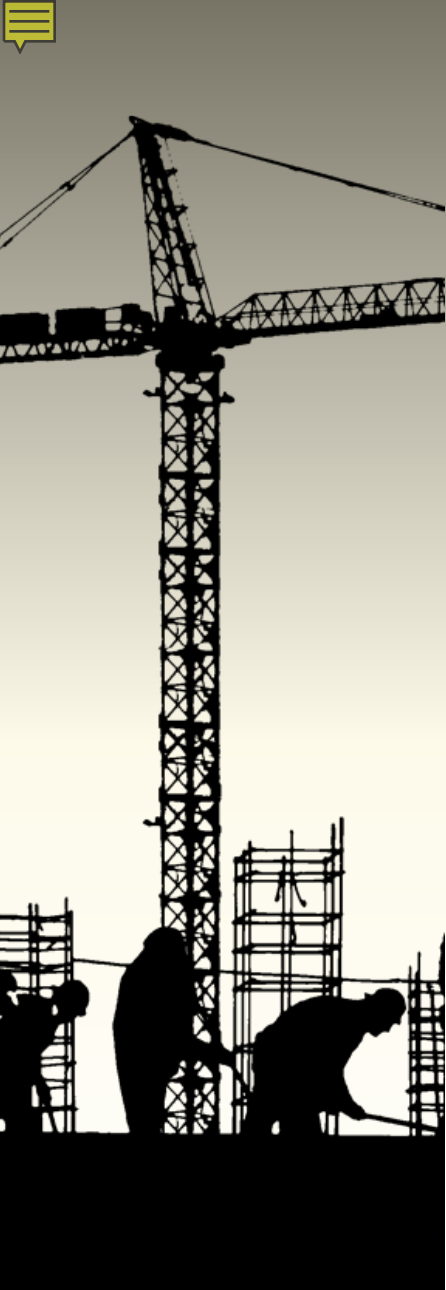


SRK's Perspective on New Mining Business in the Last Five Years

Summer Symposium 28 November 2014

Arimon Ngilazi – MD SRK Consulting (ZW)





Vision and purpose

VISION

Africa's leader in natural resource and development solutions

PURPOSE

Provide sustainable solutions in natural resource development

SRK's African Footprint

Geographical presence

- 15 offices
- 776 projects across 26 countries

Diversity of services offered

- Exploration and mining
- Geotechnical
- Tailings and waste
- Water
- Environmental and social
- Civil and structural
- Engineering infrastructure
- GIS and remote sensing



African Footprint

Founded in Johannesburg in 1974
 776 projects across 26 African countries
 October 2014

Services

-  Exploration
-  Mining
-  Tailings & Waste
-  Water
-  Enviro & Social
-  Geotechnical
-  Civil & Structural
-  Engineering Infrastructure
-  GIS & Remote Sensing
-  Countries in which SRK currently has projects



Accra	6 employees
Cape Town	35 employees
Durban	36 employees
East London	16 employees
Harare	7 employees
Johannesburg	262 employees
Kimberley	2 employees
Lubumbashi	14 employees
Pietermaritzburg	15 employees
Port Elizabeth	33 employees
Pretoria	28 employees
Rustenburg	3 employees
Luanda *	6 employees
Libreville **	Yaounde **

