MODERN MINING

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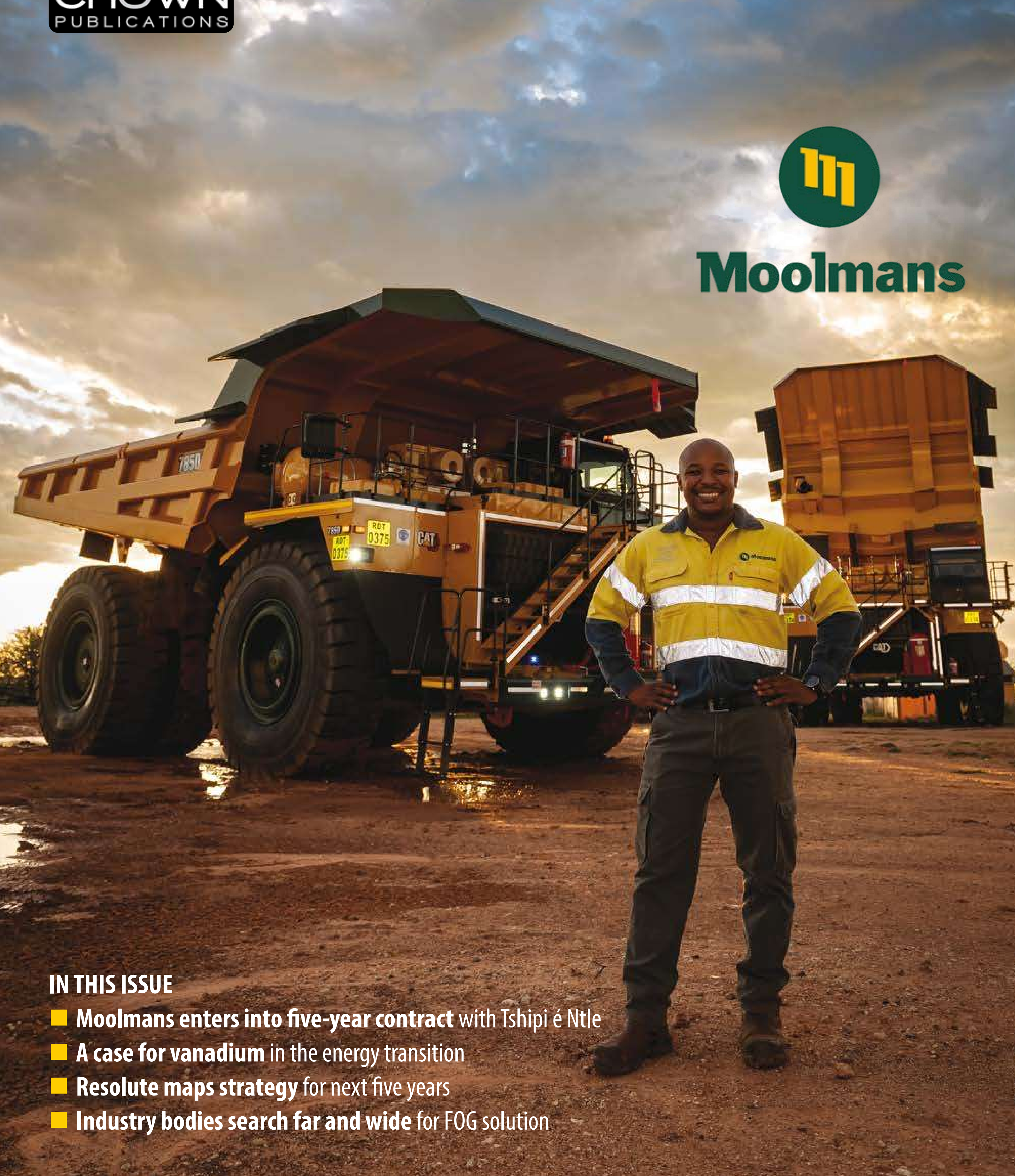
CROWN PUBLICATIONS

For people who are serious about mining



Moolmans

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Why investment in mining fails

By Alana van Wouw, market analyst at Crane Ridge

The investment cycle in mining is the process of acquiring, developing and operating a mineral project. It begins with exploration, which is the process of finding and assessing the potential of new mineral deposits. Once a deposit is identified, the next step is to go through the permitting process and secure financing for the project. From there, the project moves into the development phase, which involves constructing the necessary infrastructure and equipment for the mine.

Once the mine is in operation, the project enters the production phase, where materials are extracted, processed and sold. Finally, the project enters the closure phase when operations are shut down and the site is restored to its original condition.

The investment cycle in mining can be a lengthy and expensive process. It requires significant capital investment for exploration, permitting and construction. It is also a risky process, as there is no guarantee that a mineral deposit will be economically viable.

