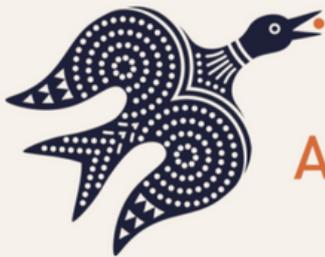


SOUTH AFRICA METS REPORT



AUSTRALIA AFRICA
CHAMBER OF COMMERCE

METS TO SOUTH AFRICA

Mining Equipment Technology & Services

South Africa is Australia's largest trading partner in Africa and provides enormous potential as both an established market for METS and gateway for expansion to further METS markets on the continent.

The mining industry was valued at USD 21.56 billion in 2021.

Coal, iron ore, gold and platinum are the most commonly mined resources in South Africa. Palladium, copper and nickel are also mined in high quantities.

A variety of open cut and underground mines exist, with various levels of processing also taking place.

There are over 80 active mines in South Africa, across 25 mining companies.

South Africa is the third most attractive mining jurisdiction in Africa, and is the 29th most attractive globally.

REPORT FOCUS



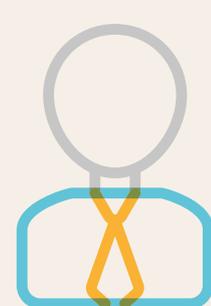
Demand Trends



Competitive Environment



Laws and Regulations



Doing Business

DEMAND TRENDS

AT A GLANCE

The increasing prevalence of lower-grade ores as the mining industry matures has increased demand for more efficient technology.

Significant mineral reserves supports sustainable long-term growth for the local mining industry.

Rare earth metals, copper, lithium, nickel and cobalt are likely to replace coal as sources of growth.

New and innovative technology is a key growth area in the METS sector.

Australian METS are highly sought after and there is an existing relationship with South Africa as trade partners.

OPPORTUNITIES

South Africa is seeking to reshape its economy for competitiveness. Its focuses are on service markets, broad-based economic growth, and strong bilateral trading relationships. These all offer significant potential for Australian METS producers in the country.

There is also opportunity for innovation in the sector and many buyers are actively looking for innovative products. Hydrogen power and AI are areas that are likely to grow in the South African mining sector as individual companies seek strategic innovation and technology that can increase safety in the workplace and cut down on maintenance costs for buyers.

Demand for Innovative and Transformative Technology

The high labour-intensiveness of the South African mining sector has prompted calls for technological modernisation. COVID-19 has highlighted the need for a digital revolution



enabling increases in output and efficiency, lower costs and improved health and safety in the sector. Growth in demand for these productivity advancements is likely to be an impetus for METS opportunities.

The METS sector in South Africa is matured, and Australian METS has become an important industry in its own right. Austrade advisors in South Africa outline specific opportunities for Australian METS, including demand for:

- Digital technologies, mine-management software and artificial intelligence
- Mining safety equipment
- Beneficiation equipment
- Processing chemicals
- Mineral-processing equipment
- Sustainable mining solutions
- Mine rehabilitation services
- Community engagement

DEMAND TRENDS

South Africa promotes itself as a base for foreign companies to set up global business services and potential for a range of opportunities. South Africa is considered a 'gateway' for the continent given its superior infrastructure, technology, transport and telecommunications. Therefore, South Africa acts as a base for other Australian METS companies who are seeking access to other African METS markets.

Emerging Priorities and Modernisation

South Africa's mining industry is increasingly calling for innovative technologies to mitigate risks and challenges in the mining industry. In accordance with the Mining Charter III, technology that can reduce or eliminate occupational disease, for example exposure to respirable silica, platinum or coal dust is of a high priority.

- Opportunities lie in technologies that can:
- Support more efficient operations
- Improve health and safety (especially in a COVID-normal workplace)
- Reduce maintenance work and costs
- Bringing new skills to the industry

The COVID-19 pandemic has accelerated the digitisation of the work and supply chains in mining. The Australian METS industry is well placed to take advantage of years of technical expertise to expand METS into South African markets.

Many companies are also shifting their priorities to focus on sustainable mining practices. This provides opportunities for METS that offer solutions to power supply challenges and the ability to harness renewable energy sources. Some parts of South Africa's mining sector are transitioning to operations using hydrogen power. METS that align strategically with sustainability targets will be favoured. METS that have low environmental impact will also be favoured.