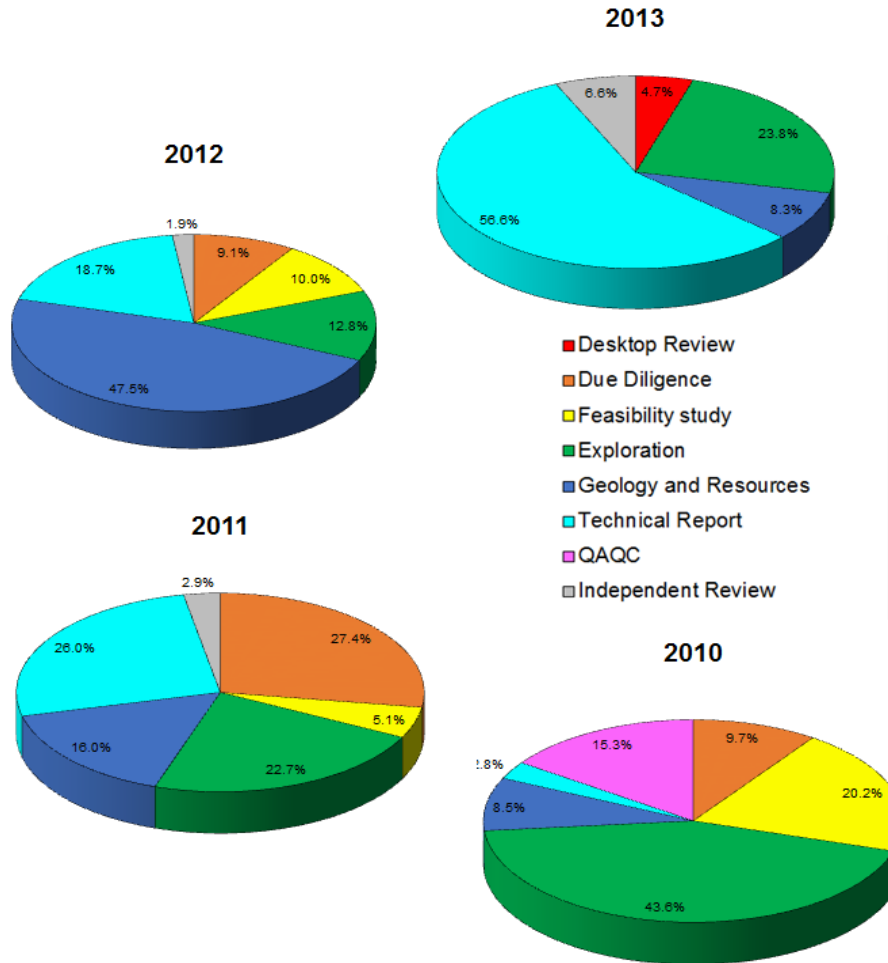
* JV Office **Project Office

Group personnel

Angola	6	Kazakhstan:	24
Argentina:	41	Mexico:	12
Australia:	102	Mongolia:	11
Brazil:	39	Peru:	105
Cameroon	2	Russia:	50
Canada:	156	South Africa:	430
Chile:	120	Sweden:	11
