

ADDRESS BY MXOLISI MGOJO
PRESIDENT OF THE MINERALS COUNCIL SOUTH AFRICA
ON THE STATE OF OUR MINING NATION
1 FEBRUARY 2021

Good morning to everyone on this call. As Roger has said, usually we would be gathering in person in Cape Town and have these conversations with you in person, but that is not to be this year!

So, instead, we are very grateful for the means to engage with you virtually, and thank you for your attendance.

Before I begin, may I ask please that we all switch our cameras on so that we are fully present, and bow our heads in a moment's silence in remembrance of those who died in mining related accidents in the year that has passed, and all those South Africans who have succumbed to Covid-19. There is not one amongst us, I would imagine, that has not been touched by the tragedy of lives prematurely ended at the hands of this disease. In particular, I would like to pay tribute to our 275 miners who have lost their lives to Covid-19, including our Minerals Council board member, Shadwick Bessit.

[1 Minute silence]

Thank you. May their souls rest in peace.

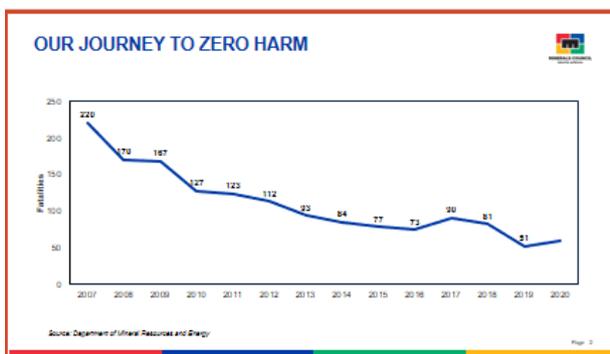
You are welcome now to switch your cameras off, as I share with you the Minerals Council's view on the current state of the mining nation, where after Roger and I would be happy to take your questions.

Slide 1: Introduction



There is an old adage that says that a picture is worth a thousand words. With this in mind, I would like to share with you 10 pictures that encapsulate where we are as an industry today and how we got here.

Slide 2: Our journey to Zero Harm



First, our absolute and foremost priority as an industry is, and must be, the health and safety of our employees.

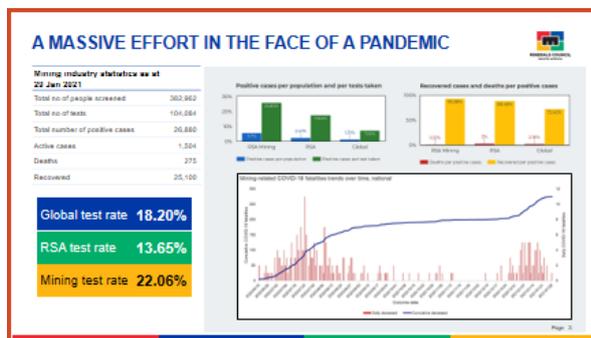
It is with great regret that I must share with you that we experienced a misstep on our journey to Zero Harm in 2020.

The industry's safety performance in 2019, and the years leading up to it, was a tribute to the deep and intensive collaboration between role players – companies, unions and the DMRE – in putting safety at the forefront of everything that we do. In 2019, we recorded the lowest ever number of fatalities on record in our mining history, and while we know that it was a good achievement, we recognise that it is not good enough. We continued with our Khumbul'Ekhaya strategy – which means remembering home – with a focus on eliminating fatalities as a result of safety and health incidents. That programme continued in 2020, and in fact broadened to encompass Covid-19, and included what we needed to do to keep employees and their families and communities safe.

That we recorded an increase in fatal accidents in 2020, and this despite shut-downs and reduced operations during the early stages of lock-down, is extremely disappointing to us. It is not a regression that we will accept and has already resulted in more intensive introspection on root causes. What has become increasingly evident to us is that the primary causes of fatalities deserve and will receive intensive attention.

A targeted approach is being put in place to address major causes of fatalities across the various commodities. Falls of ground are a significant challenge in the platinum and gold sectors, while transport-related accidents have mostly affected the coal and platinum sectors. Gravity-related rock falls remain a larger challenge in comparison to seismic-related rock bursts, an area where extensive progress has been made in recent years at our deep level mining operations.

