

Opportunity Amongst Adversity for the Mining Sector

South Africa has made headlines for many reasons in recent months. A key question that sits uncomfortably amongst government, labour, foreign investors and society at large is the current status of economic forces that are needed to keep our country financially sound. Mining simply cannot be overlooked.

At a recent lecture by Professor Brian Kantor of Investec at the Graduate School of Business, Cape Town, various statistics were provided that give deep insight as to how important a contribution mining in fact makes to keep the economic wheels turning in our young democracy.

Direct contribution from mining to GDP (2011) was 5.9%. Yet if we include the indirect effects, it is actually a significant 18.7% contribution of total GDP. In addition, Foreign Direct Investment (FDI) in stocks attracts 11.8% of the total contribution through the mining sector, 64.3% of our entire exports are from mining and corporate income tax contributions from this same sector is 17% (Source: SARS, SARB, IDC) . These are numbers that warrant serious attention to highlight just how important this sector is.

Yet, when we look at mining investment plans for 2012 to 2030 (McKinsey and Deloitte), South Africa ranks a weak 7th behind Brazil (leader), Peru, Australia, Argentina, Chile and Colombia, beating only Indonesia and Canada whose projected future investments will too outstrip us.

Whilst there is no quick fix solution to tackle a far bigger problem that will involve collaboration through politics, unions, private sector, leaders, investor sentiment and labour, what it does say is that mines need to free up working capital quickly and wherever possible. The mines need to let go of fear amongst management of finger pointing and discrimination from historical erroneous decisions and rather rapidly start looking at idle, redundant assets that can be monetised as part of a structured clean-up operation.

"Mines are desperate for strategies that are focused on boosting balance sheets through carefully developed programmes that can motivate people on the ground to collectively buy into such projects. Such programmes of disposal need to offer transparency, controls, reporting, accountability and ultimately results," says Ariella Kuper, MD of leading online mining auction house Clear Asset, who specialise principally in the selling of such assets on behalf of mines such as Anglo, Lonmin and Diesel Power.

There is much demand for such assets. A recent sale which took place on 07 March 2013, conducted by Clear Asset, saw confirmed sales of yellow metal from open cast mine Diesel Power, and drill rigs and roof bolters from Anglo Platinum, totalling R13 million. Just two months ago, the company confirmed auction sales of approximately R35 million. On both occasions, buyers were from as far as Canada, Dubai, Europe and Zimbabwe, with international buyers totalling 46% in the previous sale and a phenomenal 71% in last week's sale. Foreign exchange movements and the current Rand value relative to US Dollar or Euro is a strong incentive to international buyers. "We had a bidder from Canada on a business trip in South America bidding on our auction in South Africa. What a validation of our system" says Clear Asset CEO

Warren Schewitz.

Junior miners, prospectors or those running short term projects in Africa or abroad, want good quality 2nd hand assets. Where Clear Asset capitalises on this is through an online auction platform that crosses geographic borders and time zones, whilst offering strong technical reporting for each asset on their website to assist advanced decision making by bidders.

Their next auction closes on 25 April. Visit www.clearasset.co.za <<http://www.clearasset.co.za>> for full information or contact ariella@clearasset.co.za.