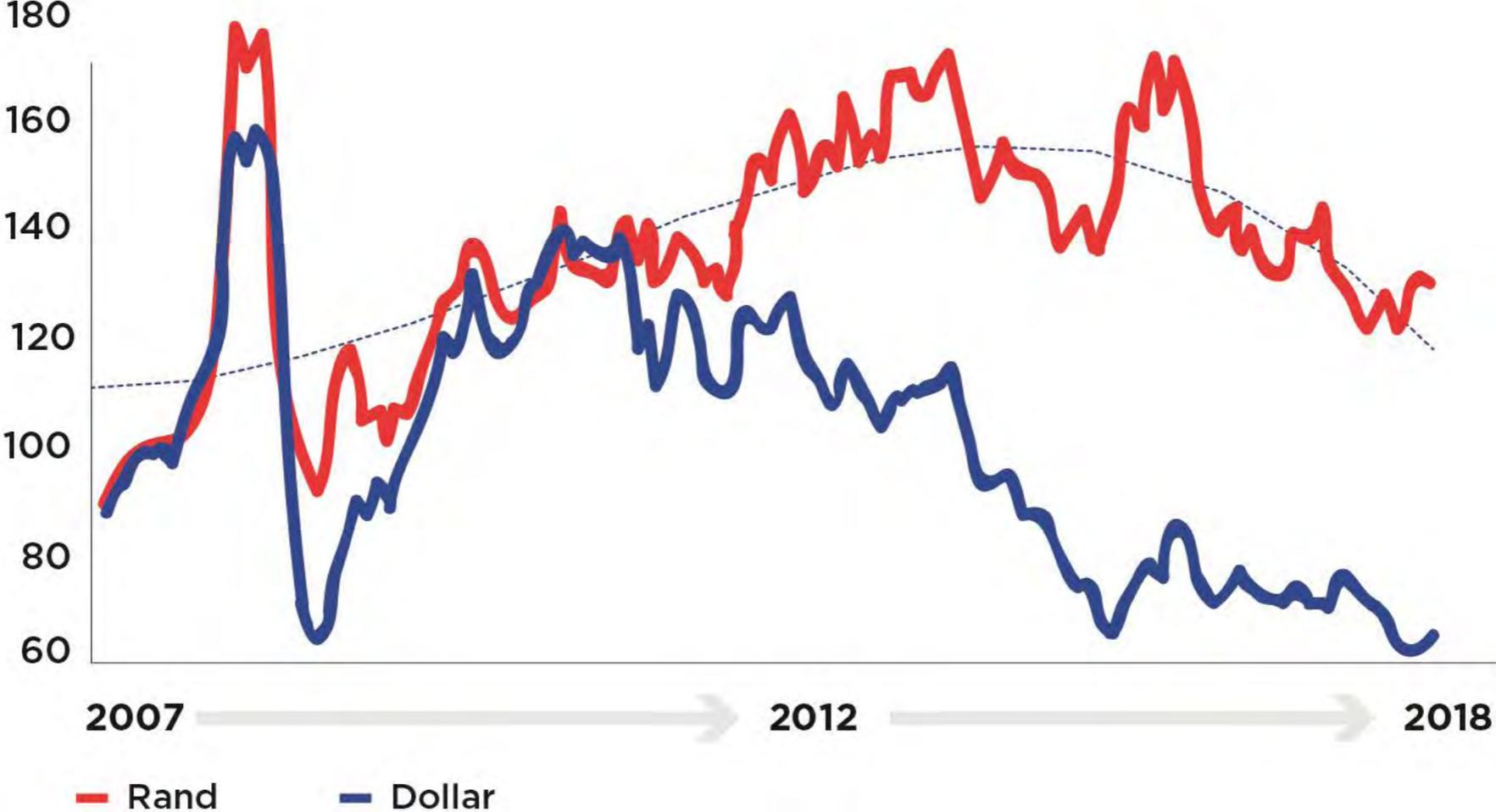
At the end of 2018, more than 65% of PGM operations, representing 52% of PGM production were marginal or loss-making at prevailing prices

Approximately 89,964 jobs are currently at risk **at these marginal operations**

On an aggregated basis, total industry production costs measured in tonnes milled will increase by 29.6% between 1 April 2019 and 1 April 2021

