



**AUSTRALIAN HIGH COMMISSION
SOUTH AFRICA**

**Mining Indaba 2013
Remarks to Mining Indaba Conference
by Australian High Commissioner, HE Mr Graeme Wilson
Tuesday 5 February 2013**

Distinguished guests, ladies and gentlemen

It is a great pleasure to be attending my first Mining Indaba just a week after presenting my credentials to President Zuma as Australia's new High Commissioner to South Africa. I am here at Indaba 2013 with other Australian High Commissioners and Ambassadors posted in sub-saharan Africa, with our Senior Trade Commissioner, the head of AusAID in Africa, and several hundred Australian companies.

Team Australia's active and visible presence at Indaba reflects not only Australia's international leadership in the resources sector but also our growing engagement with the continent. In discussing that engagement today, I will talk about Australia's commercial involvement, but will also make a number of remarks about the Australian Government's perspective. I want to give you a sense firstly of Australia's unique perspective on mining, secondly of the significant contributions being made by Australian resources companies on the continent, and thirdly of the Australian Government's partnerships with African governments to strengthen sustainable natural resource management and to build capacity.

Despite the recent Eurozone crisis and uncertain global economic outlook, Africa continues to experience a significant resource boom – about two-thirds of African countries have mining activities underway; more than half the countries on the continent regard mining as an important economic activity and are producing minerals for an international market outside Africa; and there is still so much untapped potential in the sector. Africa contains around 12 per cent of the world's petroleum and 30 per cent of global mineral reserves.

This positive resources picture is set in the context of more stable political environments and increased openness to foreign investment. It also comes at a time of strong economic turnaround. African economies have shown great resilience in the face of the

global economic and financial crisis. The IMF still predicts that four of the world's top 10 fastest-growing economies in the next five years will be from Africa.

These trends are largely positive, but as a country like Australia is only too aware, managing a booming mining sector has its challenges. Without effective financial management and macroeconomic planning and without appropriate environmental standards, labour laws and social responsibility standards, the boom can be short-lived and benefit few.

The Australian perspective

Australia brings a unique perspective relative to its engagement with Africa. We don't pretend to have all the answers – we've made plenty of mistakes and we continue to learn from them. We face issues that we hope to better understand by reference to the experience of other countries. What we do know is that mining investment is a long-term commitment, generally measured in a decade or more, so investing companies need to be confident that the conditions under which they invest will remain for a sufficient period to ensure a return on their investment.

And in many ways, Australia is a good example of the long-term benefits of fostering that type of investor confidence. We have over 100 years of experience in harnessing natural resources to promote our own economic growth. After the gold rushes of the 19th century, Australia's iron ore boom began with Japanese investments with Australian partners in the Pilbara in the 1960s. At the time, the Pilbara was remote, and sparsely populated with no mining infrastructure at all. But in a few short years, significant mining, rail and port infrastructure was developed. Most of those initial investors remain involved in the same projects more than 50 years later, and continue to invest in new products. Australia's iron ore exports are now worth about \$60 billion per year.

The growth of our coal industry, and the current high demand for minerals from China, have also played an important part in Australia's development. Mining makes a major contribution to the economy. It provides just under ten percent of GDP, or approximately USD100 billion to income¹, and employs more than 220,000 people.

¹ In 2010-11, the mining sector contributed approximately 7.7 per cent to Australia's total Gross Value Added, a total dollar gross value of approximately \$96 billion (*Source: Australian Bureau of Statistics, Cat. No. Australian System of National Accounts 5204.0, 2010-11*). The Australian mining exploration and support services (including equipment, technology and services) sector contributed approximately A\$9.1 billion to the economy in 2010-2011 (*Source: Australian Bureau of Statistics Cat. No. 5204.0, Australian System of National Accounts, 2010-11*).

Australia is endowed with an abundant supply of mineral resources, most of which can sustain current rates of mine production for many decades. Australia has the world's largest reserves of brown coal, mineral sands (rutile and zircon), nickel, lead, silver, uranium, iron ore and zinc; the world's second largest reserves of bauxite and tantalum; the world's third largest reserves of copper, and the world's fourth largest reserves of silver. Major processing industries include base metal smelting and refining, conversion of bauxite into alumina and aluminium, and iron ore into iron and steel.