China:	65	Turkey:	20
DRC:	14	United States:	114
Ghana:	6	United Kingdom:	166
Hong Kong:	2	UK-ES:	21
India:	14	Zimbabwe:	7
Indonesia:	24		



The work we do

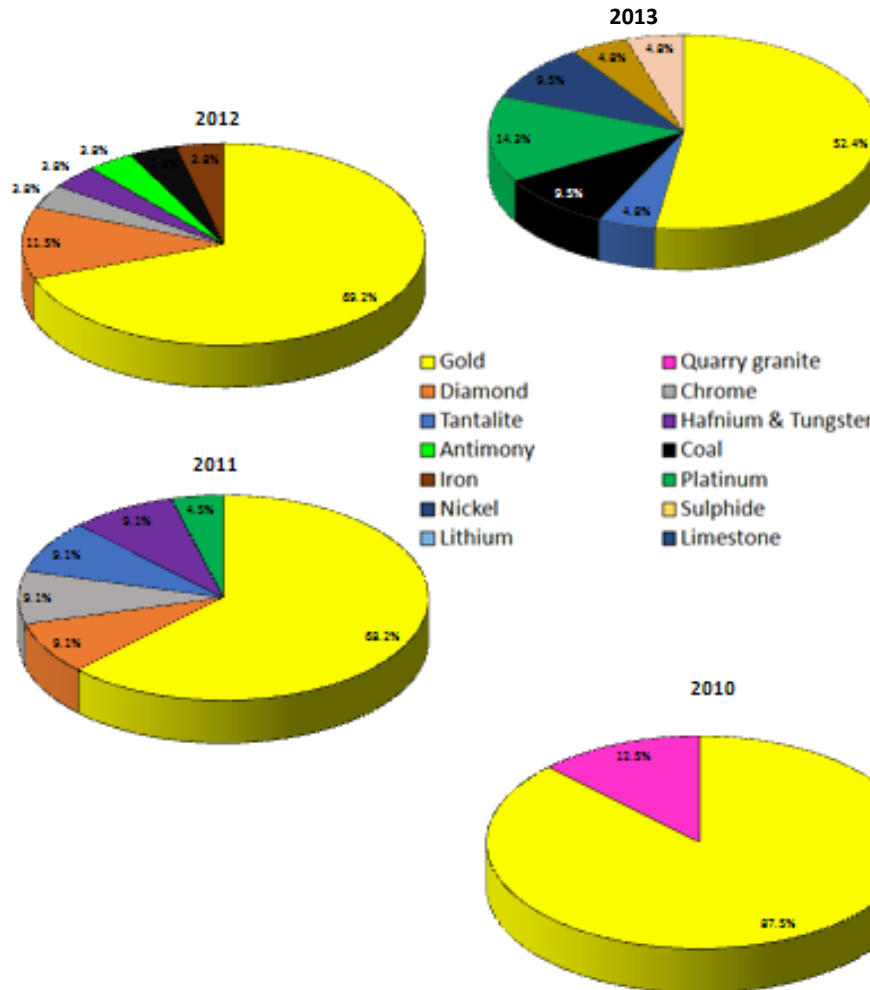
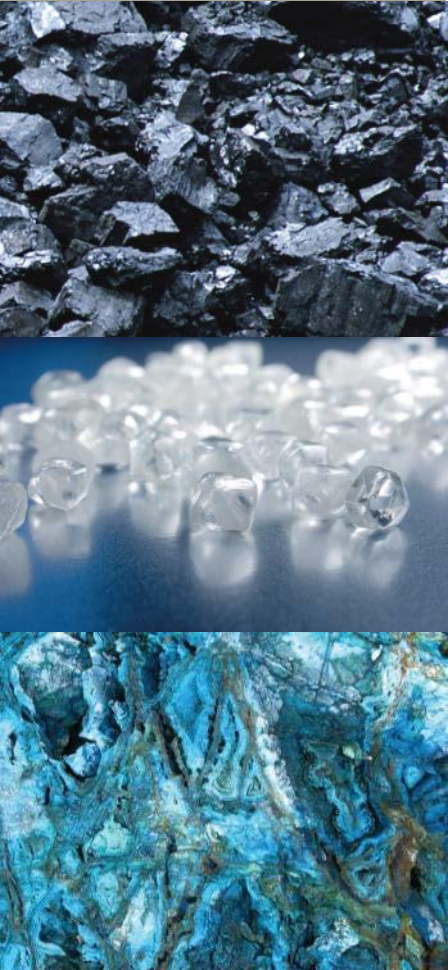


