The impact of the “Use It or Lose It” principles of the MPRDA on the sustainability of the platinum mining sector in South Africa.

Johannes Scholtz & Pierre Bredell

26 June 2015
Marikana Massacre (2012)
Marikana Massacre (2012)
5-Month Strike (2014)
1.3 Million ounces of Pt.
US $1.9 Billion
73% of World Production
95% of World PGM Reserves
Platinum Supply

Platinum Supply: South Africa vs. others

Marikana Massacre

Ounces (Thousands)

10 20 October 2015 Johannes Scholtz & Pierre M. Bredell
Platinum Supply

Platinum Supply: South Africa vs. others

Strike
Platinum Price

Platinum price 2014

US$/oz

2-Jan-14  2-Feb-14  2-Mar-14  2-Apr-14  2-May-14  2-Jun-14  2-Jul-14  2-Aug-14  2-Sep-14  2-Oct-14  2-Nov-14  2-Dec-14
Demand vs. Supply

Demand vs. Supply
Demand vs. Supply

Demand vs. Supply

Price vs. Quantity
Demand vs. Supply

Demand > Supply after strike
Why is the Platinum price falling?
New Direction

• Transformation
  – Mineral and Petroleum Resources Development Act of 2002 (MPRDA)

• Prospect of losing mineral rights
Ownership of Mineral rights prior the MPRDA

Common law principles

• Owner of land
• Mineral rights
• State owned 1/3 of mineral rights
Ownership of Mineral rights under the MPRDA

Mineral and petroleum resources belong to all South Africans, with the State as custodian thereof.

- State has power over all mineral rights
- Old-order rights
- New-order rights
- “Use it or lose it” policy of MPRDA
Platinum Supply & Demand

Quantity ('000oz)

Price (US$/Oz)


$0 $1,000 $2,000 $3,000 $4,000 $5,000 $6,000

0 1,000 2,000 3,000 4,000 5,000 6,000 7,000 8,000
Why is the Platinum price falling?
Above Ground Platinum Stocks
Platinum Stocks
Platinum Stocks

Quantities unpublished & unknown
Platinum Stocks

• After financial crises
  – 2009 by 635koz
  – 2011 by 430koz
MPRDA Contribution?
Interviews
Bushveld Complex +500Mil oz of Pt
Recycling

Recycled Pt. ounces

0 1,000 2,000 3,000
Ounces (Thousands)


Graph showing the increase in recycled Pt. ounces from 1998 to 2014.
Recycling

Ounces (Thousands)

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Source: Johannes Scholtz & Pierre M. Bredell
Recycling

- 2002
  - 8% of demand - 570 000 ounces
- 2014
  - 25% of demand - 2 284 000 ounces
Sustainability of Production

Performance of JSE-listed platinum stocks over 1 year to 17 March 2015

-33.18%
Sustainability of Production

Performance of JSE-listed platinum stocks over 1 year to 17 March 2015

-48.29%
Sustainability of Production

Performance of JSE-listed platinum stocks over 1 year to 17 March 2015

-LONMIN-

-60.92%
Sustainability of Production

![Graph showing sustainability of production over years with data points for Rands and Oz (Thousands).]
Sustainability of Production

Anglo American Platinum Limited

Oz (Thousands)

Rands (Millions)


R 0 R 10,000 R 20,000 R 30,000 R 40,000 R 50,000 R 60,000

R 0 R 5,000 R 10,000 R 15,000 R 20,000 R 25,000 R 30,000
Sustainability of Production

“Cost of digging platinum out the ground is set in South Africa.”

“If the price remains where it is, it will not incentivize new production.”

Jan van Niekerk - CEO of Regarding Capital Management
Concluding Remarks

MPRDA Objectives

- *Equitable access to minerals* ✔
- *Expand opportunities for historically disadvantaged* ✔
- *Promote economic growth* ?
- *Development Mineral and petroleum resources*
  - Orderly and ecologically sustainable ✔
  - Promoting social and economic development ?
- *Promote employment* ?
- *Provide for security of tenure* ?
- *Ensure that holders of mineral rights contribute towards the socio-economic development* ?
Recommendations

• Review and adjust policy
  – Strategic vs. non-strategic minerals
  – Adjust time

• Remove policy
Meanwhile, on the road to recovery...
Thank you for your kind attention!