

INVESTMENT IN A SELECTION OF SOUTH AFRICA'S MINERAL SECTOR

DIRECTORATE: MINERAL ECONOMICS



mineral resources

Department:
Mineral Resources
REPUBLIC OF SOUTH AFRICA

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GENERAL OVERVIEW

In this report, newly committed mineral related projects refer to mineral or mining projects to which funds have already been committed and are being spent to advance these projects. Potential mineral related projects refer to projects to which development funds have not yet been committed but feasibility studies have been carried out to quantify required funds for development of these projects. The figures supplied refer to the situation as at August 2009.

There were twenty five newly committed mineral related projects reported in South Africa in August 2009, down by thirty three from 2008. Of the twenty five reported projects, only nineteen had estimated costs amounting to R 51.6 billion (table 1). Only six potential projects were reported during the period under review, down by sixteen from 2008. Of the six projects, three had estimated costs amounting to R667 million (table 2)

The current global economic meltdown has put the mining industry under a lot of strain. Most investors in off-shore markets have also continued to shun commodities, playing a wait and see game. Overall earnings by mining houses have plummeted with a number of mines laying off workers and putting on hold some of the expansion projects. In South Africa, four major financiers, Standard Bank, Ned bank, IDC, and Investec reported a decline in the total funds channelled to mining activities. In 2004 more than R10 billion was used by IDC and Standard Bank on mining investments, but only R2, 5 billion was approved in 2008 by the two institutions. Some projects were shelved by the mining companies as demand in most mineral commodities declined, while in some cases the financiers refused funding due to risks such as inability to service debt.

While some prominent economists continue to paint a gloomy picture of prospects for the global economy, predicting a much longer and deeper slump than it is generally expected, there seems to be hope as the powerful nations contemplate injecting some stimulants into their economies.

1. INTRODUCTION

South Africa's large diversity of mineral resources means that, companies have access to a wide range of mineral investment opportunities. The country is recognized worldwide as a leading and reliable supplier of a large variety of minerals and mineral products of consistently high quality. In 2008, some 53 different minerals were produced from 1 515 mines and quarries. Foreign and local companies have long recognized South Africa's mineral potential and have been contributing significantly to both exploration and development projects.

This report focuses on available investment in platinum group metals (PGM's), gold, some other noted few commodities and mineral processing facilities at the time of publication. Bearing in mind that South Africa produces over 50 different mineral products, this is not a full reflection of investment in the sector. A comprehensive method of collecting and monitoring investment inflows is being sort to enhance the report.

2. NEWLY COMMITTED MINERAL RELATED PROJECTS.

Table 1

Of the R 51 569 million worth of known investment in newly committed projects in South Africa as at August 2009, an amount of R 18 344 million is earmarked for primary mineral projects and R 33 225 million for minerals processing projects.

TABLE 1

NEWLY COMMITTED MINERAL-RELATED PROJECTS 2009

Sector	Cost R'million	As percentage of primary minerals	As percentage of total minerals
Primary	18 571	100	35.9
Gold	137	0.7	0.3
Platinum	90	0.5	0.2
Other	18 344	98.8	35.5
<i>Processed Minerals</i>	33 225		64.1
TOTAL	51 796		100

2.1 GOLD

Only 6 gold related projects have been committed by South Africa's gold producers in the year 2009. Of these, 4 projects had costs indicated at the time of publishing

this report. The total cost of the 4 projects amounts to R 136.8 million.

(Table 2)

Holding Company	Mine / Project	Province	Description	Cost (R Mill)	Completion
Mintails	Mogale	Gauteng	Slimes Phase 1	105.5	2009
Mintails	Mogale	Gauteng	Slimes Phase 2	8.2	2009
Mintails	Mogale	Gauteng	Sand circuit upgrade	10.2	2009
Mintails	Far East Rand	Gauteng	Pre-feasibility study	Unknown	Unknown
New Dawn Mining	Blue Dot	North West	Re-opening mine	13	Unknown
Wits Gold	De Bron	Free State	Pre-feasibility study	Unknown	2009
TOTAL				136.8	

2.2 PLATINUM GROUP METALS (PGM'S)

South Africa's platinum producers committed some seven known PGM's related projects in the year 2009. Only one project has indicated cost amounting to R 90 million at the time of publishing.

(Table 3)

Holding Company	Mine / Project	Province	Description	Cost (R Mill)	Completion
Anglo Platinum	Der Brochen	Mpumalanga	Richmond dam	90	Unknown
Anglo Platinum	Rustenburg section	North West	Waterval replacement	Unknown	2012
Anglo Platinum	Zandspruit	North West	Exploration	Unknown	Unknown
Aquarius Platinum	Everest	Mpumalanga	New mine	Unknown	Unknown
Braemore	Hydrometallurgical refining plant	Gauteng	Construction	Unknown	Unknown
Platfields	Tigerpoort	Limpopo	Exploration	Unknown	Unknown
Sylvania Resources	Everest North	Mpumalanga	New Mine	Unknown	Unknown
TOTAL				90	

2.3 OTHER MINERALS

There were four coal projects, three manganese, one uranium and one diamond projects recorded during the period covered in this report. The total cost of these projects amounts to R 18 343 million. The following were noted as significant;

- ❖ BHP Billiton's Klipspruit coal expansion project worth R6 500 million in Richards Bay.
- ❖ ArcelorMittal's Kalagadi manganese operation expansion valued at R4 200 million in the Eastern Cape.