New Entrants

The COVID-19 pandemic has increased the need for digital technologies as part of the emerging fourth industrial revolution (4IR). The demand for digital METS is there, many South African mining companies have strategic goals and are looking for technology that will help to increase efficiency, manage risk, improve health and safety and reduce maintenance costs.

23 Executives from 19 Mineral Council Members identify similar trends which they believe will boost productivity in the mining industry. This includes:

- Artificial Intelligence (AI)
- Internet of Things (IoT)
- Robotic Process Automation (RPA)
- Smart sensors
- Big data analytics
- 3D Printing
- Machine learning

DEMAND TRENDS

CHALLENGES

Although ongoing bilateral cooperation between Australia and South Africa is strong, market entry remains the biggest challenge facing Australian METS.

The South African Government continues to negotiate FTAs with India and the AfCFTA may present challenges if operating in saturated markets.

Employment equity and broad-based affirmative action and economic empowerment provisions have resulted in complex legislation and confusing standards for mining operators and Australian METS exporters.

Non-tariff barriers on importing products to South Africa create challenges for customs, quarantine and standards compliance.

Exchange control regulations have also hindered repatriation of finances to Australia to a more severe degree than in other regional markets.

Crime and violence in South Africa, may pose challenges for business operations at times.

Cybersecurity

As South African mining operations are set to embrace new technologies and systems, they become more vulnerable to cyber attacks and risk financial losses, threats to human health and potentially complete shut down. Cyber threats are evolving at an alarming rate for mining, metals and asset intensive industries. Mining equipment and technology is under a growing risk of cyberattacks as the 4IR encourages mines to

adopt intelligent automation, industrial internet of things (IIoT), autonomous vehicles and robotic drilling . Australian METS must have strategic approaches to cybersecurity to eliminate and lessen the risks of a cyberattack.

Each of these pose a risk to overall investment, trade and interest for Australian METs and therefore need to be considered to help alleviate company concerns. This doubles as a great opportunity for the export of Australian cybersecurity software and consulting services.

Increased Domestic Production

South Africa's economy is largely based on services and manufacturing. As such, as outlined in Mining Charter III there is a focus on purchasing mining goods manufactured within South Africa. The charter sets a minimum target of 70% (by value) of mining goods to be assembled or manufactured in South Africa. This also requires that 60% of resources used during manufacture and assembly be of South African origin, these locally sourced resources must also be certified by the South African Bureau of Standards (SABS) - with the cost being covered by either the mining right holder, or by the supplier. The mining charter also stipulates that goods must be procured in accordance with the standardised product identification coding



DEMAND TRENDS

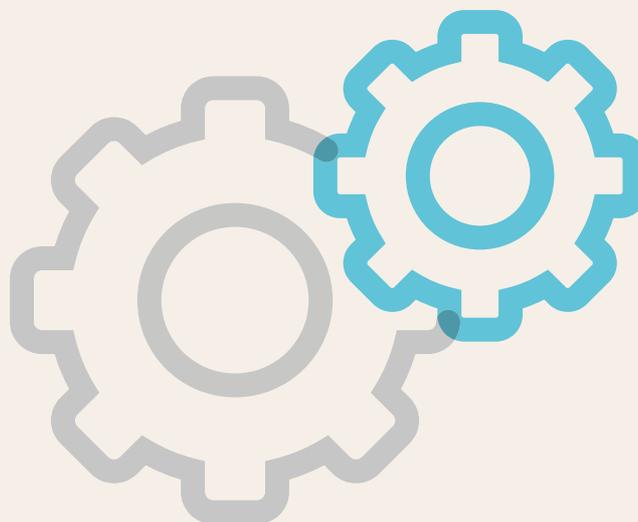
system, and furthermore suppliers must also adhere to affirmative action measures and BBBBEE (Broad-Based Black Economic Empowerment) principles. Of the 70% local manufacturing requirements, there are targets for inclusion of Historically Disadvantaged Persons (HDP), women and youth, this includes having people with these identity markers in business ownership and decision making positions.