Our vast mineral resources, productive efficiency and cutting-edge support industries allow Australia to remain at the forefront of the minerals sector globally. The scale of Australia's mining and resources industry has enabled it to develop a sophisticated mining equipment, technology and services sector. Australia is highly competitive right across the spectrum, including in the development of mining software and equipment; scientific analysis; exploration assessment technology; mineral processing technology; environmental services; and health and safety services and equipment.

And we remain a significant recipient and effective manager of investment in the minerals sector. Over the past five years, the Australian Government has approved more than \$340 billion worth of investments in mineral exploration and development. As of October 2012, almost 90 minerals and energy projects were at an advanced stage of development in Australia, representing committed capital expenditure of \$268 billion. A further 277 projects that were at a less advanced stage have a capital expenditure potential of over \$383 billion. This pipeline of projects will ensure Australia remains a leading exporter of commodities and will promote further technological advancement.

Australia also has a proud record of ensuring that our mining sector is sustainable, sensitive to environmental considerations and subject to appropriate operational and safety standards. And if you are a mining company operating in Australia, you benefit from a stable regulatory environment with low sovereign risk, a highly skilled workforce and world-leading technologies.

Australian companies in Africa

Australian mining and mining services companies – both big and small – emerging from the environment I have just described and expanding into Africa, come with a particular mindset.

They are active, results-oriented and efficient.

The vast majority of Australian mining companies are responsible and committed to the highest standards of occupational health, safety and the environment. They bring advanced technology and corporate responsibility. Above all, they deliver partnerships with local communities, including through the upskilling of local workers.

Of course, Australian companies want to make a profit for their business. But they have built a strong reputation on the continent, including for the open and transparent way in which they deal with African governments.

It is important that Australian firms continue to uphold Australia's positive reputation in Africa. Australian companies need to be leaders in the promotion and implementation of best practice in the extractive resources sector. If mistakes are made, issues must be quickly resolved with local African partners in a fair and transparent manner. Just as would be expected back home.

Despite the difficult global economic conditions in recent years, the scale of Australian resources sector interests in Africa has continued expanding. There are now over 200 ASX-listed mining and resource companies operating more than 700 projects across Africa. This reflects our increasing investment in Africa more generally - Australian FDI in Africa has grown by around 75% since 2006.

Australian minerals and resource companies have more projects in Africa than in any other region of the world. These projects are estimated to be worth close to USD\$50 billion in current and projected investment.

Australian companies are engaged in mining as well as oil and gas, and the projects cover the full spectrum from smelters and refineries, to mines, to feasibility studies, to exploration, and to branch offices of mining services companies. They are also looking for and extracting the full range of minerals – iron ore, gold, copper, platinum, phosphate, coal, uranium, rare earths, diamonds and others. Australian companies are active too in delivering a range of mining services, including engineering, consulting and analysis. Well-known Australian METS companies such as Coffey Mining, Lycopodium, African Mining Services, Worley Parsons, Ausenco, AMEC and Minproc are all active in Africa.

And despite some significant setbacks and economic constraints, there are still many Australian 'good news' stories in Africa's resources sector, indeed too many to list individually. The following examples may give you a better sense of the ways in which Australian companies have 'weathered the storm' of recent economic uncertainty and are continuing to contribute to Africa's economic development:

- If we look at southern Africa,
 - o South Africa continues to have the largest number of existing and new Australian mining projects (about 130) and Australian mining services companies are increasingly using Johannesburg as a base for their activities in the rest of the continent
 - o Australian resource companies are operating in all parts of southern Africa – in Botswana, for example, the highest number of mining exploration licences have been issued to Australian companies
 - o In Namibia, Langer Heinrich Uranium Pty Ltd (a member of the Paladin Energy group) currently has plans to increase its production significantly
 - o In Malawi, Paladin continues to provide a major economic benefit to remote northern regions of the country through its Kayelekera Mine, including through a commitment to local procurement, which is a major motor for driving employment