(Table 4)

Holding Company	Mine / Project	Province	Description	Cost (R Mill)	Completion
Arcelor Mittal / Kalagadi	New Mine	Eastern Cape	New Manganese	400.2	Unknown
Petra Diamonds	New Mine	Northern Cape	Re-opening of old mine	78.5	Unknown
Anglo American	Anglo Inyozi	Mpumalanga	Expansion of coal mine	3500	Unknown
Arcelor Mittal	Kalagadi	Eastern Cape	Expansion	4200	Unknown
BHP Billiton	Douglas Middleburg	Mpumalanga	Expansion	975	Unknown
BHP Billiton	Hotazel Manganese	Eastern Cape	Expansion	750	Unknown
BHP Billiton	Klipspruit Coal	Mpumalanga	Expansion	6500	Unknown
First Uranium Corporation	Buffelsfontein	North West	Feasibility	1800	Unknown
South African Coal Mining	Umlabu Colliery	Mpumalanga	Feasibility	140	Unknown
TOTAL				18343.7	

2.4 PROCESSED MINERALS

Three “newly committed” mineral processing projects amounting to R 33 225 million were reported in the period covered in this report.

(Table 5)

<i>Holding Company</i>	<i>Mine / Project</i>	<i>Province</i>	<i>Description</i>	<i>Cost (R Mill)</i>	<i>Completion</i>
Alcan	New Smelter	Eastern Cape	Aluminium Smelter	20000	Unknown
Rio Tinto / BHP Billiton	Coega Aluminium Smelter	Eastern Cape	Manufacturing	3025	Unknown
Rio Tinto / BHP Billiton	Richards Bay Minerals	Kwazulu Natal	Tailings treatment	10200	Unknown
<i>TOTAL</i>				33225	

3. POTENTIAL MINERAL RELATED PROJECTS.

Table.6

During the period under review, an estimated amount of R 667 million was earmarked for potential primary mineral-related projects. As illustrated in summary tables, primary minerals accounted for 57 percent of the investment in potential projects, while 8 percent went to processed minerals.

TABLE 6

POTENTIAL MINERAL-RELATED PROJECTS 2009

Sector	Cost R'million	As percentage of primary minerals	As percentage of total minerals
<i>Primary</i>	667	100	100
Gold	380	100	57
Platinum	0	0	0
Other	0	0	0
<i>Processed Minerals</i>	287		43
TOTAL	21 959		100

3.1 GOLD

Of the two identified projects only one has cost indicated, amounting to R380 million.

(Table 7)

Holding Company	Mine / Project	Province	Description	Cost (R Mill)	Completion
Mintails	Mogale	Gauteng	Slimes Phase 2	380	Unknown
Wits Gold	De Bron	Free State	New Mine	Unknown	Unknown
TOTAL				380	

3.2 PLATINUM

Due to the fact that most of the potential platinum-group-metals projects are rapidly converted to committed projects, only one project was recorded this time around and no cost was attached to it.

(Table 8)

Holding Company	Mine / Project	Province	Description	Cost (R Mill)	Completion
Anglo Platinum	Union Section	Limpopo	3 S UG2 decline (phase 2)	Unknown	Unknown
TOTAL					

3.3 OTHER MINERALS

At the time of publishing this booklet, no projects were recorded under this category.

3.4 PROCESSED MINERALS

Three projects were recorded under this category with two of them with indicated costs amounting to R287 million.

(Table 9)

Holding Company	Mine / Project	Province	Description	Cost (R Mill)	Completion
Pan African Resources	Phoenix	North West	New plant	105	2010

Mintails	Mogale	Gauteng	New gold plant	Unknown	Unknown
Mintails	Far East Rand	Gauteng	Gold plant	182	Unknown
TOTAL				287	