By the end of 2021 Eskom tariff increases will result in 75% of PGM operations being marginal or loss-making, **representing 67.2%** of production and threatening 111,766 jobs

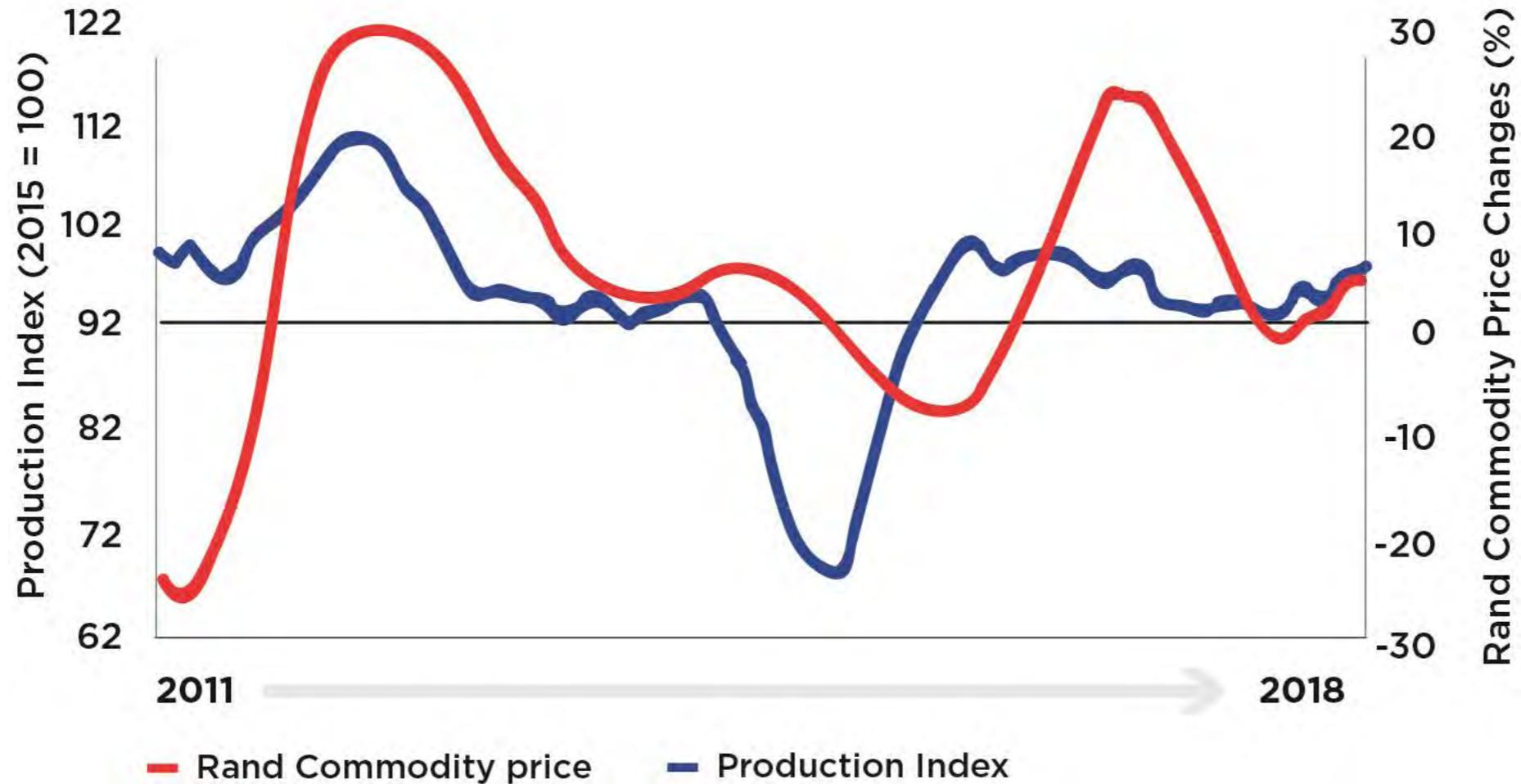
PLATINUM PRICE MOVEMENTS (2007 – 2018)