The work we do

- Three important components
 - (1) Geology and Resources
 - (2) Exploration – advanced projects
 - (3) Technical Reports
- From 2011 there was a surge in due diligence study requests but dropped in 2012 (elections in the air?) to be replaced by desktop and independent reviews in 2013 and 2014
- Cautious entry

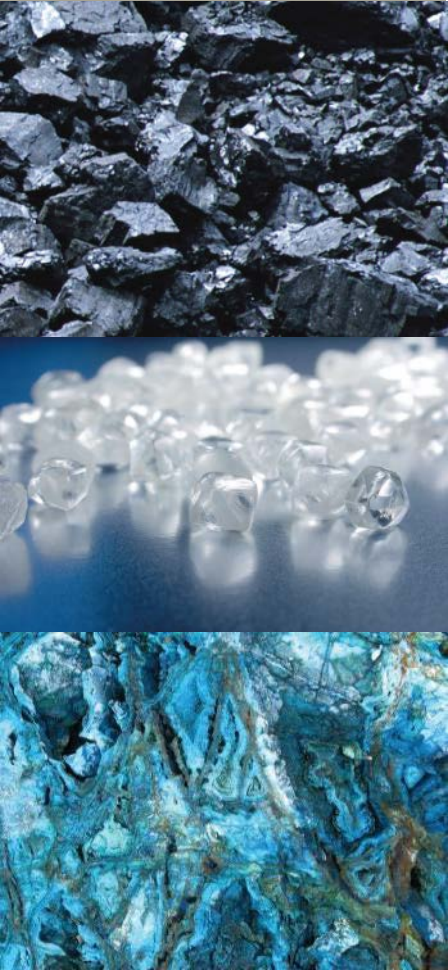


The mineral commodities

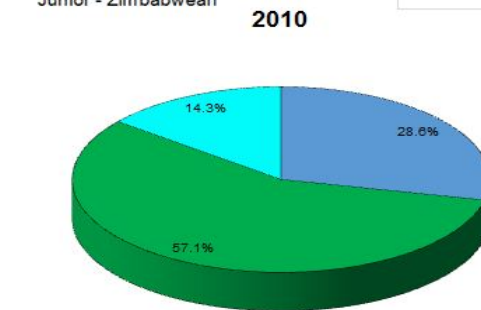
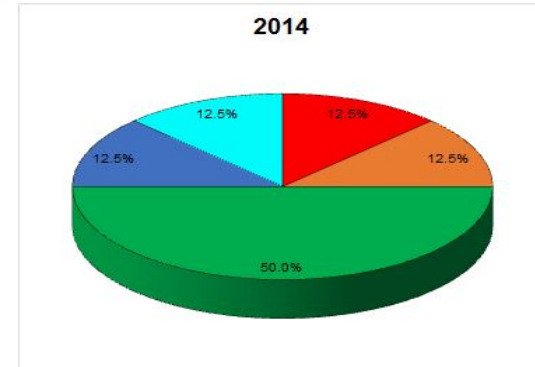
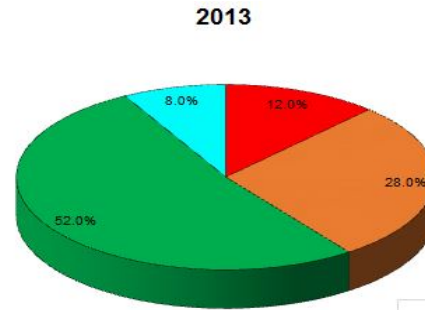
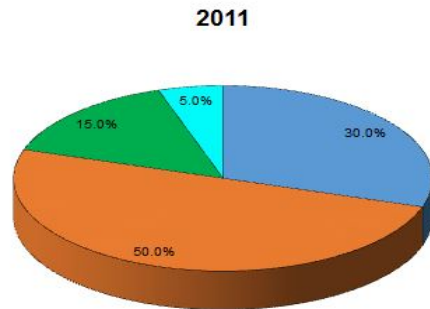
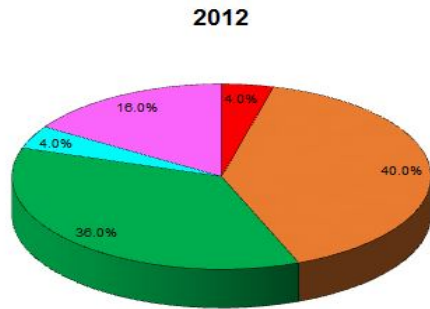
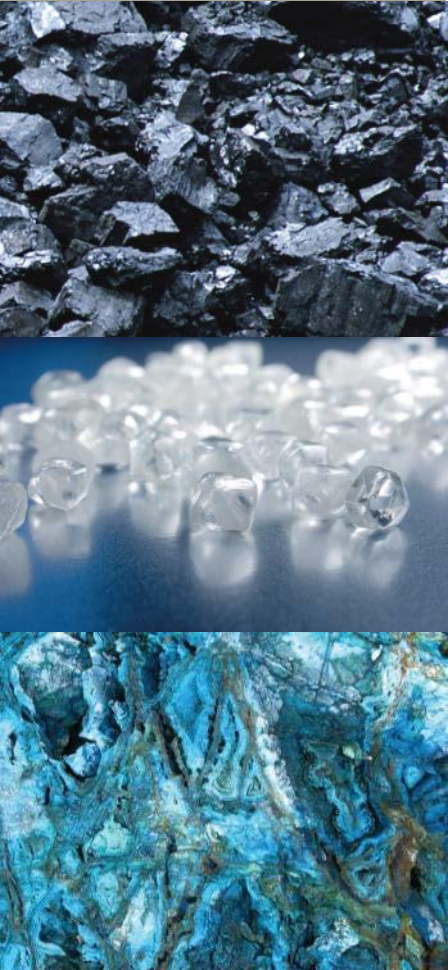


The mineral commodities

- Gold is king
- From 2011 there was a surge in due diligence study requests but dropped in 2012 (elections in the air?) to be replaced by desktop and independent reviews in 2013 and 2014
- Cautious entry the norm



Who we work for



- New Mining Business Major JV
- Junior Zimbabwean
- Large - Foreign
- Large Mining Business - Zimbabwean
- Mid-tier - Foreign
- New Mining Business Junior - Foreign
- New Mining Business Junior - Zimbabwean