- 44% of procurement spend must be on goods manufactured by a BBBEE compliant company
- 21% must be spent on South African goods manufactured by a company owned and controlled by HDPs
- 5% is to be spent on items produced by a women or youth-owned and controlled company

There are similar measures in place for mining services however, the target set is 80% for local suppliers.

Trends

In 2020 it was reported that 86% of South Africa's electricity came from coal compared to the global average of 34%. The urgency to change and lessen reliance on coal is clear on both global and local levels. South Africa's power utility Eskom is in crisis, with 58 million citizens in South Africa experienced major power blackouts in 2019. South Africa is joining the global trend towards decreasing reliance on coal for energy sources as they look to renewables as a clean alternative. South Africa is the fourth largest exporter of coal in the world, exporting a total of 67.4 million tonnes of coal by sea in 2019. The coal market conditions in South Africa have continued to deteriorate as the demand for coal globally decreases.



COMPETITIVE ENVIRONMENT

AT A GLANCE

South Africa is in the top eight for Australian METS exports. A 2015 Austmine survey found that 33% of METS companies identified South Africa as a key METS market.

Australia's activity in South Africa is largely focused on the extractives sector. As a result, Australian METS companies have penetrated a wide range of support and service markets.

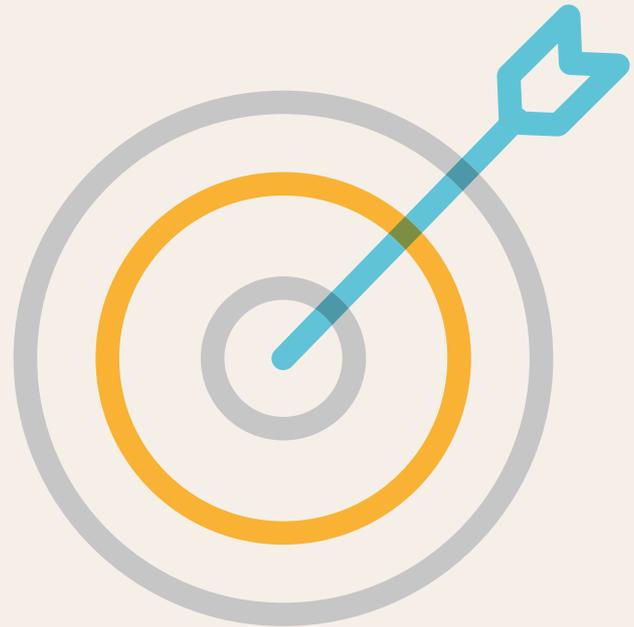
Australian METS suppliers play a key role in the South African mining industry, companies such as United Mining Services (UMS), METS Engineering Group and Orica Mining Services. Other international companies include Maxam, Mintek, Rio Tinto and Exxaro.

The biggest consumers of Australian METS in South Africa include Rio Tinto, South32, MC Mining, Orion Minerals and Theta Gold.

The mining and METS sector in South Africa attracts considerable foreign investment. Consequently, a main challenge for Australian METS firms is international competition from Canada, U.S., U.K and local South African METS providers.

South Africa is also working towards improving south-south relations via mining operations

Austrade's International Business Survey found that 80% of businesses surveyed believed increased international competition was a key risk facing operations.



MARKET STRUCTURE

Market for METS suppliers

South Africa's mining and extractives industry significantly contributes to its economy. In 2020, the mining and extractives industry accounted for AUD 32.2 billion – equivalent to about 7% - of South Africa's GDP. Most of this revenue was built on the extraction and processing of coal, platinum, gold and diamonds.

South Africa is the world's largest producer of platinum group minerals, which include chromite and manganese, South Africa also produces the most iron ore on the continent, and is the sixth largest producer globally. This strength is further reflected in coal mining, where South Africa is the largest African producer and seventh globally. In terms of gold, the country enjoys second place in Africa, and 11th place globally for production tonnes.

COMPETITIVE ENVIRONMENT

Public ownership of mining companies and land is more common in South Africa than what we are used to in Australia. The African Exploration Mining and Finance Corporation (AEMFC) is a government-driven initiative to capitalise on South Africa's resource wealth. Prospective suppliers interested in pursuing opportunities within the South African government are encouraged to self-register on the Central Supplier Database. This self-registration application represents an expression of interest from the supplier to conduct business with the South African government.



