

Rich vein of hope in South Africa

A wave of optimism is sweeping through South Africa's mining industry and the international investors watching it.

Now Goldman Sachs, which is the world's 3rd largest investment bank, says South Africa will be the big emerging market story of 2018.

It all started in December when former South African president Jacob Zuma was forced by his own party, the African National Congress (ANC), to resign his leadership of the party.

International investors liked that move as it cleared the way for investor-friendly businessman Cyril Ramaphosa to become the ANC leader.

In February, Zuma resigned as the country's President and Ramaphosa replaced him there too.

Since Ramaphosa rose to the top of the ANC, economic confidence has picked up. Among other things, the South African rand gained more than 15% against the US dollar.

When Ramaphosa became President of the country, the rand hit its highest point against the greenback since February 2015.

Another move applauded by the mining industry and investors was the cabinet reshuffle in late February when 10 ministers – including Mineral Resources Minister Mosebenzi Zwane – were removed from their positions by Ramaphosa.

As our previous blog article pointed out, the South African business community is highly confident Ramaphosa can rebuild the sluggish economy, repair investor confidence and clamp down on corruption.

There is a real sense that he has a once-in-a-generation chance to recast the cabinet and push reset on South Africa as an economy.

Like all other resource companies in South Africa, we have an interest in what Ramaphosa does from here.

Over the years, the once-thriving South African mining industry has slid into its own crisis of confidence as government policy and the unique interaction between companies, labour and other stakeholders bred widespread discontent and distrust.

In particular, much of the angst relates to policy development aimed at transforming the industry: Mining Charter 3 and the Mineral and Petroleum Resources Development Amendment Act, 2013.

The new Mineral Resources Minister, former miner Gwede Mantashe, says he will finalise the latest version of the Mining Charter in the next three months.

Ramaphosa has said his government will negotiate the charter with mining companies, which prompted the Chamber of Mines to suspend a legal challenge to the version drawn up by Zwane.

The Mining Charter was sprung on the industry from left field, being unilaterally announced last year by Zwane as a supporter of Zuma. The charter proposed an increase in the ownership targets for the BEE (Black Economic Empowerment) from the current 26% to 30%; more stringent local ownership requirements for suppliers to the industry; and demands that research and development be focused in South Africa, ideally at previously disadvantaged universities.

However, since Stonewall already has a fully functioning, proven and supportive BEE in place from the period of 2012 to 2015 when the TGME operation was producing gold, when the company analysed any outcomes that may arise from Mining Charter 3, the outcomes were actually minor and not at all show-stopping. Still, it was the uncertainty arising from how it was presented to the mining industry that was the real issue including the uncertainty being presented to investors.

The industry feels the charter went too far and shackled the mining industry in a manner that would have denuded it of both domestic and foreign investment.

As *The Guardian* reported, Ramaphosa, as president, will have to balance the need to reassure foreign investors and local businesses against the intense popular demand for dramatic measures to address South Africa's deep problems.

But the South African mining industry feels that Ramaphosa and his new ministers “get it” – that if the mining industry can be freed to attract investment, it can provide more jobs and contribute much more strongly to the socio-economic development of all sectors of the South African community.

Comments from Ramaphosa, who rose to become president out of his professional and business success from this very same mining industry, echo this belief.