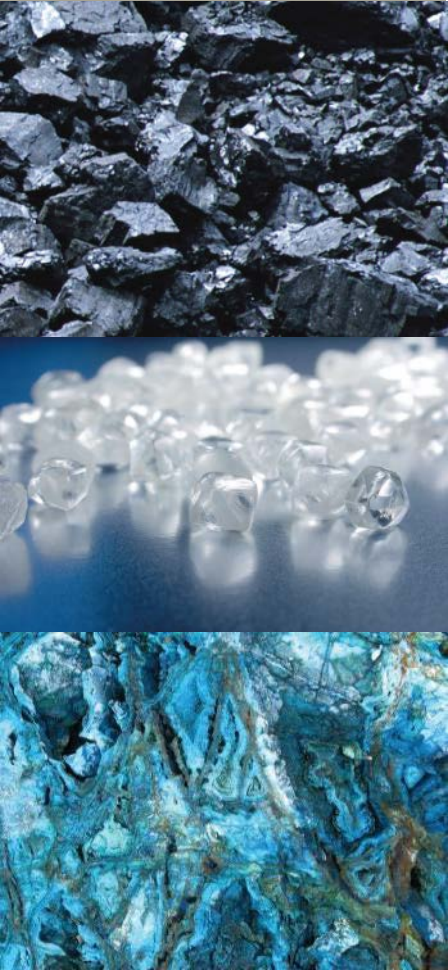
Who we work for

- Established Large Mining Business
- Junior Zimbabwean ever-present after 2010 – but in the market to sell or seeking equity investment
- Mid-tier foreign absent in the election years 2012 - 2013
- Junior foreign ever-present



Expectations vs Reality

- On the 16th September 2009, at the inaugural Mining Indaba, the President of Zimbabwe urged foreign mining companies to invest in the country without fear of expropriation.
- Many listened including Zimbabweans in the Diaspora
- Expectation had been for economic recovery
- Unlocked expenditure from SRK's existing clients, and from new entrants requiring services related to exploration, due diligence reviews, evaluation studies for JVs, mergers and acquisitions, etc
- However, investors remained circumspect
- Expenditure on new projects did not match apparent interest



Global Risks 2013-2014

No.	Global Risk
1	Fiscal crises in key economies
2	Structurally high unemployment/underemployment
3	Water crises
4	Severe income disparity
5	Failure of climate change mitigation and adaptation
6	Greater incidence of extreme weather events (e.g. floods, storms, fires)
7	Global governance failure
8	Food crises
9	Failure of a major financial mechanism/institution
10	Profound political and social instability

Source: Global Risks Perception Survey 2013-2014.

Note: From a list of 31 risks, survey respondents were asked to identify the five they are most concerned about.

Social license to mine



THE COST OF CONFLICT

IN THE EXTRACTIVE SECTOR

UP TO **\$10,000 PER DAY**
DURING CRITICAL EXPLORATION

UP TO **\$50,000 PER DAY**
DURING ADVANCED EXPLORATION

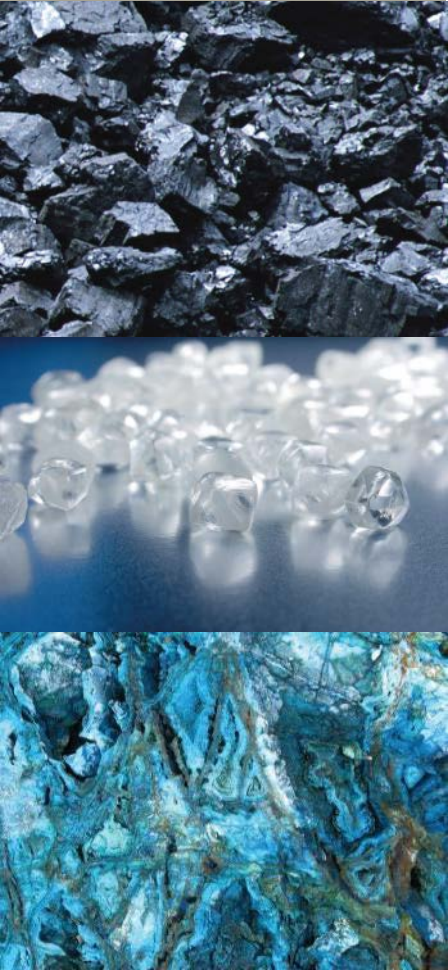
UP TO **\$20 MILLION PER WEEK**
DURING OPERATIONS

