



**OPENING ADDRESS BY MINERAL RESOURCES MINISTER, THE
HONOURABLE MOSEBENZI J. ZWANE, ON THE OCCASION OF
THE 2018 ANNUAL INVESTING IN AFRICAN MINING INDABA, 5
FEBRUARY 2018, CAPE TOWN, SOUTH AFRICA**

Organisers of the 2017 Mining Indaba

The Managing Director and our Programme Director, Mr Alex Grose

My colleagues, Cabinet Ministers and Deputy Ministers of the Republic
of South Africa, Africa and across the globe here present

The Deputy Minister of Mineral Resources, Hon. Godfrey Oliphant

Chairpersons of the Portfolio and Select Committees on Mineral
Resources in Parliament, Honourable Sahlulele Luziphho, and

Honourable Olifile Sefako

Leadership of organised labour

Captains of industry, and members of the investment community

Representatives of civil society and communities

Members of the diplomatic and media corps

Distinguished guests

Ladies and gentlemen

“A COMPETITIVE, SUSTAINABLE AND TRANSFORMED MINING INDUSTRY”

It is with great pleasure that I welcome you to the 2018 “Investing in African Mining Indaba”.

Global Economy and Mining

After a period of stabilisation and consolidation in 2016, the mining industry in 2017 continued to strengthen its recovery; rising commodity prices supported increased market capitalisation and upward trends in key activities such as exploration, financing as well as mergers and acquisitions.

The prices for most metals increased year on year in 2017 including zinc by about 40%, copper and iron ore by 20%. Globally, the recovery is expected to continue in the short to medium term, supporting commodity prices and demand. We can therefore confidently assert that the spring in mining is indeed blossoming into a summer.

Recent improvements in exploration activities and expansion projects have, however, been constrained by “balance sheet conservatism” adopted as a defensive measure against the significant decreases in prices and demand between 2011 and 2015. This lag between increase in prices, and increase in exploration activities and increases in supply, is not new to the mining business cycle, but it does represent a massive opportunity cost. We thus wish to congratulate all investors and miners who had the foresight and fortitude to continue exploration and development programmes and who are poised to be the biggest winners in this upswing.

South African Mining Industry Developments

After two consecutive quarters of economic contraction in the fourth quarter of 2016, and the first quarter of 2017, GDP rebounded in the second and third quarters of 2017, growing by 2,8% and 2,0% respectively. This expansion has helped allay fears of sustained economic recession and was driven in no small part by growth in the mining sector, which grew at 8,2% and 6,6% in the second and third quarters, and 5,2% year on year. In fact the mining industry was responsible for no less than 20% of the growth in this period. In the mining sector, the greatest contributors to this growth were the metals including copper, iron ore and PGMs.

Unemployment remains a concern in South Africa, and in 2017 it reached 27,7%. While the industry did not breach the half a million mark in employment, it did register a modest net growth. We have over R220 billion rand worth of investments in the project pipeline, which includes PGMs, industrial minerals, energy and non-ferrous metals, demonstrating that South Africa remains a critical investment destination. We have bountiful reserves of platinum, ferrous and non-ferrous metals, all crucial for industrialisation.

Geology and Mapping

Following the successful hosting of the 35th International Geological Congress in September of 2016, I announced to this audience last year an initiative to maintain the momentum of interest in the geology and exploration investment in South Africa. The 20 billion rand, 10-year intensive mapping programme headed by our Council for Geoscience is proceeding well. We are on track to have a multidisciplinary integrated

“A COMPETITIVE, SUSTAINABLE AND TRANSFORMED MINING INDUSTRY”

mapping platform that constitutes all aspects of the geosciences field, whose pillars are geophysics, remote sensing, physical mapping, engineering geology, structural geology, geochemistry and seismology by 2026.

In the past year we have doubled coverage of the country at the scale of 1 to 50.000, from 5% to 10%. At the same time, in excess of 40 thousand geo-chemistry samples were collected last year, whilst the high-intensity geophysics programme is also advancing well.

