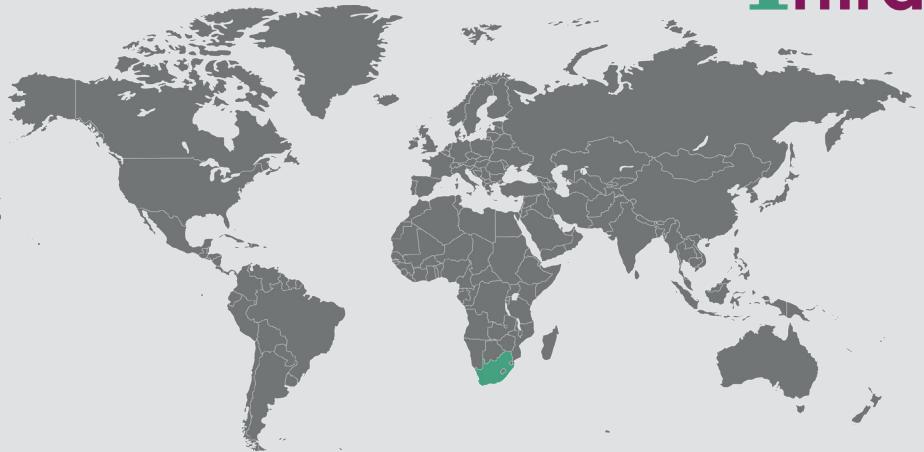


REPUBLIC OF SOUTH AFRICA

Context: history and drivers of economic development #1

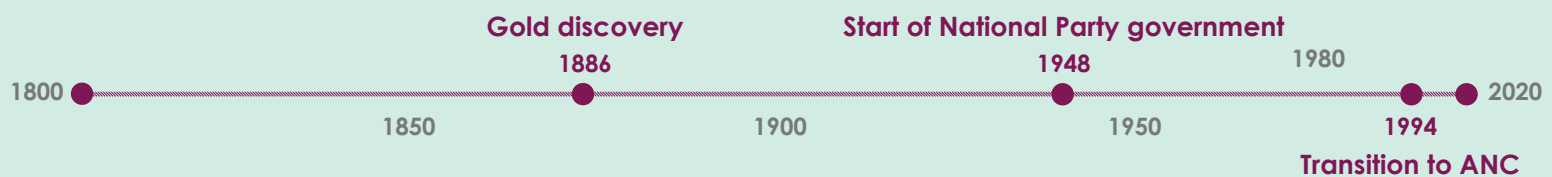


The growth of labour- and capital-intensive deep gold mining has been responsible for shaping the future economic trajectory of the country:

→ Since the discovery of diamonds over 150 years ago and gold in 1886, the mining industry played a critical role in transforming South Africa from an agricultural economy to an industrialised nation.

South Africa has an open economy, with trade activity making up a significant component of domestic economic activity:

→ Tariff liberalisation undertaken since the early 1990s has been a major contributor to South Africa's strong economic growth. Exports and imports account for 29% and 30% of GDP respectively and are dominated by minerals.

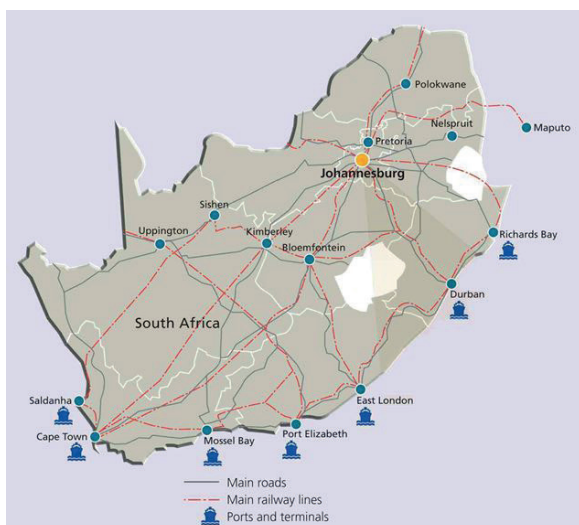


There is historically strong social licence for the mining industry, but at present increased social and labour tensions are emerging:

→ Pre 1994, South Africa had strong government support for mining, but with mixed impact. Mining provided income for rural people, but migrant labour has led to social problems such as health and environmental issues. Post-1994, there has been a rise in environmental activism and social demands, strikes and disputes have increased and are most likely to increase further.

South Africa has a highly skilled workforce and previous access to a large pool of low cost unskilled migrant labour:

→ Pre 1994, South Africa had good access to very skilled engineers (e.g. specialists in shaft sinking, ventilation, and rock engineering and scientists) that made deep level mining possible, but the industry is labour intensive and reliant on low cost labour. Since 1994 many skilled workers have moved abroad and presently labour costs are high and labour is unreliable due to repeated strikes.