- Turning to central and west Africa,
 - o One striking trend over the last couple of years has been the number of iron ore exploration projects started by Australian companies in Central Africa and Nigeria. Following in the footsteps of Sundance Resources, there are now no less than 18 Australian iron ore projects across Nigeria, Cameroon, Gabon and the Republic of Congo. Four new companies have begun iron ore exploration in Gabon alone over the last 12 months
 - o Kogi Iron's 100% owned Nigeria entity, KCM Mining Limited, has had the first Joint Ore Reserves Committee inferred resource estimate received by any mining project in Nigeria. Earlier this month, the Congolese government awarded an iron ore mining license to Sundance's subsidiary Congo Iron, for the Nabéba project. The first phase of construction is expected to provide about 1,000 direct jobs, rising to 2,000 as work progresses
 - o Four new Australian-owned mines have opened in Ghana in the past two years. Overall, Australian companies are investing hundreds of millions of dollars in Ghana and creating employment and social development opportunities
 - o Ghana's President and the Ghanaian Chamber of Mines have recently singled out Australian gold mining companies for their consistent contribution to economic growth
 - o Australian companies also continue to make strides in Francophone West Africa
 - o In Senegal, Mineral Deposits Limited's Grande Côte mineral sands project is due to commence production later this year. It will be among the largest projects of its type globally

- Australian gold mining companies including Newcrest and Perseus are investing tens of millions of dollars in Côte d'Ivoire as the country seeks to consolidate economic growth after the 2010-11 crisis
 - And in Mali, Australian mining and related services companies such as Resolute and African Mining Services continue full operations, making a vital contribution to the economy as the country seeks solutions to its political and security crisis.
- If we look at east Africa:
- In Kenya, Australia's Base Resources should soon be one of the world's major producers of rutile, accounting for around 14% of global production. In doing so it will significantly boost Kenya's GDP, provide 100's of millions of dollars of tax revenue, more than triple Kenya's mineral sector export earnings, potentially move minerals into the top 5 export earners for Kenya, employ many hundreds of Kenyans, lead to the creation of some important new infrastructure and support the development of the local Kwale area. Perhaps most important of all, when Base starts producing, mining heads will turn internationally. It will send a very strong message that Kenya is "open for business" and is now ready to take advantage of Africa's mining boom
 - In Tanzania, Tancoal Energy Limited (70% owned by a subsidiary of Intra Energy Corporation) is having a significant impact on the energy sector. Working closely with the National Development Corporation of Tanzania, Tancoal has the potential to supply sufficient coal to replace the 250,000 tonnes imported each year and to increase Tanzania's electricity supply by 40% through a specifically constructed thermal coal-fired power station.

What Australian companies are looking for in Africa

Of course, Australian companies are more likely to look to investment destinations where they have confidence in the country's stability, and its legal and constitutional framework. There are debates taking place in many African countries which Australian investors are watching with interest – decisions on local equity targets, on expenditure on labour, on investment in skills development, on beneficiation requirements, on energy and on nationalisation.

A consistent government approach is essential to investment. There is no doubt that projects around the world have been deferred and delayed, and in some cases investment withdrawn altogether, because of the degraded risk/reward equation.

The greatest risk to investment is resource nationalisation, with many governments going beyond taxation in seeking a greater take from the sector, including a wave of requirements introduced around mandated beneficiation, export levies and limits on foreign ownership.

As the Australian Government, our advice to our African counterparts is to (1) take a long-term view, and to learn from the experiences of others, (2) to invest in education – to ensure that those in key decision making roles are equipped to create a level playing field that facilitates investment, and (3) to put in place the right financial management and macroeconomic frameworks and appropriate environmental standards, labour laws and social responsibility standards to ensure that this mining boom is not wasted and can benefit the many rather than the few.

Mining for Development

As the Australian government has expanded its engagement in Africa – we now have diplomatic relations with all 54 countries on the continent – we have looked at how we can most effectively work with African governments to maximise the social and economic benefits from the significant mineral resources here.

It is our view that in resource-rich countries, a well-managed minerals sector can increase government revenue flows; improve employment, income and enterprise opportunities; and create a whole series of other industries, through backward, forward and sidestream linkages. More broadly, sustainable minerals sector growth can support progress towards the Millennium Development Goals by helping to reduce poverty and deliver sustainable economic development.

