Mining is important to South Africa
Mining really matters to South Africa

- In 2016, the South African mining industry contributed:
  - 7.7% to GDP (17% including multipliers)
  - Around 15% to FDI
  - 18% of private investment
  - 1.3 million jobs (direct and indirect)
  - 25% of exports (40% if beneficiated minerals are included)

**Sector contributions to mining minerals exports in SA (2016)**

- Gold, 17
- PGM, 26
- Iron ore, 20
- Chrome, 2
- Manganese, 6
- Diamonds, 3
- Coal, 18
- Other, 8

*Source: Chamber of Mines estimates; StatsSA*
Most of the National Development Plan priorities can be tackled by mining

1. Economy and employment

2. Economy infrastructure – The foundation of social and economic development

3. Environmental sustainability – An equitable transition to a low-carbon economy

4. An integrated and inclusive rural economy

5. Positioning South Africa in the world

6. Transforming human settlements

7. Improving education, training and innovation

8. Promoting health

Our dream is a prosperous, growing, transformed mining sector that contributes materially to meeting the goals of the NDP
South Africa’s mining sector is in crisis

Mining is important to South Africa

SA mining in crisis

Solutions—restoring the dream
South Africa’s mining sector is in crisis

- Key governance and policy challenges in South Africa have eroded business and investor confidence, undermining investment.
- Policy and regulatory uncertainty have “frozen” new investment in the sector.
- Real mining GDP in 2016 (R226 billion) is smaller than it was in 1994 (R242 billion).
- Real mining fixed investment has shrunk over the past two years.
- The industry made an accumulated loss of over R30 billion in 2015.
  - In 2017, 65% of RSA platinum mining is loss-making.
- The DMR has provided no assistance to help the industry through the crisis.

The economic opportunity cost of the failure to get the policy, legislative, administrative and operating environment right to promote investment, growth, transformation and job creation in RSA mining is material.
RSA mining is in the doldrums, declining investment, GDP and employment (2015-16)

Growth rates, Mining GDP, Fixed Investment and employment

<table>
<thead>
<tr>
<th>Year</th>
<th>Mining GDP</th>
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<td>1994-2000</td>
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<td>2015-2016</td>
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</table>
RSA mining: net fixed investment is negative (mining companies are barely covering depreciation)
Real Mining GDP in 2016 is smaller than GDP in 1990 (the industry has shrunk)
South Africa’s decline down the investment attractiveness rankings (fallen from 28th /47 jurisdictions in 2003 to 74th /104 in 2016)

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Source: Fraser Institute
South Africa is now ranked a dismal 13th in Africa in terms of its investment attractiveness index (should be in the top 3).
Since 2013 SA’s policy perception index (report card of investment attractiveness of policies) has deteriorated to 84th out of 104 jurisdictions

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Source: Fraser Institute
Despite the country’s potential, policy and regulatory uncertainty are big deterrents to investment.
Critical factors affecting South Africa’s investment attractiveness

UNCERTAINTY REGARDING POLICY

• Uncertainty regarding the ownership element of the mining charter.
• Uncertainty created by the DMR’s unilaterally developed and imposed reviewed mining charter (RMC17).
• Uncertainty regarding the finalisation of the MPRDA Amendment Bill which is incomplete after being published nearly 5-years ago (e.g. remaining uncertainty on s11 approvals).
• Uncertainty regarding the Minister’s proposed s49 moratorium on new right and s11 applications.
• Uncertainty created by double financial provision for environmental rehabilitation.
Critical factors affecting South Africa’s investment attractiveness

The Chamber and its members have lost confidence in the DMR Minister and in his leadership of the DMR

• Significant corruption allegations have not been cleared and the proposed judicial commission of enquiry into state capture has not been established.

• The industry does not believe that the approaches adopted by the DMR are serving the national interest of the country. The negative impacts of the unilaterally imposed RMC17, the proposed s49 rights moratorium, the non-resolution of the charter ownership issues, imposition of inappropriate s54 safety stoppages, etc., are a major crisis for the sector.

• In essence, there is a freeze on investment (it is extremely difficult to get an investment committee to approve any new Greenfields project in RSA).

• The industry is of the firm view that the DMR’s RMC17 is designed to benefit a select few at the expense of the whole country.
Critical issues in the DMR’s Reviewed Mining Charter 2017

Critical points:

- Chamber fully supports the national imperative of meaningful transformation, competitiveness, investment and growth, based on realistic negotiated targets
- DMR Minister chose to abandon the traditional tripartite negotiation process with key stakeholders that were key features of the 1st and 2nd charters
- The Chamber rejects DMR’s unilaterally developed RMC17

#NotOurCharter
Critical issues in the DMR’s Reviewed Mining Charter 2017

Critical points:

- RMC17 contains elements that were never discussed with Chamber (eg. 1% of turnover pa to BEE shareholders, or BEE shareholders being debt free within 10 years)

- RMC17 will appropriate ~R3 billion pa from mining sector into the Mining Transformation Development Agency (MTDA)
  - agency has an unclear mandate and no proposed governance structure; this agency reports directly to the Minister.

- Minister’s comments that Chamber is anti-transformation is disingenuous given the Chamber’s significant commitment to transformation, our participation in development of the first two charters and our achievement of most of the targets

- Minister’s comments that “Chamber is anti-transformation by taking the DMR to court” is a ruse designed to hammer through a RMC17 that is destroying investment, and damaging SA’s mining sector with little transformational benefit for the whole population
Chamber and its members are for ethical leadership, and good governance

The Chamber and its members have:

• Challenged the Minister’s ill-conceived s49 moratorium on new rights
  • Chamber’s notice of motion was made a court order, *sine die*, two weeks ago (the Minister’s proposal was withdrawn).

