

Why resources, why Africa, why now?

 By [Danette Breitenbach](#)

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Southern Africa offers the best mining investment opportunities, where Botswana is the easiest place to do business, and West Africa has the easiest access, according to panellists at a discussion at The Junior Indaba held in Johannesburg recently.



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And despite the commodity downturn, exploration in some parts of the continent are continuing, they say.

South Africa is still in the mix, says John Murphy, managing director, The Mineral Corporation. “South Africa and Southern Africa are well endowed, relatively unexplored and offer limited cover.”

Panel member, Wickus Botha, Africa mining & metals leader, Ernst & Young, agrees. “Clients have not stopped calling us about new projects in South Africa and Africa, and this is because assets have become available now that the majors are concentrating on their core business only.”

Funding and regulation

However, he says, while the interest is there, the closure rate is not great. “The real barrier is funding, and then overcoming a backlog of conceptualised deals and closing them quickly.”

Another key obstacle is the uncertain regulatory environment in which the country currently finds itself. “Exploration is taking place in our neighbouring states because clients see an open and enabling regulatory regime that is responsibly managed,” says Botha, for whom West Africa is another favourite because it is easy to access.

Murphy explains that it is also necessary to understand that the exploration process is extraordinarily long-winded, where the systems processes, people, environment, infrastructure and the right regulatory environment have to be nurtured.

Stable environment

To generate the investment for exploration, the environment needs to be stable. “If we are to attract investment, we need a transparent and consistent regulation - and that is government’s job,” says John Bristow, chief operating officer, Incubex Minerals.

For him, Botswana is the cleanest and easiest place to work in Southern Africa at the moment. “While South Africa has so much untapped potential, a good stable environment is needed for the sector - junior or major. The mineral tender system in this country is dismal and it can take 18 months to process.”

Time ripe for junior miners

Generally, in Africa, now is the best time to get into the junior mining market, says Botha. “Currently less than one percent of the majors’ revenue is from this region. Africa is dominated by the juniors because they know how to operate in Africa.”

Murphy adds to this, saying that the more the majors back away from exploration, the sooner they will exit the industry as it is a key factor in the economic development of the sector and region. “If exploration falls away, then soon we will all be junior miners.”

Technology and disruption

The panel also discussed the impact of technology on the industry. “In the next five to 10 years technology will disrupt and fundamentally change the industry. Look at what technology has done to other industries and how it is changing society,” says Botha citing the often-cited examples of Uber and Airbnb.

“Consumption patterns will change... are changing, and society will have less need for bulk commodities, as a result of technologies such as 3D printing, which is changing the world.”

Sacha Backes, senior investment officer: mining, International Finance Corporation agrees with him. “It is imperative that we talk about technology and disruption. Will we find an Uber technology that takes the iron ore out of the ground? And if so, when... in a decade or sooner?”

However, he is of the opinion that the future of mining remains in infrastructure and big cross-border projects. “I do not foresee technology making a difference here.”

ABOUT DANETTE BREITENBACH

Danette Breitenbach is a marketing & media editor at Bizcommunity.com. Previously she freelanced in the marketing and media sector, including for Bizcommunity. She was editor and publisher of AdVantage, the publication that served the marketing, media and advertising industry in southern Africa. She has worked extensively in print media, mainly B2B. She has a Masters in Financial Journalism from Wits.

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