Source: World Bank, Stats SA, SA Reserve Bank, Minerals Council South Africa

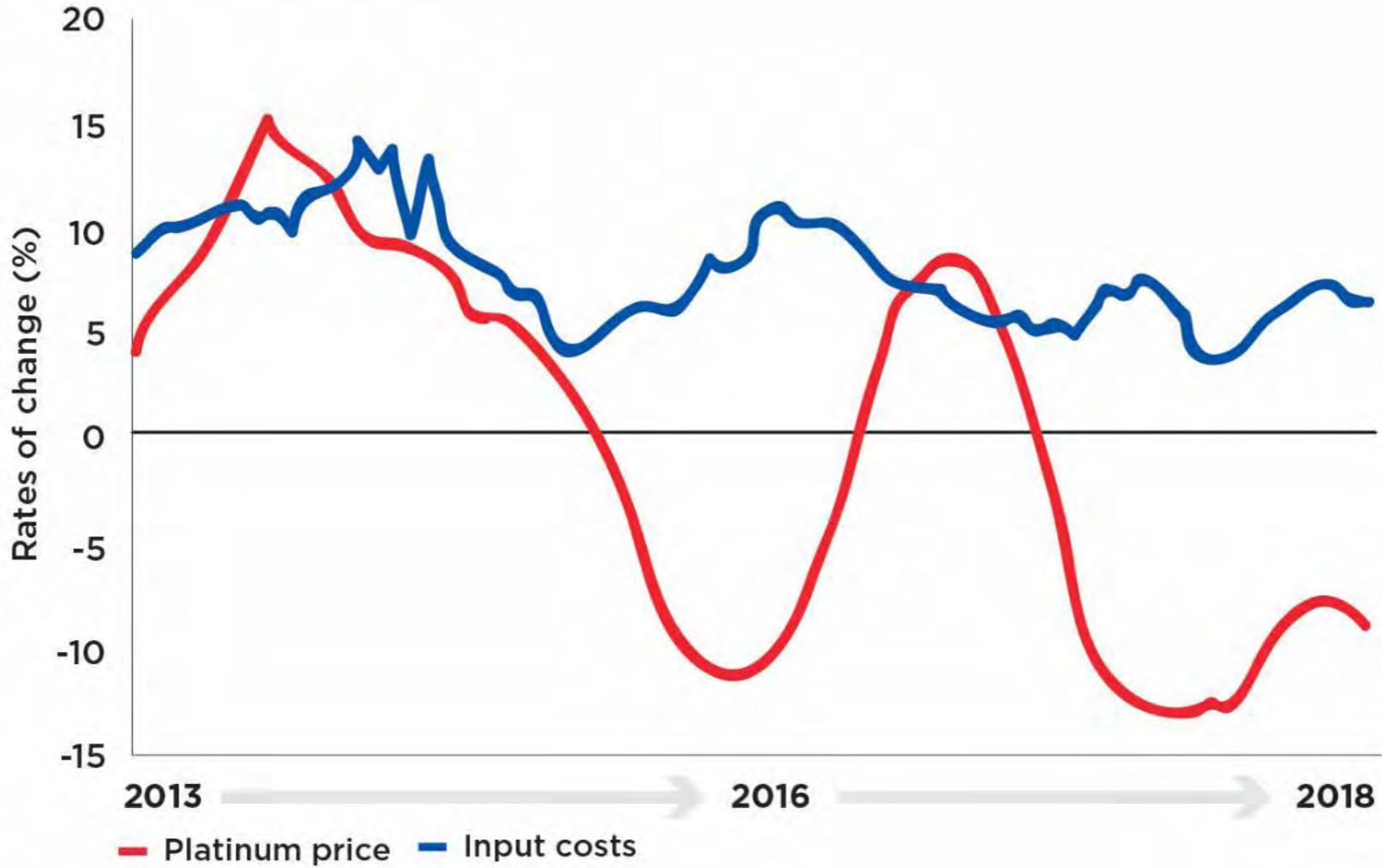


PLATINUM PRODUCTION (2010 – 2018)