• Lodged an urgent interdict application for RMC17 to be suspended
  • By agreement the RMC17 has been suspended till the judgement. The High Court dates have been set for later this month, to be followed by a full review application to the High Court.

• Date from High Court to hear declaratory order application on ownership element of Mining Charter
  • Focus on getting clarity on interpretation that continuing consequences of previous BEE deals have to be taken into account

• Expressed frustration on slow issuance of mining rights, prospecting rights and s11 approvals, alleged political interference in selection of BEE partners, and inappropriate application of s54 safety stoppages
  • Result has been many of the companies approaching the courts for relief; this will accelerate

• Supported critical need for urgent establishment of Judicial Commission of Enquiry into State Capture

• Tried to resolve issues via engagement
  • Courts are a last resort – but now necessary
SA MINING UNION CALLS FOR MINISTER ZWANE TO BE REMOVED
The call by NUM, a key ally of the ruling ANC

ANC slaps Zwane down on Mining Charter
01 August 2017 - 05:47 Natasha Marrian

ANC wants urgent meeting with Zwane about Mining Charter
Jun 13 2017 11:13 Lloyd Pegger

New mining charter unsettles investors, wipes R50 billion from the sector: report
Staff Writer 19 June 2017 31 Comments

AMCU WON'T SUPPORT ZWANE'S MINING CHARTER AS DEPT IS DYSFUNCTIONAL
Last week, Mineral Resources Minister Mosebenzi Zwane released the mining charter which increased the black ownership target to 30%.

Zwane's Mining Charter: Risking jobs in a recession
GREG NICOLSON • SOUTH AFRICA • 19 June 2017 11:36 (SOUTH AFRICA)

Mineral Resources Minister Mosebenzi Zwane has claimed that the third Mining Charter will promote transformation, the economy and jobs. But the mining industry has lost jobs in recent years - and the charter might accelerate the decline. By GREG NICOLSON.
Mining is important to South Africa

SA mining in crisis

Solutions - restoring the dream
To get mining back on track requires policy and regulatory certainty

- To achieve this requires recognition of mining’s unique characteristics that include:
- High risk industry, with long lead times from exploration through to mine development and ultimately through to closure
- Very capital intensive. Large portion of capital is spent in development of the mine
- Exposed to cyclical commodity markets
- Generally a 'price-taker' and cannot pass on cost increases to the final consumer
- Geographically captured
- Requires access to cost competitive and efficient infrastructure

To encourage investment into mining, policies need to recognise the characteristics of mining and help reduce the risks of investment in long term projects
Given long life cycle, mining needs predictable, stable and competitive policy and regulatory environment.

**Mining asset lifecycle**

- **Explore**
- **Develop**
- **Mine**
- **Closure**

**Cash flow over life cycle**

**Price cycle**
Examples of significant capital spend to bring new deep platinum resources to account

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<tr>
<td>Initial study started</td>
<td>Project (conceptual phase)</td>
<td>Construction started</td>
<td>Beneficial hand-over</td>
<td>Ramp-up to full production</td>
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Steady state production 2.7mtpa
185,000 oz of Pt

R7 billion from 2013-2018

Jobs created: 6,500 to 7,000

Rule of thumb: 10 years from start of construction to cold commissioning, 4-5 years to build up production, ~7,000 jobs, 20-25 year mine life created
Creating a successful mining sector

- Ethical leadership and good governance and a stakeholder leadership partnership to drive a proper growth and transformation strategy for the country
- Regulatory and legislative environment that is stable, predictable and competitive
- Stable and constructive labour relations environment and better social license to operate
- Access to available, efficient and cost effective infrastructure (electricity, rail)
- Solutions to improve productivity (next generation mining) and reduce cost pressures
Ethical leadership and good governance and a stakeholder leadership partnership to drive a proper growth and transformation strategy for the country

This is key to getting mining back on track:

• Ethical leadership and good governance is key.
• Driving a properly developed growth and transformation strategy.
• Partnerships.
Regulatory and legislative environment that is stable, predictable and competitive

Mining Charter 3 (#notourcharter)
• Needs to be withdrawn and a properly constituted process started to achieve a mutually acceptable and defendable Charter with realistic targets.

MPRDA amendment bill
• Needs to be finalised by Parliament

Section 54 safety stoppages
• Develop an implementation policy pertaining to Section 54s

Carbon tax
• Require significant offsets for carbon intensive trade exposed sectors
The Chamber remains committed to finding workable solutions in the national interest

The Chamber and its members remain committed to finding workable solutions in the national interest:

• This is a resilient industry.
• Stakeholders often get to the precipice, but then realise mutually agreeable solutions are possible.
• Workable solutions are possible – and this requires ethical leadership and a focus on the national interest.
Vision for a competitive, vibrant, growing and transformed South African mining industry that contributes materially to the goals of the NDP

Government and trade unions who are proud and fully supportive of mining industry and acknowledge industry as important for the country

CONSTRUCTIVE PARTNERSHIPS BUILT ON TRUST, AND ETHICAL LEADERSHIP AND GOOD GOVERNANCE

Workforce, that is transformed, productive, skilled, fulfilled, safe and healthy

Key exporter, earner of foreign exchange and taxpayer
Creator of good jobs
Developer of skills
Significant contributor to economy
Driver of transformation

Management not only focus on viability, but provide decent jobs, play positive role in mining communities and sensitive to environment

Investors who regard industry as a good, long-term investment destination