Key International METS players

Key international players in or affiliated with South African METS providers include multinational companies from the U.S., Canada, UK, EU and Australia.

Key Sales Channels

Over 900 companies providing or utilising mining support services are registered in South Africa. METS supply channels are provided through:

- Direct to mining companies;
- Sub-contracting or partnering with an existing supplier

CHALLENGES

Challenges over national instability exist in South Africa, with politically-motivated violence posing as a security risk for mining operations. Riots over the conviction of former President Jacob Zuma in July 2021 saw significant impacts on mining operations in the KwaZulu-Natal province.

The riots led to the declaration of force majeure over a number of mining operations, and the shutdown of ports used to export minerals. Whilst such violence and instability may be present, South Africa has historically recorded a reasonable rank on political stability.

LAWS & REGULATIONS

AT A GLANCE

Australian companies will need to be cognisant of how they will seek to adhere to government mandated affirmative action practices in their workplaces.

The prospecting and mining licencing processes are highly digitised, and must be sought alongside environmental authorisation.

METS companies will likely face minimal hurdles in a welcoming import and customs environment.

- Mintek reports to the Minister for Mineral Resources, Mintek and is South Africa's national mineral research organisation, specialising in mineral processing, extractive metallurgy and related areas. Mintek's mandate is to serve the national interest through research, development and technology transfer, to promote mineral technology and to foster the establishment and expansion of industries in the field of minerals and products derived therefrom.

REGULATORS

Key Regulators

- Department of Mineral Resources (DMR) Regulates the minerals and mining sector to ensure transformation, economic growth and sustainable development in South Africa.
- Department of Environmental Affairs (DEA) regulates environmental management, conservation and protection towards sustainability for the benefit of South Africans and the global community.
- Department of Water and Sanitation (DWS) regulates South Africa's water resources to ensure all South Africans gain access to clean water and dignified sanitation. The DWS also promotes effective and efficient water resource management to ensure sustainable economic and social development

Corporate Regulation Issues

It is important to understand recent regulatory developments under the Broad-Based Socio-Economic Empowerment Charter for the Mining and Minerals Industry 2018 (Mining Charter III). The Mining Charter applies Black Economic Empowerment (BEE) obligations for the mining industry as found through many sectors of South Africa's economy.



LAWS & REGULATIONS

Local Participation Laws

Australian investors and companies will need to develop their business plans to address the domestic agenda of Black economic empowerment as mining or prospecting rights holders are required to have a minimum 26% Black Economic Empowerment (BEE) shareholding, to be increased to 30% within five years.

- Acquiring prospecting or mining rights can take up to six months and activities must be commenced within 120 days or the license is revoked.
- Environment authorisation must be acquired before a licensee can begin prospecting or mining activities.

Transparency International Australia has thorough process maps detailing the Licence and Environmental Authorisation acquisition processes for mining companies in South Africa.

Whilst BBE and Historically Disadvantaged South African (HDSA) regulations are in place to help enforce local procurement, this policy has inadvertently led to companies to import materials overseas as a number of South African-based companies do not fulfill the requirements under the rules.

Trade agreements

There are no trade agreements in place between Australia and South Africa, though an MOU was signed in 2010 aiming to strengthen political, economic and strategic engagement between the two countries.

Import Duties and Taxes

The importing of goods is largely unregulated, with South Africa applying most favoured nations import rates. The two main duties levied on imported goods in South Africa are customs duty and Value Added Tax (VAT).

The import of most machinery and equipment, particularly for use in mineral resources is free of customs duty.

The VAT in South Africa is 15%.

VAT on Imported Goods Calculation

$$[(\text{Customs Value} + 10\% \text{ thereof}) + (\text{any non-rebated customs duties levied on the goods})]$$

$$\times 15\%$$

$$= [\text{ATV}] \times 15\%$$

$$= \text{VAT payable}$$

It is best to engage a reputable shipping company for further customs and import clearance advice.

LAWS & REGULATIONS

International Freight Assistance



The International Freight Assistance Mechanism (IFAM) is a targeted support measure put in place by the Australian Government to keep global air links open in response to the ongoing effects of COVID-19.

IFAM maintains global air connections and protects hard fought market share, while targeting support where it is needed most and buying Australian businesses time to align their operating models to 'new-look' supply chains.

More information about international freight assistance is available from Austrade.