Despite these risks, the investment cycle in mining can provide a steady source of income for companies and investors, as well as an important contribution to local economies. It is important to note that not all investment cycles in mining will be successful. As the industry is heavily regulated, there are numerous factors that can affect the success of a project.

Mining is a complex process that requires substantial investment in both capital and resources. Investment in the sector can fail for a variety of reasons, including fluctuations in commodity prices, regulatory uncertainty and operational inefficiencies.

One of the primary reasons why investment in the mining sector fails is a lack of transparency in the industry. This can make it difficult for shareholders and investors to understand the financial and operational risks associated with their investments.

To improve transparency, mining companies

The investment cycle in mining can be a lengthy and expensive process.

Above: Gold was an attractive investment in 2022.

Centre: Materials are extracted, processed and sold.

should provide detailed information about their operations, including financial performance, resource utilisation, and environmental impacts.

Additionally, companies should provide regular updates about their progress and potential risks. Another way to increase transparency is to improve the disclosure of corporate governance and board oversight.

Companies should provide clear guidance on the roles, responsibilities and composition of the board of directors, and should make information available on the qualifications, experience and performance of the board members. Companies should also provide clear guidelines as to how the board is expected to oversee the company's operations and investments.

Finally, companies should strive to increase shareholder engagement, by providing investors with the opportunity to participate in company decision-making processes and to receive regular updates.

Companies should provide investors with timely and accurate information regarding their investment. Additionally, they should conduct regular financial audits and develop reporting systems that are transparent and easy to understand.

Companies should also have adequate management and internal controls in place to ensure the accuracy and completeness of financial information.

In addition, they should invest in data mining and analytics to identify critical trends and patterns in their operations that may affect their businesses. This can help pinpoint problems before they become too costly to address and give investors greater confidence in the company's operations.

Data mining and analytics can also help companies to identify new opportunities for growth and identify areas of potential risk.

Finally, companies should strive to create an open dialogue with their shareholders and investors. This can be done through regular meetings, calls and conferences, as well as through other methods such as investor relations websites and social media. Having open and honest communication with shareholders and investors can help to build trust and ensure that they have a thorough understanding of the companies' operations and objectives.

Common challenges facing the mining industry in Africa

1. Lack of access to capital

Many African mining companies lack access to the capital needed to invest in the infrastructure and technology required to create a successful and profitable mining operation.

One option is to partner with larger mining companies who can provide access to the capital needed for such investments. This partnership could include joint ventures, where the larger mining company provides capital for the infrastructure and technology needed, while the African mining company provides the resources and labour.

Another option is to access capital from international financial institutions or development banks. These institutions may provide loans at lower interest rates to African mining companies, thereby allowing them to access the capital needed to make the necessary investments.

In addition, African mining companies can look to venture capital and private equity firms to obtain financing for their projects. Finally, African governments can provide incentives and subsidies to mining companies to encourage them to invest in infrastructure and technology.

