

MEDIA STATEMENT

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MINERALS COUNCIL SOUTH AFRICA PUBLISHES INTEGRATED ANNUAL REVIEW AND FINANCIAL STATEMENTS AT 130th ANNUAL GENERAL MEETING

Johannesburg, 27 May 2020: The Minerals Council South Africa announced the publication of its Integrated Annual Review and Financial Statements for the year ended 31 December 2019 at its 130th Annual General Meeting today.

This report has been structured around the Minerals Council’s strategic goals, covering noteworthy events and developments during this period, as well as notable subsequent occurrences.



MINERALS COUNCIL STRATEGY AT A GLANCE

STRATEGIC PLAN

- Strategic goal 01:** Play a leadership role in building business resilience for the mining industry.
- Strategic goal 02:** Create a sustainable mining industry that is socially, environmentally and economically responsible.
- Strategic goal 03:** Minerals Council continues to be a leading voice in the industry on human resources, skills, and workforce development.
- Strategic goal 04:** Lead in research, innovation, and technology to improve the mining industry's productivity and safety.
- Strategic goal 05:** Continue to be a leading voice in the industry on sustainable communities and environmental protection.

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MINERALS COUNCIL STRATEGY AT A GLANCE

Strategic goal 02: Create an enabling regulatory, legislative and funding environment for a sustainable mining industry.

Strategic goal 03: Minerals Council must continue to improve its own time, resources and expertise to ensure it is a leading voice in the industry.

Strategic goal 04: Lead for quality, innovation and safety in the mining industry.

Strategic goal 05: Continue to be a leading voice in the industry on sustainable communities and environmental protection.

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In his letter from the President of the Minerals Council, Mxolisi Mgojo said: “COVID-19 is a matter that is difficult to address ...our industry appears to have shown its mettle by addressing this scourge rapidly and head on, in a way that has held out the best chance of sustaining our industry through this disastrous period.”

Roger Baxter, Minerals Council CEO commented in his review on South Africa’s economic crisis: “As it is, well before the COVID-19 disaster struck, our industry and South Africa were

already facing a range of severe crises. At the forefront of these were the broader economic and fiscal crises that were being exacerbated by Eskom's power insecurity and debt challenges, the latter of which had a material impact on mining production during 2019. These factors also set up the eventual March 2020 decision by Moody's to withdraw South Africa's last investment grade rating as set by the top three ratings agencies."



Strategy and structure

LETTER FROM THE PRESIDENT



This is my third presidential message in the Minerals Council's Integrated Annual Report. As I reflect on the events of 2019, I'd like also to reflect on the developments and trends of the past three years, as I believe they tell some profound stories of our industry and of our country.

I do need to begin, however, by addressing a matter of which none of us had heard by the end of 2019 but which is having a greater impact on our industry, and on the world, than anything in living memory.

COVID-19 is a matter that is difficult to address in a letter of this sort, because whatever I say at the time of writing will have dated by the time you read this. I would like to say, however, that our industry appears to have shown its mettle by addressing this scourge rapidly and head-on, in a way that has held out the best chance of sustaining our industry through the disastrous period. It has optimised preventative measures and has so far succeeded in minimising disruptions. In doing so, it has also served the interests of mining communities and of our entire country in the best way it possibly could.

But let's go back a year and examine the issues of health and safety more directly related to our industry. Tragically, the year 2019 began with the tailings dam tragedy at Brumadinho in

Brazil that killed 270 employees and townspeople caught in the path of the dam collapse. The tragedy impressed on all of us the need to assess, and reassess, the state of our tailings facilities and, where necessary, take action to strengthen them.

The Minerals Council and a number of its members have also played an active part in the work of the independent task team appointed by the International Council on Mining and Metals (ICMM) to develop a global tailings standard. We continue to follow its work with active interest.

The year 2019 was something of a turning point in health and safety in South Africa. We are gratified that the industry achieved a significant improvement in performance, most notably having recorded the lowest number of fatalities due to accidents in the industry's recorded history. This is particularly the case after the reversals of 2017 and only limited improvements in 2018. The improving trend in occupational health and safety performance was notable too.