www.csr.com.au/conflict-costs

SMICSRM
Centre for Social Responsibility in Mining

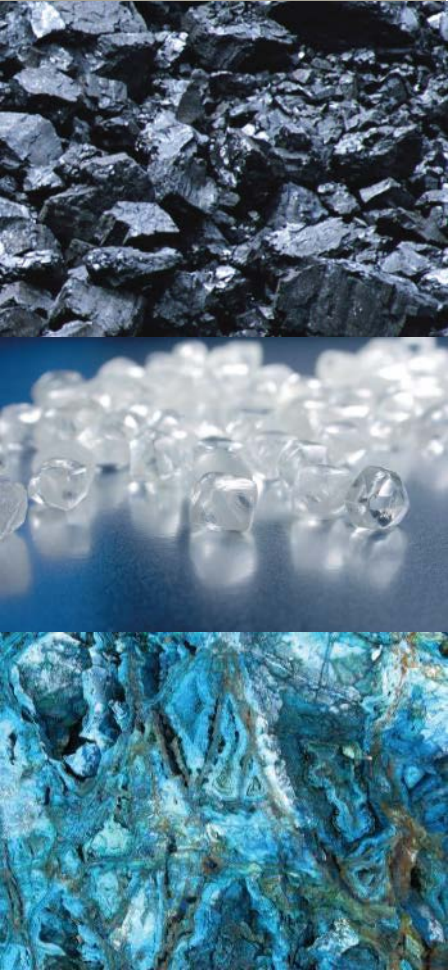
At Home

- “Use it or lose it” in our context and the ZIMASSET has found the government becoming more than a custodian of minerals on behalf of the populace
- Government to Government agreements resulting in government-owned companies entering into JVs with foreign government or private companies and the realisation of ZIMASSET requires participation by independent parties
- It is a “new” era of balancing national needs of employment and development with commercial expectation of investors



At Home

- Government has in the last couple of years been fishing for “partnerships” with consulting practices like SRK looking to
 - (1) revive the fortunes of closed and current operations
 - (2) Realise value from current JVs in respect of an informed position regarding mineral resources, development costs etc – in short bankable feasibility studies
- These are exciting developments
- But the government need closure to enquiries



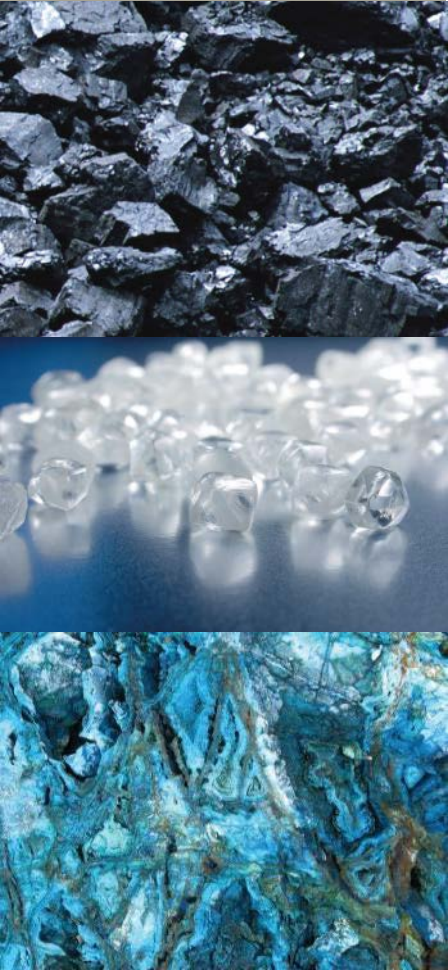
Example in Africa

- The Government of Cameroon has engaged SRK SA in 2012 to help in the Sundance Convention negotiations with external investors into a massive iron ore deposit that will involve infrastructure development as well (a mineral terminal and railway line).
- The convention between Cameroon and Sundance Resources (an Australian Miner) opens the door for the US\$5 billion Dollar Mbalam iron ore project
- The overarching Mining Convention was made in November 2012, and the railway and mineral terminal concession agreements in June 2014.
- Various other agreements have also been concluded to date



Example in Africa

- Looks like a long time to come to an agreement of what should be a straight forward agreement especially considering the drop in price of iron ore in the interim
- But this is a good template to follow as it involves an external mineral resources expert on the negotiating table, albeit as an advisor to the “seller”.
- It is very hard to win against government position but it is possible to bring to government perspectives with which initial implementation processes are modified for demonstrable long term benefits
- Various other agreements have also been concluded to date



Outlook



Outlook

- In the short term SRK ZW expects the liquidity crunch to remain the same
- Financing of mining projects from local banks will remain elusive – the banks themselves are stressed
- Large companies will remain the mainstay of our business especially those with external linkages for new financing
- Small companies or new entrants from the country will require our services to attract external investments
- FDI will remain king – and government the Kingmaker



Always a pot of gold at the end of a rainbow

