PROBLEMS AND POTENTIAL: THE MINING INDUSTRY TODAY

Mxolisi Mgojo
President, The Minerals Council South Africa
Mining Indaba, 3 February 2020
# President Ramaphosa’s 10 Value-Adding Principles

<table>
<thead>
<tr>
<th>Principle</th>
<th>Description</th>
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<tbody>
<tr>
<td>1</td>
<td>Foster <strong>inclusive growth</strong> in operating areas</td>
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<tr>
<td>2</td>
<td>Partner with local governments to improve <strong>infrastructure</strong></td>
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<td>3</td>
<td>Invest in the <strong>living conditions</strong> of mine employees</td>
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<td>4</td>
<td>Invest in <strong>education and training</strong></td>
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<td>5</td>
<td>Partner with <strong>training colleges</strong>, develop curricula and provide <strong>work experience</strong></td>
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<tr>
<td>6</td>
<td>Embrace <strong>beneficiation</strong> to create employment and improve demand</td>
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<td>7</td>
<td>Invest in the <strong>health and safety</strong> of mine employees</td>
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<td>8</td>
<td>Provide <strong>internships</strong> for young people and <strong>business opportunities</strong> for SMMEs</td>
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<td>9</td>
<td>Prioritise the development of <strong>women</strong></td>
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<tr>
<td>10</td>
<td>Include employees in <strong>company shareholding</strong> structures</td>
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*Vedanta – Gamsberg mine launch, February 2019*
SAFETY PERFORMANCE: 1993 TO 2019

Fatalities and fatality frequency rate

Fatalities in 2019 down 92% since 1993, fatality rate decreased by 90%

Source: DMRE
KHUMBUL'EKHAYA

- A result of the CEO Heartfelt Conversations held in January 2019
- Developed and led by CEO Zero Harm Forum
- Driving and sustaining mining industry's pursuit of Zero Harm

Four critical drivers of Khumbul’ekhaya

- Promote a holistic approach to the elimination of fatalities
- Develop a system of understanding occupational deaths in and beyond employment
- Adopt methods for more effective and competitive training, for example through centralisation and modernisation
- Adopt globally leading practice to learn better and faster from others

Nguni word for “remember home”, because we recognise that fatalities have the greatest impact on loved ones at home
MINING CONTRIBUTION IN 2019

Direct contribution of mining to GDP:
- **R360.9 billion** (2018: R350.8 billion)

Mining GDP growth rate (2018/2019):
- **-2.8%**

Mining contribution as % of total GDP:
- **8.1%** (2018: 7.3%)

Direct contribution of mining to fixed investment:
- **R94.7 billion** (2018: R91.1 billion)

Total primary mineral sales:
- **R538.9 billion** (2018: R475 billion)

Mineral export sales:
- **R348.2 billion** (2018: R312.0 billion)

Royalties paid:
- **R8.6 billion** (2018: 7.6 billion)

Company taxes paid:
- **R24.3 billion** (2018: R22.0 billion)

PAYE by mining personnel:
- **R22.7 billion** (2018: R21.0 billion)

Employment:
- **454,861**

Employee earnings:
- **R135.9 billion** (2018: R134.5 billion)

Value added tax (net outflow):
- **R32.9 billion**

Transfer duties:
- **R16 million**
FOSTERING INCLUSIVE GROWTH

Inclusive growth incorporates almost all other challenges

Government over the past 25 years:
• implementing social transfers
• extending education, healthcare, water and electricity to previously underserved communities

These are essential for a more equal and more economically inclusive society

Over the years, the mining industry has made serious efforts towards inclusive growth

Transformation reports highlights progress made in implementing the Mining Charter

But the extent of growth, including inclusive growth, has been constrained
HINDRANCES AND SOLUTIONS TO INCLUSIVE GROWTH

Hindrances
• International financial crisis in 2008 hit commodity prices badly
• Industry confidence also affected by:
  • Previous government
  • Insecurity of mining rights
  • Regulatory uncertainty
• Today, despite healthier commodity prices, we have the Eskom crisis

Solutions
• Government committed to remedial action and optimising growth
• Redistributive policies
• Local economic and infrastructure development, HR development and training, the advancement of women
• Local beneficiation

Most sustainable basis of inclusive growth is employment

This must be the priority
EMPLOYMENT: 2009 TO 2019
THE POWER CRISIS

Minerals Council: Help, Eskom is downscaling the mining industry

The Minerals Council of South Africa called for “urgent action” by Minister Gwede Mantashe of stage 6 load shedding, which it described as “an industrial policy collapsed mining industry.”

Calling the situation “devastating” and one which represents 90% of the country’s economy, the council welcomed the Department of Resources and Energy (DoReE)’s move to develop new coal mines in the country to meet electricity demand.

South African mines grind to halt as floods deepen power crisis

SA’s Ramaphosa signals Govt may turn to private sector to alleviate power crisis

SA mines shut operations because of Eskom

09 December 2019 - 21:07
BY ALLAN SECCOMBE
<table>
<thead>
<tr>
<th>No</th>
<th>Company</th>
<th>Type</th>
<th>MW</th>
<th>Project lead time (in months)</th>
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<tr>
<td>1</td>
<td>Sibanye</td>
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<tr>
<td>2</td>
<td>Anglo American Platinum</td>
<td>PV No license</td>
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<td>28</td>
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<td>3</td>
<td>South Deep</td>
<td>Diesel Generation</td>
<td>23</td>
<td>0-12</td>
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<tr>
<td>4</td>
<td>South Deep</td>
<td>PV</td>
<td>40</td>
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</tr>
<tr>
<td>5</td>
<td>Exxaro</td>
<td>PV</td>
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<td>6</td>
<td>Orion</td>
<td>PV</td>
<td>38</td>
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<td>7</td>
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<td>8</td>
<td>Harmony</td>
<td>PV</td>
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<td></td>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>609</strong></td>
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SOUTH AFRICA’S FISCAL SITUATION

Public debt to GDP ratio has risen from 24% in 2008 to 60% in 2020
POLICY SHIFTS ADDRESSED IN THE NATIONAL TREASURY PAPER

- Fixing the education system
- Modernising transport and telecommunications infrastructure
- Eliminating unnecessary red tape, especially for small business
- As more labour-intensive forms of mining phase out, labour-rich tourism and agriculture to be further developed
- Industrial policy interventions should use incentives, not punishment, to encourage investment
WHERE WE STAND

Macroeconomic policy shifts need active implementation

• Credibility of criminal system needs to be rehabilitated
  • Responsibility lies with SAPS and National Director for Public Prosecutions

• Regulatory issues need resolution for investor confidence to return
  • Land expropriation
  • Recognition of consequences of past transactions
We – as a mining industry – are willing to play our part in working with government and other stakeholders in salvaging South Africa’s economy. The urgency of carrying out these tasks cannot be overstated.
THANK YOU