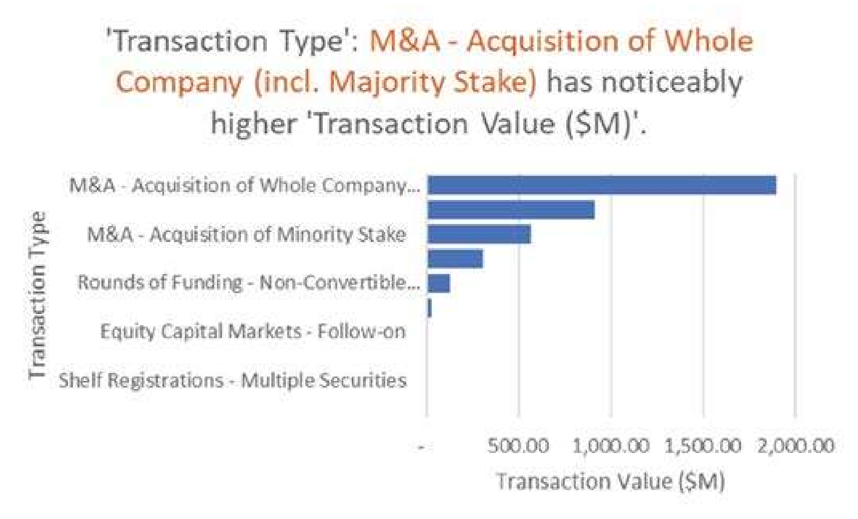
2. Poor Infrastructure

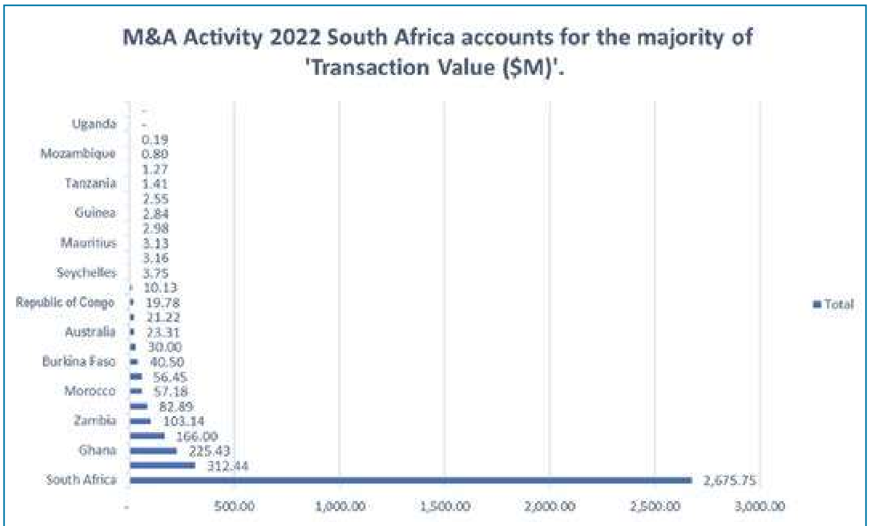
Inadequate infrastructure is a major challenge in many parts of Africa. Poor roads and insufficient power supply make it difficult to move goods and access mineral resources in remote areas.

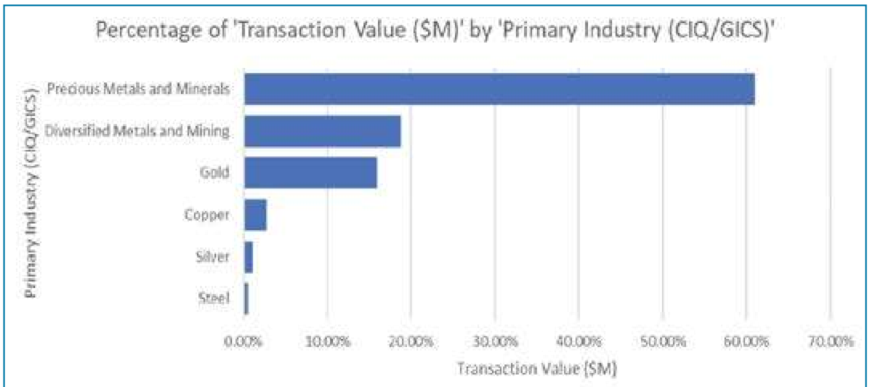
Lack of efficient infrastructure can also limits access to health care, education and other basic services and can make it difficult for businesses to access markets, customers, and resources.

To address the challenge of poor infrastructure, governments and development partners need to invest in roads, power and telecommunications networks.

Investments in infrastructure should be combined with incentives for private sector development and measures to reduce red tape and corruption. In addition, governments should invest in human capital by providing quality education and health services to ensure that all citizens can benefit from the improved infrastructure.







Lastly, regional cooperation and integration should be encouraged to ensure that infrastructure projects benefit the entire region and create mutual benefits for the countries involved.

3. Environmental Damage

Mining activities often cause significant environmental damage, including land degradation, air and water pollution, and loss of biodiversity.

The most common environmental impacts of mining activities include deforestation, soil erosion, air and water pollution, and increased soil salinity. Mining activities can also lead to the destruction of natural habitats, the introduction of invasive species, and disruption of local ecosystems. The disposal of waste products from mining operations can create long-term risks to the environment, including soil and water contamination.

Mining activities can also cause noise and air pollution, which can have serious consequences on human health. It is important that miners take steps to minimise the environmental impacts of their operations.

These can include implementing effective dust and noise control measures, restoring mined land to its natural state, and practicing responsible waste management. Miners should also strive to use cleaner and more efficient technologies where possible.

By taking these measures, miners can help to protect the environment and ensure that their operations are sustainable in the long-term.

Mining forms an important part of the global economy, but it is essential to ensure its these activities are conducted in an environmentally responsible manner.

4. Poor Governance and Corruption

Poor governance and corruption are major challenges in Africa. Unregulated mining operations can lead to environmental and safety hazards, and bribery and other forms of corruption can lead to misallocation of resources.

To tackle these issues, governments across the continent should focus on improving the transparency and accountability of their institutions.

This can be done through the implementation of independent anti-corruption commissions, the adoption of international standards of accountability and disclosure, and the enforcement of clear laws and regulations.

Governments should focus on increasing public participation in decision-making processes, and ensure that citizens have access to accurate information about the mining sector. They should invest in capacity building