Working with African governments to leverage the development outcomes of their resource wealth is now an important part of Australia's growing development cooperation program in Africa.

In late 2011, the Australian Prime Minister launched the Australian Government's Mining for Development Initiative, with a dual emphasis on helping African governments build the skills and capacity they need to sustainably manage their minerals sectors; and partnering with African government, industry and civil society stakeholders committed to effective management of their minerals sectors.

Through our Mining for Development Initiative, the Australian Government supports the Africa Mining Vision endorsed by the African Union in 2009. The vision involves: 'transparent, equitable and optimal exploitation of mineral resources to underpin broad-based sustainable growth and socio-economic development'.

We are offering support to the vision in very practical ways. For instance, Australia is partnering with the African Union (AU), the United Nations Economic Commission for Africa (UNECA) and the African Development Bank (AfDB) in setting up the African Minerals Development Centre (AMDC). The role of the Centre will be to coordinate activities of the multiple actors in Africa's minerals sector in pursuit of the objectives of the African Mining Vision. In addition to supporting the design of the Centre, Australia is providing \$5million over the next two years for its establishment.

A common challenge that both Australia and the countries of Africa face is training a highly skilled and well-resourced workforce to support our minerals sector and sustainably grow our broader economy.

In order to maximise opportunities, the issues of skills and the availability of those skills at the time and place needed by government, industry and communities must be met. In Western Australia, one of Australia's main mining states, the workforce required to meet current growth plans in the minerals and energy sector is expected to reach a peak of over 119,500 people in 2012 – around 43,800 above the 2009 sector workforce. In the state of Queensland, there is an expected increase in the need for Resource Sector related occupations of 140% by 2020. And the combined growth in the minerals and oil and gas sectors in the Northern Territory is predicted to be around 40,000 new jobs to 2030.

The challenges that Australia faces on skills development are clear. And the Australian Government – in collaboration with industry, civil society and communities - has put in place a range of measures to try to address these challenges.

As in Australia, skills gaps in the African minerals sector pose a barrier to leveraging the full potential development benefits of mining. The African Mining Vision acknowledges this challenge in its opening point, where it calls for “a knowledge-driven mining sector” to catalyse broad-based growth and development in Africa.

This is why skills development is a strong focus of Australia's Mining for Development cooperation with African countries.

- Since 2011, we have hosted more than 400 officials from 32 African countries on mining study tours to Australia.
- These study tours enable officials to visit our regional centres and see first-hand the positives and the negatives of Australia's experience in managing our mineral wealth.
- The Australian Government is also offering a range of education, training and professional development opportunities through our Australia Awards scholarships

program. A total of 145 mining-related short course and masters-level scholarships were delivered to participants from 35 African countries in 2012.

All these statistics are impressive, but what impact are these skills development opportunities actually having? Do they contribute to meaningful change in participants' home countries? According to our recent evaluations, the answer is a resounding “yes” – a recent review found that Australian-supported activities have been associated with a broad range of improvements in mining sector policies, legislation, institutions or practices:

- Take Zambia, for example, where two Australian alumni have been instrumental in drafting an amendment to the Mines and Minerals Act dealing with local procurement and local content, with much tighter instructions to ensure mining companies procure locally. The Zambian Budget Office is also preparing a submission to the Zambian Tax Policy Review Committee to consider revising the royalty regime in Zambia based on ideas drawn from Western Australia.
- In Botswana and Niger, Australian alumni are using lessons learnt in Australia to help their countries make progress towards institutional reform. According to a Botswanan study tour participant, (and I quote) “We used what we learnt to recommend establishment of a coal unit, which houses the rail, power and mining experts under one roof. Our recommendation was approved and the coal unit has been established”.
- Similarly, inspired by the mine inspection system operating in Australia, mining officials in Niger are planning initiatives to improve their mine inspection system and ensure better compliance rates.
- Australian study tour alumni from Ghana’s Minerals Commission have decided to redraft their mining regulations to ensure earlier community involvement in mining development decisions. Similarly, Namibia is re-examining certain clauses in its Mining Act to ensure greater protection of local communities and has sought assistance from the Centre for Social Responsibility in Mining in Australia.
- Influenced by the manner in which Australian local councils in mining communities actively solve problems and devise strategies for local development, an initiative has begun in Tanzania to encourage small scale miners to engage in agricultural and livestock farming alongside mining activities.
- In Mozambique, Australia is providing negotiation and legal skills training for the Ministry of Mineral Resources, to help officials negotiate fair contracts with international mining companies. A Mozambican study tour participant spoke of his newfound confidence to negotiate on issues such as local procurement and corporate social responsibility.