FIGURE 1

Newly Committed Mineral Related Projects by Sector - 2009

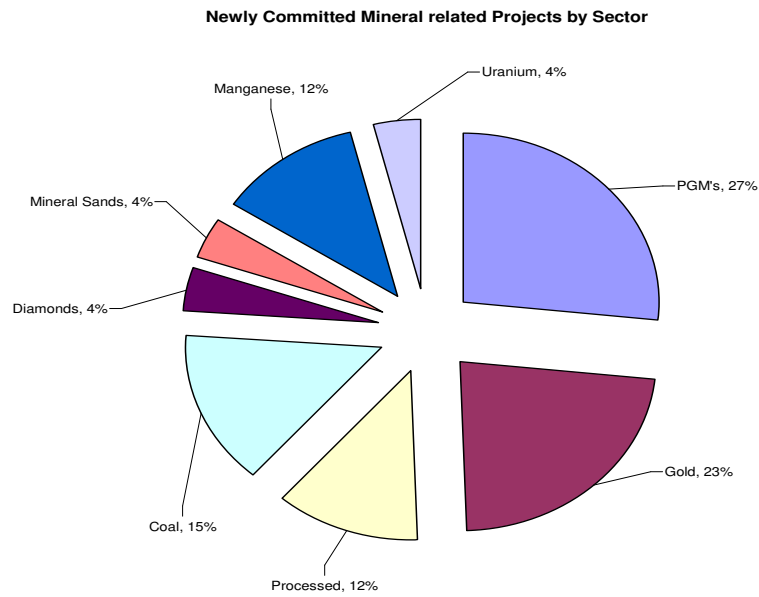


FIGURE 2

Potential Mineral Related Projects by Sector- 2009

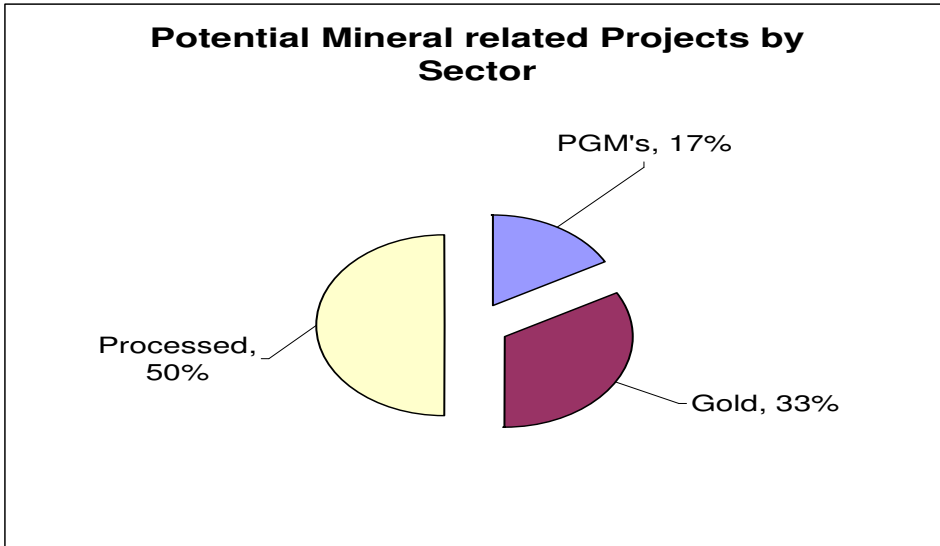
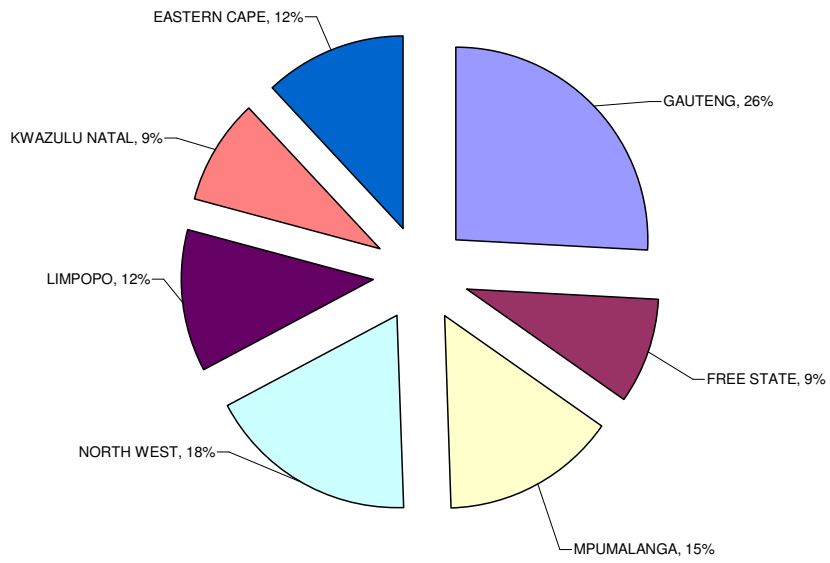


FIGURE.3
Newly Committed Mineral Related Projects
by Province- 2009

Newly Committed Mineral related Projects by Province



4. CONCLUSION

Although R 51 569 million and R 667 million were earmarked for committed and potential projects respectively, only R4, 2 million (new manganese mine in the Eastern Cape Province) was for a new mine. This further demonstrates that investors are still holding on to their money until after the current economic crisis. It should also be noted that investors are now looking for high grade and shallow deposits in countries outside South Africa, especially in the gold sector.