The ports of South Africa and the connecting road and rail network..
Source: http://joburg.org.za/images/stories/2009/december/roads_railways_ports.jpg

South Africa has exceptional and abundant mineral endowment:

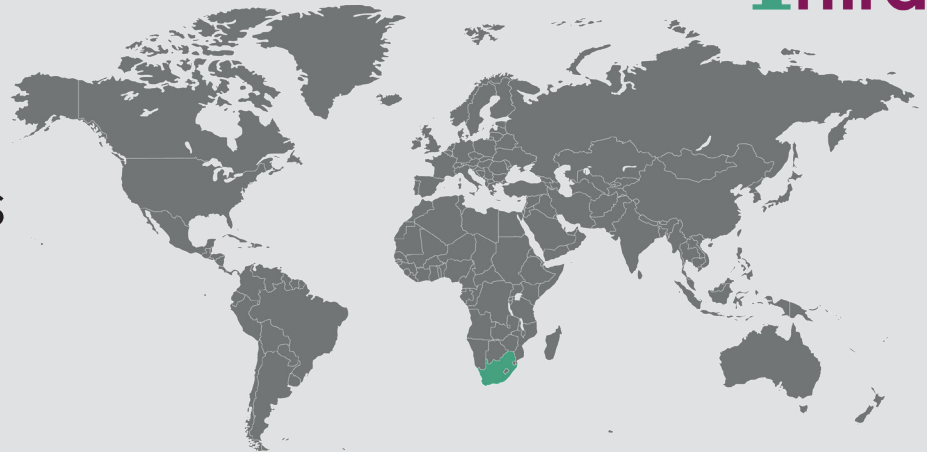
→ South Africa has more than three quarters of the world's reserves of manganese, chromium and platinum group minerals ("PGMs") and more than 40% of the world's vanadium, gold and vermiculite. It also one of the major global coal producers and exporters. It is home to many world class deposits such as the Bushveld Complex, Witwatersrand Gold Fields and the Kimberley Diamonds.

In the past, cheap fossil fuel generated electricity enabled the rapid growth of the mining industry, in the future this will change:

→ South Africa produces 90% of its electricity from locally mined coal. However, this form of energy is carbon intensive and might have a further cost impact on the already increasing electricity prices.

REPUBLIC OF SOUTH AFRICA

Context: history and drivers of economic development #2



The high value of mining exports reflects the industry's long history, local ownership and extensive upstream and downstream integration into the wider South African economy:

→ The South African mining industry contributes significantly to the country's GDP and has a positive impact through purchases from other sectors (steel, timber, rail and electricity) and employment. Financial gains from mining circulates throughout the economy, affecting sectors as diverse as financial services and housing.

South African firms are leaders in some of the vast mining support services and equipment, including geological services, prospecting, shaft sinking, and turn-key solutions to the mining and mineral processing industries:

→ The mining services and equipment sectors are global leaders in numerous areas, particularly the provision of washing spirals, underground locomotives, submersible pumps, hydropower equipment and mining fans.

South Africa is home to the deepest mines in the world:

→ Global leaders in deep, narrow reef mining methods and how to ventilate these environments. Current mining depth at Western Ultra Deep Levels is approximately 4000m below surface level.

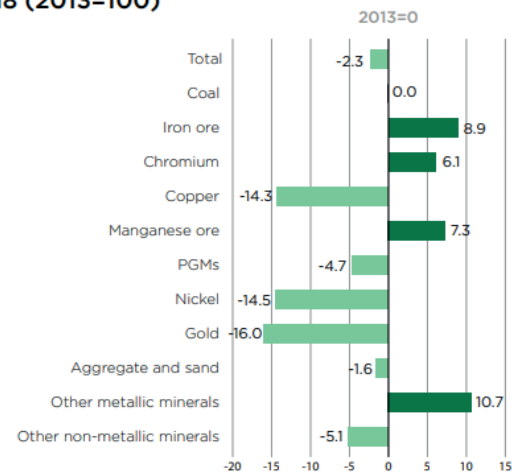
The mining market was historically structured around few mining majors, due to historical amalgamation of various mining houses and interests into the likes of De Beers, Anglo American, etc:

→ The junior mining market is not well developed due to difficulty in accessing funding and a complex regulatory framework.

There is a stable and transparent tax regime:

→ South Africa has tax differentiation between refined and unrefined conditions of the resources mined which was introduced by the government with the aim of increasing the level of ore beneficiation in the country.

Real sales: 2018 (2013=100)



Real sales 2018. Source: Source: Statistics South Africa, Minerals Council South Africa

There is a stable fiscal and legal framework:

→ South Africa has a well-capitalised banking system and well developed regulatory systems.

There is stable permitting and security of tenure:

→ Permitting times in South Africa are relatively short and, on average, it takes approximately 12 months to obtain exploration licences. Additionally, the conversion between exploration and mining permits is straightforward, providing security of tenure.

There is well developed transport and port infrastructure:

→ South Africa has a number of good ports, and adequate rail and road infrastructure. However, deteriorating road and rail networks will hamper economic development in the future. forward, providing security of tenure.