Source: World Bank, Stats SA, SA Reserve Bank, Minerals Council South Africa

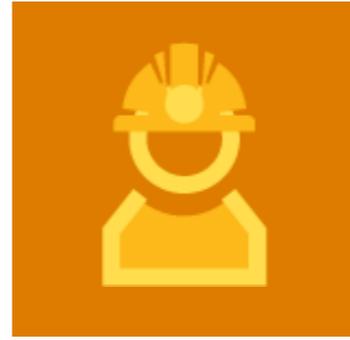
PLATINUM PRICE AND COST CHANGES (2013 – 2018)



Source: World Bank, Stats SA, SA Reserve Bank, Minerals Council South Africa

NATIONAL PLATINUM STRATEGY FOR SOUTH AFRICA

- Viability of SA platinum industry under threat
 - **Bold action required to ensure industry achieves its full potential**
- Economic, taxation, investment, employment and transformational impact of realising potential would be game-changing for South Africa
- National Platinum Strategy for South Africa is aimed at:
 - addressing the current crisis
 - preventing further erosion of the economic capacity of the industry
 - ensuring that the world's largest PGM resource realises its full value



1 MILLION
ADDITIONAL JOBS

R8.2 TRILLION
CONTRIBUTION TO
SA'S ECONOMY
BY 2050

ESSENCE OF THE STRATEGY AND ACTIONS REQUIRED

THE STRATEGY WOULD:

Identify key
“Leadership Champions”
among stakeholders
to populate the public-private
steering committee to drive
the vision, process and
implementation of the strategy

Develop strong and
focused partnerships
between key stakeholders
and role players, including
all relevant government
departments

Identify the opportunities for short-term interventions
aligned with long-term strategic goals, including market
development in all platinum and PGM demand segments and a
specific focus on fuel cell electric vehicle market share growth

ESSENCE OF THE STRATEGY AND ACTIONS REQUIRED

ACTIONS REQUIRED INCLUDE:

Agreement on the critical need to promote platinum and to increase demand on a global scale

Agreement by government, platinum mining industry and other key stakeholders (labour and fabricators) on critical need to develop and implement a proper National Platinum Strategy for South Africa



Establishment of a leadership public-private steering committee, urgent announcement of a National Platinum Strategy and actions that will be taken to support it and implement it to secure an economy changing future

Five key areas that the National Platinum Strategy should focus on

Milestone Plan to ensure the effective implementation of the National Platinum Strategy