Slide 3: Covid performance



On the health front we have made enormous progress on many fronts, including in respect of TB and silicosis, despite the many challenges that we experienced during the year in respect of occupational health surveillance and management. The way in which the

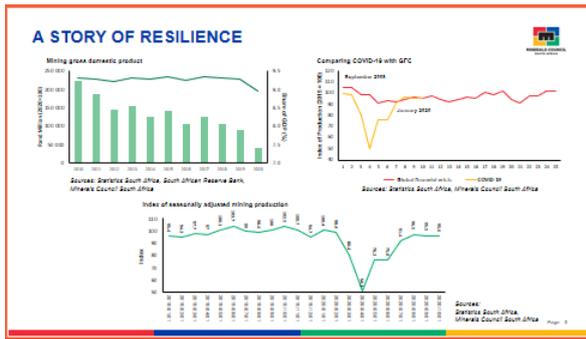
industry is structured and resourced from a health perspective has certainly given us an advantage in dealing with the pandemic in 2020 and going into 2021.

This slide illustrates some of the facts behind the fight against Covid-19 by the industry, which many of you are fully aware of.

I would like to perhaps highlight three things:

1. The first is this: That at no time during the year that has past have we let down our guard, and the same applies to the year ahead of us. Apart from the core basics of sanitising, social distancing and the wearing of masks, the very stringent screening and testing protocols remain in place and are our very first defence against the disease. Each and every day, close on 400,000 employees are screened and, where necessary, tested. To date, we have performed more than 104,000 tests – often through our internally enhanced testing capacity – resulting in a testing rate of 22%, well above the international testing rate, and more than 60% higher than the South African average.

Slide 5: Resilience

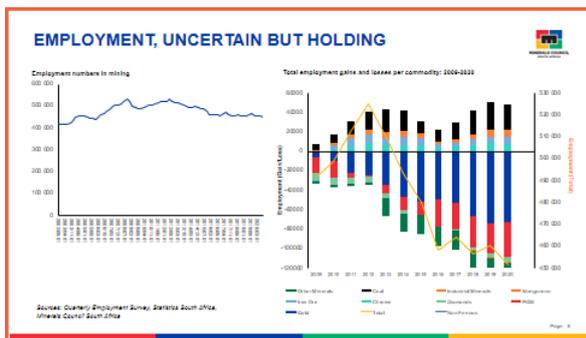


By the Minerals Council's initial estimates, the mining gross domestic product will have declined in nominal terms by nearly 4% in 2020, to a value of R361.6 billion. The Covid-19 lockdown resulted in an estimated inflation adjusted contraction of between 10 and 13%.

Physical production of metals and minerals was between 10 and 12% lower, which has been exacerbated by legacy logistical constraints. But the strong performance of many commodity markets meant that the value of mining turnover rose by 10% and the value of exports by 24%, demonstrating the very real value of a strong mining industry to the Nation.

What our numbers, and the graph [on the top righthand side] clearly show, is the resilience of the industry in the face of this crisis – comparing the response to the Covid-19 pandemic with that of the 2008 global financial crisis illustrates that while the GFC impact was not as deep as Covid-19, the period to recovery was significantly shorter at almost two years.

Slide 6: Continuing employment



Ask any South African what indicator they would use to gauge the health of an industry, and I would imagine that employment must come at the top of many lists.

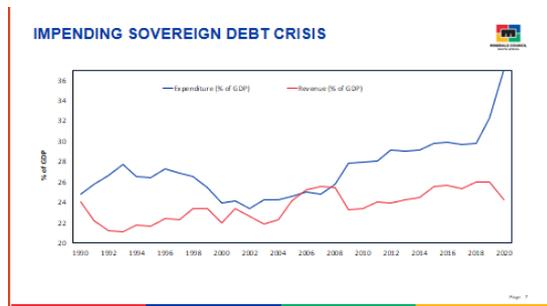
From available data we have seen a decline in employment year-on-year, but nowhere near as large as might have been expected. And this was, in large part, a tribute to the way in which the industry – with the support of employees, unions and the DMRE – got back to work, safely and sooner than most other industries.

That being said, the future is less certain, and the ability of the industry to sustain jobs is going to be dependent on whether the industry can attract sustaining and growth capital. An urgent action on economic policy reform and certainty to encourage the flow of this capital cannot be overstated.