- In Madagascar, the Minister of Mining (the Hon Daniella Randriafeno) has awarded Australia the second prize for 'best partner in 2012' in recognition of the training and scholarships provided to Madagascar in the mining sector.
- Australia is also working in partnership with the Government of the Republic of South Sudan. In collaboration with Adam Smith International, we have engaged a top class international advisor to work within South Sudan's mining ministry. Led by the Hon Stephen Dhieu Dau, the ministry succeeded in gaining parliament's approval for its new Mining Bill on 19 November 2012. When the Bill receives the assent of the President, that will be a vital step forward for the mining sector in South Sudan – providing legal clarity and the basic governance frameworks for the sector. We are proud that our assistance has played a role in achieving this important step.
- African women are also gaining confidence and a voice through Australian mining for development activities. The director of a non-government organisation in Ghana who attended a mining study tour in 2011 reported that her organisation had subsequently been able to provide specialised training to 500 women in seven communities, to assist them to make informed decisions about incoming mining operations in the area. In October 2012, Australia ran a specialised study tour focused on Women in Mining.

Many of these opportunities are being delivered through partnerships between Australian and African universities – and with industry. I mention these partnerships because an enduring lesson from Australia's experience in developing and managing its mineral wealth is the need for collaboration and partnership – between government, industry, civil society, communities and a myriad of other stakeholders.

The Australian Government recognises this. The Government's international development agency, AusAID, has clear civil society and business engagement strategies and works with a range of partners in the delivery of our mining for development programs in Africa.

For instance, Australian mining companies such as Rio Tinto, BHP Billiton, Paladin Energy and Newmont have assisted in the delivery of study tours in Australia

We are partnering with Skills DMC, the Australian mining industry skills body, and the South African engineering firm Bigen Africa, to undertake an 18-month 8-country pilot of a vocational learning program in mining-related infrastructure development.

And we welcome, and encourage, further cooperation from industry in the delivery of mineral skills initiatives. Closer, coordinated cooperation between governments, industry and development partners such as ourselves, is vital to address the skills challenges I have mentioned.

Australia is also a leading donor on the Extractive Industries Transparency Initiative (EITI), because we believe that transparency and accountability are key to reaping the benefits from the resources sector. We provide A\$12.7 million towards global EITI implementation, including assisting developing countries to meet the technical challenges of implementation. We look forward to hosting the EITI Global Conference in May this year, and welcome the fact that 10 of the 18 countries that have achieved and maintained EITI compliance are African and that a further 8 African countries have achieved and maintained EITI candidate status.

Australia has also recently decided to join the Voluntary Principles on Security and Human Rights initiative – which promotes implementation of practical human rights guidelines for the security operations of companies working in the mining, oil and gas industries. The decision to join has strong support from the Australian mining industry and NGOs. We look forward to promoting best practice in mine site security through the initiative.

Conclusion

Ladies and Gentlemen

In painting the picture of Australia's engagement in the resources sector in Africa, I have noted our strong commercial involvement but have also highlighted the Australian Government's role in helping to build capacity. It is through increased capacity that African countries can create an environment conducive to investment and development while at the same time maximising the returns from the natural resources sector for their citizens.

As Australia has learnt the hard way, mining is a tough and highly competitive business. But we have also learnt that the rewards are there if you are prepared to manage the minerals resources sector in an effective and equitable manner.

We are committed to supporting our African partners in their efforts to reap those same rewards through responsible and sustainable management of the mining sector.

Thank you.