Five key focus areas



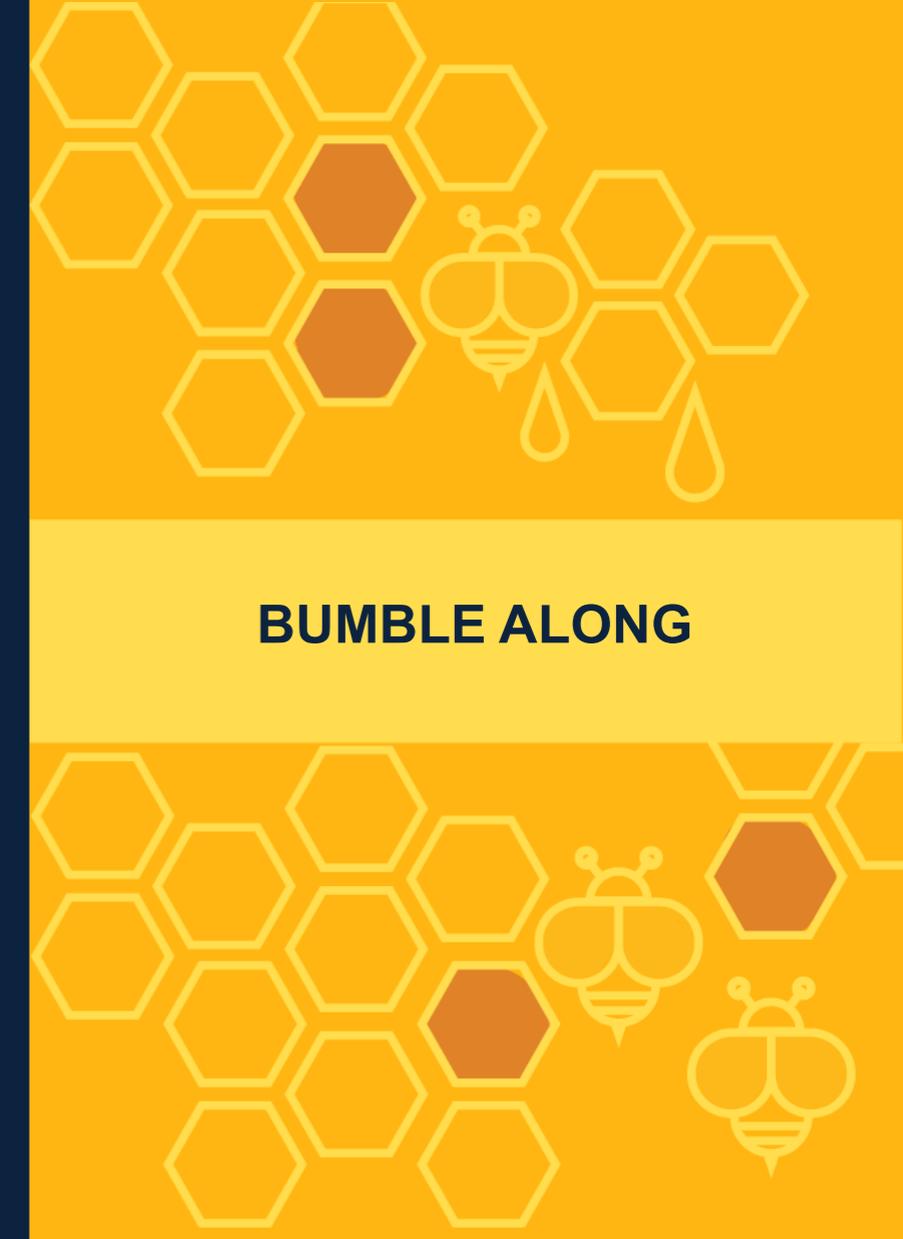
TWO POSSIBLE SCENARIOS



Two possible scenarios

The “Bumble Along” scenario:

- Global PGM demand remains flat/declines as a result of limited market development and loss of market share
- Rapidly escalating costs, falling productivity and limited cooperation between stakeholders, as primary supply fails to grow in line with flat demand
- Limited use of new technology
- Production remains flat
- Investment declines
- Lower grades and increased mining depth
- Strong correlation between people employed and tonnes milled – employment numbers remain flat or decline
- By 2050:
 - no annual growth in PGM supply
 - value of PGMs produced (in 2015 average price terms) is US\$168 billion
 - total direct employment declines to around 132,000 from around 188,000



BUMBLE ALONG

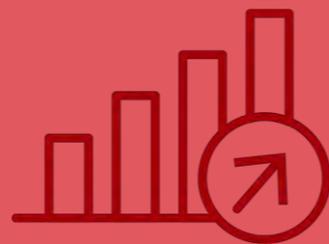
Two possible scenarios

The “High Road” scenario:

- Strong leadership, bold action and coordinated cooperation between all South African stakeholders results in recovery in short-term viability and increased collaborative investment in market development
- Increased investment achieves growth in all demand segments and the FCEV strategy can be supported as a long-term strategic aim
- FCEVs gain significant market share, jewellery sector and investment demand grow
- PGM production grows at a similar pace to match growth in demand
- Gradual modernisation of mining methods leads to employment growth of 2% per annum
- Rising productivity enables 2.54% growth in South African mine production
- By 2050:
 - PGM supply grows by 2.5% annually
 - Value of PGMs produced (in 2015 average price terms) is US\$273 billion
 - Total direct employment increases to around 376,000 from around 168,000