Aligned with employment, of course, is compensation. And given that – as a rule of thumb – every job in our sector supports two downstream jobs, and every employee supports between five and 10 dependents, the investment becomes even more critical if between 2 and 4 million South Africans depend on the viability of this .

It was very pleasing that, for many companies in the sector, employees were paid during lock-down, both with the support of Temporary Employment Relief Scheme and even beyond that. Nonetheless, our current estimates are that employee compensation declined by around 9.7% year-on-year, partly as a result of reductions in employee numbers, but also as a result of lock-down production losses.

Slide 7: Impending sovereign debt crisis



As you are aware, the economic crisis we face as a country was not created by Covid-19 – it existed well before the pandemic.

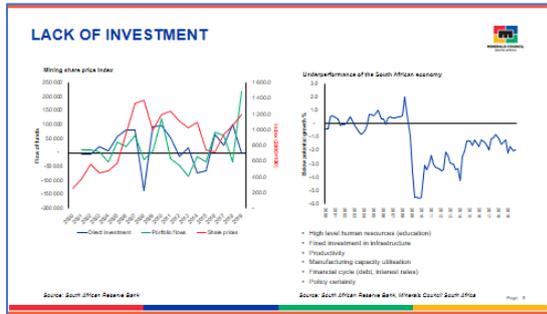
The only way we, as a nation, are going to exit the downward spiral trajectory that we

are currently on is for the President and the entire cabinet to realise that South Africa must become a competitive investment destination, in the top quartile of the World Economic Forum competitiveness rankings. And then, they need to back this up with decisive action.

1. We need material structural and institutional reforms to stabilise the fiscus and public sector debt;
2. to restructure or sell non-performing SOEs;
3. to improve policy certainty,
4. to reduce 'red tape' and make South Africa a much easier place to do business.

As this graph shows, through Government has been spending way beyond our means. And, if we do not fix this, the spectre of a full-blown sovereign debt crisis that is currently facing us will indeed become a frightening reality.

Slide 8: Lack of investment



No number of investment conferences that solicit pyrrhic pledges will attract and create investment. And the evidence of this is clear, and linked to the perennial under-performance of the South African economy over more than a decade.

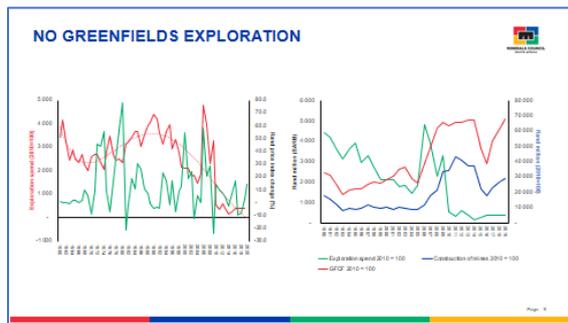
The Economic Reconstruction and Revival Plan tabled on 14 October 2020 does not address the criticality of these structural and institutional reforms. Instead it focuses on a huge infrastructure plan which government has neither the capacity nor the balance sheet to be able to deliver.

And it is not, as has been touted, the product of a business-government ‘meeting of minds’. As many of you will be aware, the mining industry, through Business for South Africa has done an enormous amount of work in making a meaningful and proactive contribution to what needs to be done to be competitive and create investment in South Africa. It has been incredibly disappointing that a lack of decisive action has meant that – six months after the proposals were tabled – we still don’t have a coherent and inclusive plan.

At the risk of repeating myself, what is now needed, urgently, is decisive action from the President Words and vague intentions simply do not cut it in the worlds of dollars and yen.

Government needs to partner with, and enable the private sector investment to grow the economy. It can do this by allowing private sector investment into rail, ports, electricity, pipelines, for example. The current SOE model has failed the nation, and so SOEs continue to constrain competitiveness and economic growth.

Slide 9 a and b: We need exploration to grow our industry



If there was ever an indication of the criticality of more certain, predictable and competitive policy and regulatory environment for investment into exploration and mining, it is these two

graphs.

Between 2000 and 2018 Canada attracted, on average, US\$2 billion in exploration dollars per annum, Australia attracted US\$1.8 billion, while SA attracted only US\$ 194 million during the same period.