However, as is clear from the launch of our #RustenburgIsSafe campaign in October 2019, we will remain disatisfied with our performance for as long as it takes to eliminate loss of life from our workplaces. Zero fatalities can be our only acceptable goal.

COVID-19 is, of course, not the only external force buffeting our industry and our economy. Eskom's financial and operational travails will still be with us long after the COVID-19 nightmare has passed.

In 2019, load shedding and load curtailment severely constrained mining output, forcing it often to have to reduce power consumption by up to 20%. Almost invariably, this halted production of metallurgical plants. It has been a severe disincentive to new investment and prevented our mines from taking advantage of improving commodity prices in many sectors. Load curtailment reached a peak on 9 December with the advent of stage 6 load shedding, bringing home to businesses, households and government the parlous state of Eskom.

That was less than three weeks after the announcement of the appointment of Andre de Ruyter as the organisation's new CEO.



Strategy and structure

CHIEF EXECUTIVE'S REVIEW



I am sure it is the case for all of us that, when we reflect on the events of 2019, it is impossible to clear from our minds the unprecedented and frightening COVID-19 events that began to afflict our world from December 2019 and profoundly fully entered our consciousness and lives from February 2020.

At the time of writing, these events were still developing, so I will not attempt to offer any perspectives on them, other than to say that the impact of the spread of the disease and South Africa's lockdown will be felt intensely by our industry and our country for a long time to come. As I reflect on the events of 2019, these reflections need to be seen as an attempt to adhere to annual routines in a world where normal routines no longer seem to apply.

Economic crisis

As it is, well before the COVID-19 disaster struck, our industry and South Africa were already facing a range of severe crises. At the forefront of these were the broader economic and fiscal crises that were being exacerbated by Eskom's power insecurity and debt challenges, the latter of which had a material impact on mining production during 2019. These factors also set up the eventual March 2020 decision by Moody's to withdraw South Africa's last

investment grade rating as set by the top three ratings agencies.

The Minerals Council had been watching carefully and anxiously through the year for signs that government was ready to address the economic crisis with the seriousness it deserved. While a degree of lip service was paid to it, regrettably neither the October Medium Term Budget Policy Statement (MTBPS), the February President's State of the Nation Address (SONA) nor the February 2020 Budget took sufficient action. Nor did the plans through the year of the Department of Trade and Industry, in essence, the critical structural reforms necessary to turn the economic tide, to enable greater private sector competition and investment in the economy were not implemented as government clung onto an outdated state-controlled model, which, combined with corruption and unethical leadership, are mostly responsible for the economic malaise that South Africa is in.

Roger Bester
CEO - Minerals Council South Africa

There was one ray of light in the National Treasury's Economic Transformation, Inclusive Growth, and Competitiveness plan. But while it avoided rejection, it wasn't sufficiently embraced either. However, not until the 2020/21 Budget with its proposal to drastically cut state employment spending and the warmer embrace of the National Treasury plan, did we see anything approaching the action that was needed. And particularly with the negative union reception of the Budget plans, it was too little, too late.

These crises did prompt a new approach by the Minerals Council, and by organised business in general, towards engagement with government on these matters. The Minerals Council was a critical part of engagement with and between the other top business associations - Business Unity South Africa, Business Leadership South Africa, the Black Business Council, the Association for Savings and Investment South Africa and the Banking Association of South Africa - towards the end of 2019 and in early 2020 to ensure a more assertive and progressive approach by organised business in 2020 to setting the economic agenda.

The review aims to provide Minerals Council members and other key stakeholders a holistic view of its performance as well as its challenges and opportunities.

Both the Integrated Annual Review and Financial Statements 2019 may be accessed on the Minerals Council website at: www.mineralscouncil.org.za/industry-news/publications/annual-reports

For further information, please contact:

Charmane Russell

Tel: +27 82 372 5816

Email: crussell@mineralscouncil.org.za or charmane@rasc.co.za

Alan Fine

Tel: +27 83 250 0757

Email: alan@rasc.co.za

Web: www.mineralscouncil.org.za