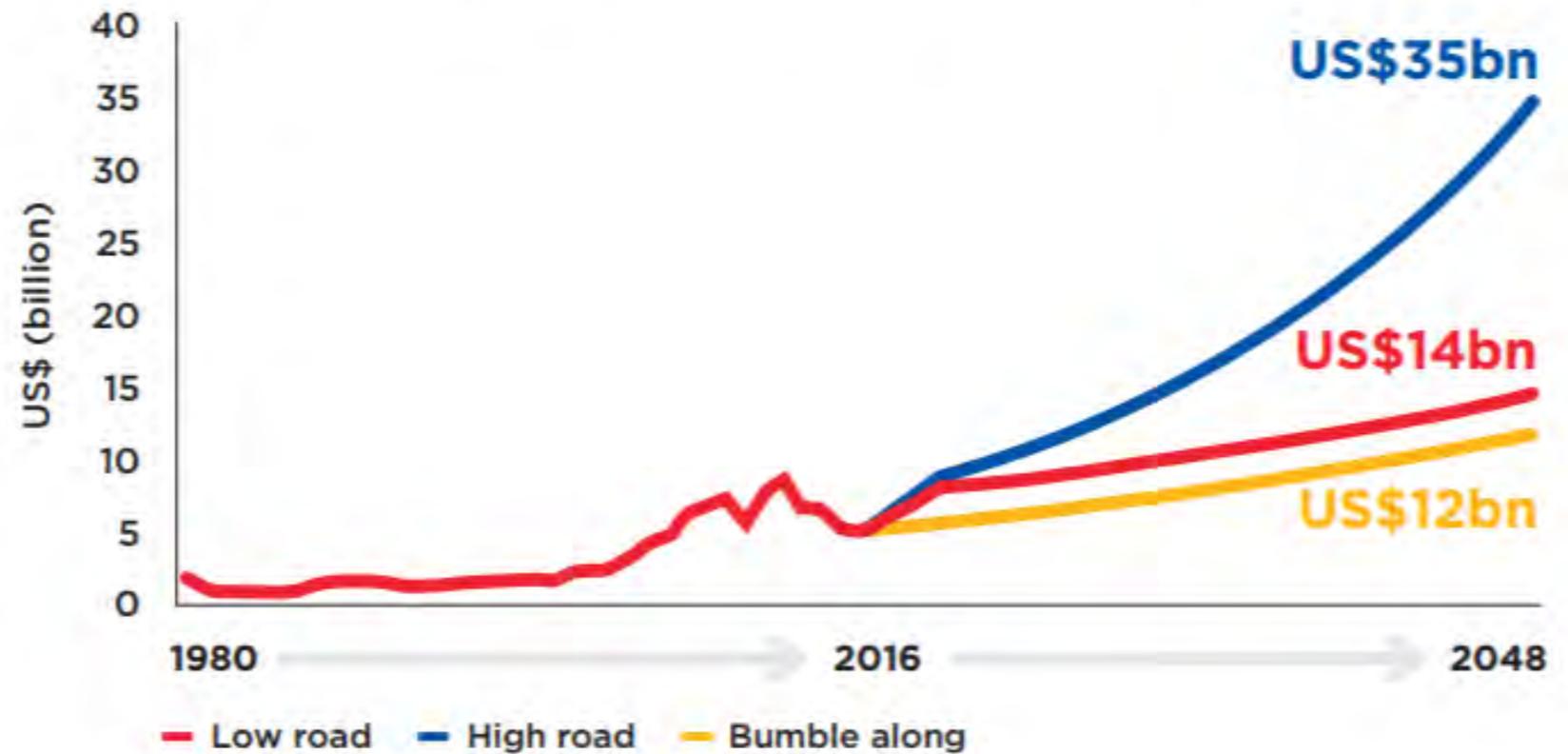
ACHIEVING THE POTENTIAL OF THE PGM INDUSTRY



ACHIEVING THE POTENTIAL OF THE PGM INDUSTRY

If PGM industry is enabled to achieve its full potential the economic and social benefits for the country would be material

US\$ value of South African platinum scenarios



ACHIEVING THE POTENTIAL OF THE PGM INDUSTRY

By 2050:

- **PGM production** and **GDP** would more than double (**up 141%**)
- **Total direct and indirect employment** would rise to **one million people**
- **Salaries and wages** paid to employees would **increase**
- **Supplier industries** would **more than double** sales to PGM sector
- **Growth** would attract **new investment** in PGM and associated industries
- **Economic transformation** would receive a **major boost** from growth in the sector, helping overcome legacies and driving positive societal change (through ownership, skills development, procurement, etc.)
- **Export earnings** from PGMs would **rise** substantially, creating significant export earnings for the country
- **Tax revenue** would **increase** which could in turn support the national budget priorities



Impala Platinum

Thank you

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