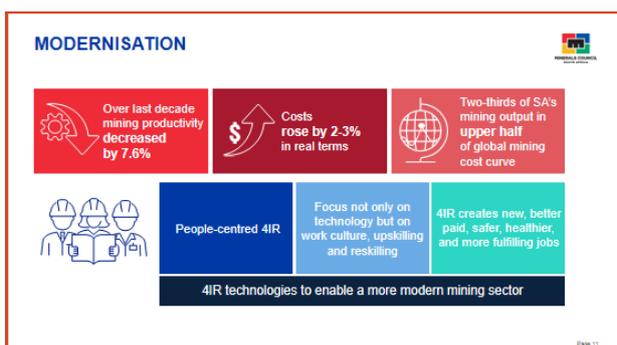
In 2019, South Africa accounted for only 1% of global exploration expenditure and only 0.1% of Greenfields exploration.

Why is this?

- Lack of transparency in the permitting system
- Delays in the issuing of permits
- Regulatory uncertainty
- Lack of properly structured tax incentives for individuals/entities to invest into exploration in SA.

These are only a few and low hanging fruits that could change our economic trajectory within the short term.

Slide 10: Modernisation



An outcome of the pandemic that many of you will be aware of is in the acceleration of the fourth industrial revolution or 4IR. Innovation and 4IR technologies have helped the mining industry manage the pandemic more

effectively than would have been the case 5 – 10 years ago.

Applications that were previously shunned by employees and unions, such as wearables and the remote monitoring of employees, were embraced to ensure the wellbeing and safety of mineworkers as they returned to work after the lockdown.

We have always advocated a people-centred, 4IR-enabled approach to modernisation of the sector.

Using 4IR technologies will also make South African mining and the rest of the economy more globally competitive and ultimately enable mining to make an even larger contribution to our economy and society.

Slide 11: Focus on vaccinations, not vaccines

FOCUS ON VACCINATIONS, NOT VACCINES

Our collective priority and responsibility as a nation is to get as many 'jabs-in-arms' as possible, as quickly as possible, to save lives and livelihoods

- Business has offered its support to government in distributing vaccines to mining employees and mining communities, in line with the clinically established national priorities
- Collaboration with DoH, DMRE and unions
- Extensive communications plan to educate and inform, and deal with misinformation and fear

At least 28 million people (65% of population >15 years) to achieve herd immunity

Mining industry can vaccinate 60,000-80,000 people a day

Aim to vaccinate around 3 million people in 60 days

Cost of distribution to industry of around R300 million

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Last, but not least, let me deal with where we are as an industry in respect of vaccines.

In the words of Professor Koleka Mliasana of the National Health

Laboratory Service, it's not vaccines

that are going to save us, but vaccinations. And this distinction is an important one.

Our collective priority and responsibility as a nation is to get as many 'jabs-in-arms' as possible, as quickly as possible, to save lives and livelihoods.

We believe that as an industry we can vaccinate between 60,000 and 80,000 people a day - so around 3 million in two months. And that's not just our own workforce of 450,000 people. For every employee vaccinated we would envisage vaccinating at least five more people be they employee family members or community members.

What does that mean? It means providing safe custody and storage of vaccines; determining eligibility based on medical priorities; administrative back-up and record-keeping, such as registering who has had the vaccine and when, and ensuring that (where necessary) the second vaccination is done; providing health care personnel and disposables; and of course monitoring. In addition, massive educational campaigns are required. Our estimates are that the industry will spend around R300 million to vaccinate 3 million people.

There has been much speculation about the fact that government has been tardy in its vaccine response. The fact is that the procurement of vaccines the world over is undertaken by governments in the first order. It is quite right, in our view, that the South African government is responsible for procuring the vaccine. What is needed now is for government to fulfil its mandate to the South Africa and expedite the procurement of vaccines as a national priority. And, that it allows and even enables the private sector, to provide support in the roll-out in line with the clinically established national priorities.

Using our significant healthcare infrastructure and capacity, the mining industry is willing and able to work collaboratively, with government and labour to successfully roll-out the vaccination programme and save lives and livelihoods.

Thank you for your attention.



We would be very happy to take your questions related specifically to the issues touched in this address.

After that, I ask you to allow Henk Langenhoven to take us through the highlights of the Facts and Figures

document and, in particular, sector-specific performance.