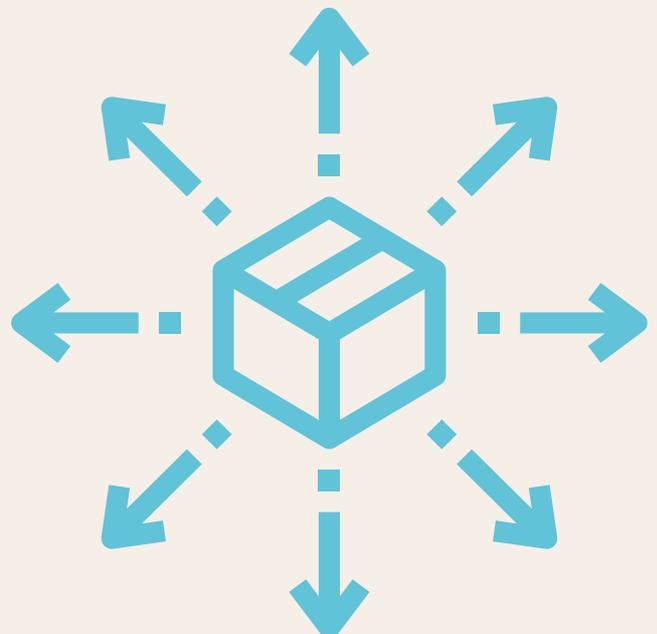
Key distribution channels

There are approximately 170 Australian stock exchange-listed mining and other resource companies operating in 35 African countries, of which at least 30 have operations in South Africa. Australian companies remain one of the most active in the resource sector in the country.

An Austmine 2020 National METS survey of 619 businesses found that:

- 56% of businesses experienced a decrease in revenue
- The average decrease in revenue was 33%

METS companies would usually market their products through contractual partners or subsidiaries. METS are supplied directly to mining operators, direct to contract mining firms or through South African companies.



DOING BUSINESS

Doing Business

South Africa has 11 official languages with Zulu (Around Johannesburg and North/West States), Xhosa (Cape Town and South East States), Afrikaans and English being the most commonly spoken first languages.

The country has three capital cities: Pretoria/Tshwane (administrative), Cape Town (legislative) and Bloemfontein (judicial).

The official currency is the South African Rand (ZAR)

Economic and trade information on South Africa is available from the Department of Foreign Affairs and Trade's South Africa page.

Setting Up

Foreign companies are required to register as an 'external company' with the Companies and Intellectual Property Commission (CIPC) if they intend to do business in South Africa.

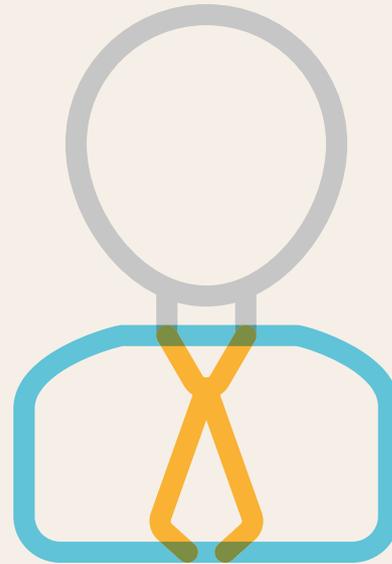
A company must show proof that it intends to permanently employ at least five South Africans or permanent residents.

The applicant lodges their application through the South African Mineral Resources Administration System (SAMRAD), after which it is assessed for completion.

For more information and breakdown of procedures refer to Transparency International Australia's process document.

Cultural Considerations

In each country the way people do business varies. You may need to adjust your expectations and be sensitive to how business is done.



Resources for doing business in South Africa:

- [SBS Cultural Atlas](#) - includes information on business etiquette
- Baker McKenzie - Doing Business in South Africa 2020
- Bowmans - A Brief Guide to Doing Business in South Africa 2018

Promoting Your Business

Australian exporters should approach mining operators or mining contractors directly through exhibitions and networking events.

Australian exporters are highly encouraged to participate in trade missions and exhibitions in Africa and to make contact with investSA.

Getting in touch with the South Africa High Commission Canberra will also be helpful to establish initial contact and business relations. The High Commission's Trade and Investment Page is an optimal launch point.