

It looks like a seminal year for investor confidence

With crucial national elections due in May, a debt crisis at state electricity utility Eskom and the Mining Charter still pending, international investors are keeping a close eye on what unfolds before committing to investments in the country



The need for accountability and transparency in the fight against corruption was critical if international investors were to commit to SA and continue unlocking the country's vast geological potential," said Hulme Scholes, a partner at law firm Malan Scholes.

He was part of the Nedbank CIB New Generation Mining panel at the Investing in African Mining Indaba where the discussion revolved around the key regulatory, economic and political challenges facing junior mining in South Africa. He was joined by the CEOs of five of the fastest growing junior mining companies operating in Southern Africa - Bushveld Minerals' Fortune Mojapelo, Orion Minerals' Errol Smart, DRDGold's Niel Pretorius, Alphamin's Boris Kamstra (Democratic Republic of Congo) and, MOD Resources' Julian Hanna (Botswana).

Cautiously optimistic

Scholes said a recent investment roadshow to Australia has revealed the key issues that foreign investors are focused on ahead of the elections before considering to commit capital to SA. "Investors are cautiously optimistic about the outlook for mining in SA. But we did have questions on expropriation without compensation (EWC), and the State Capture enquiry. This was an indicator that they only see our democracy as functioning if those found guilty of corruption are locked up, and will not invest if there is no accountability."

He added that it was important that the EWC debate commence only after the election. “We need firm policy decisions, because the uncertainty around policy is causing jitters.”

Scholes emphasised that continuity within the Department of Mineral Resources, the key regulator of mining in SA, was also critical for junior miners to succeed. “We need President Ramaphosa to leave the mining minister Gwede Mantashe there. We hope the current minister stays there, he can contribute a massive amount because he knows the industry.”

Repairing the trust deficit

The latest iteration of South Africa’s Mining Charter, which aims to increase investor certainty around mining and distributing the wealth the industry creates more equitably, was released in October 2018 and is currently being reviewed by the Minerals Council. Mantashe’s draft follows an earlier version released by former mining Minister Mosebenzi Zwane which saw a robust legal response from the industry, with Scholes leading the legal challenge.

He said the trust deficit between industry and the SA government hit a low with Zwane in 2017, and the charter released that year was a disaster. “Talks broke down completely and the industry did not engage in talks with government for three months.” Under Zwane’s successor, Mantashe, the trust deficit has improved significantly, although recent developments around the long-running strike at Sibanye’s assets and new allegations of corruption have impacted confidence somewhat.

The Eskom question

Power constraints and the indebtedness of Eskom were key themes, and DRDGold’s Pretorius said that Eskom is a major risk to South Africa’s mining industry – “it is critical that we have a stable Eskom from a supply and pricing perspective,” Pretorius said.

The panel also discussed the state of funding for junior mining, and Mojapelo said attracting SA money to mining investment was important. He said the company’s vanadium project was a “very South African story”, and that South African investors’ understanding of the country’s geology, risks and vast potential mean that it was essential that mining projects are funded with capital raised in SA, rather than from foreign capital markets like London.

Reginald Demana, principal: corporate finance, Nedbank CIB said his organisation was comfortable with the way it is being viewed by many in the mining sector – very much open for mining business. “Nedbank CIB has arranged, provided and advised on over \$7,5bn in financing for mining companies over the last 10 years. We are proud of that track record and we look forward to continuing our support for African mining.”

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