With the current drought conditions currently experienced in the Western Cape, it is indeed most welcome that through our entity CGS, we discovered clean drinking ground-water in Beaufort West. This is a result of the multi-disciplinary and integrated approach to our geo-sciences mapping in the country, which is yielding results of science responding to societal issues. We will be handing this resource over to that local municipality next week, so the community can have access to it.

Beneficiation

A major goal of governments across the continent is the meaningful integration of the mining sector to the broader economy, with a focus on manufacturing and services. We urge investors to work with us and to turn these policy directives into mutually beneficial programmes. We have worked to create an enabling environment for mining-linked manufacturing in South Africa. Our energy supply has stabilised and there is sufficient energy for new enterprises. We have established special economic zones with the relevant infrastructure, where investors will benefit from special incentives, infrastructure and proximity to raw materials. As host of over 80% of global reserves, South Africa has taken

“A COMPETITIVE, SUSTAINABLE AND TRANSFORMED MINING INDUSTRY”

the lead in research and development for downstream beneficiation of PGMs principally through the Hydrogen South Africa (HySA) flagship project which is focused on developing downstream beneficiation of platinum through its use in hydrogen powered fuel cells. We stand ready to partner with investors in this and other priority value chains including titanium, iron ore and jewellery.

Junior Miners

The junior miners' programme launched here last year was established to provide opportunities for new entrants identified throughout the mining value chain, as well as assist with issues of access to funding, geological information, compliance and access to markets, in order to diversify ownership and participation and increase investment and job creation in the sector. The emergence of vibrant small and medium scale enterprises is vital for the future of the mining industry as a whole, they are the engines of tomorrow's growth and will embrace the participation of women, youth and rural communities. We will intensify our support to them in 2018, in partnership with development finance institutions and the established mining industry. With me today I have over 50 such companies, active across the mining cluster from prospectors and developers, to small and medium tier operators and mining goods and services suppliers. We encourage you to visit the South Africa stand, number 616 in the Exhibition Hall for further information on the opportunities their projects present for investors.

Compliance

Let me take this opportunity to invite you to participate at this year's biennial Mine Health and Safety Summit to be held in November, as this

“A COMPETITIVE, SUSTAINABLE AND TRANSFORMED MINING INDUSTRY”

will provide for reflection and refinement of strategies and knowledge sharing towards meeting our target of achieving zero harm as an industry by 2024. We recognise companies such as De Beers, who have gone ten years without a fatality in their operations, and encourage more in the industry to achieve this milestone.

Today also marks two years since the tragic accident took place at Lily mine. The inquiry into the accident has been concluded, and a report will be submitted to the Department in the next few weeks. We would all agree that closure and finality is critical on this matter, especially for the families of Ms Yvonne Mnisi, Ms Pretty Nkambule and Mr Solomon Nyerende.

We expect all stakeholders to ensure compliance with the laws of the land, as it is in all our best interests to have an orderly development of the industry.

Working relations with companies in the sector

Through our open-door policy, we continue to prioritise the promotion of good working relations with right-holders, and we engage on a continuous basis on issues which will advance the growth and development of the sector. Since our arrival in Cape Town a few days ago we have met with some of the global mining firms operating in our country, including Rio Tinto – on the company’s plans to expand its operations and extend its life of mine, with a potential investment to the tune of \$450 million US dollars. The company has also demonstrated its willingness to align with government policies, by exceeding the targets we have set for empowerment and transformation. We also received an update on the Venetia Underground Project from De Beers, an

“A COMPETITIVE, SUSTAINABLE AND TRANSFORMED MINING INDUSTRY”

investment estimated at \$ 2 billion US dollars, which is extending the life of mine to beyond 2040.

As the week progresses we will continue engaging with the investment community and hold bilateral discussions with visiting Ministers, to see what progresses we together have made in this industry.