

Global Mining in Perspective

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Mining takes place in all the world's continents with the exception of Antarctica, which has a treaty in place preventing short to medium term exploitation and exploration of minerals. Traditional mining countries such as the US, Canada, Australia, South Africa and Chile continue to dominate the global mining scene - becoming entrenched leaders in mining and exploration methods and technology.

However, with demand outstripping supply, exploration and development funding has changed over the past few years, with emphasis shifting to areas that have been poorly explored or have had poor access for reasons of politics, infrastructure or legislation.

"There has been a general boom in the mining industry over the last five years, driven largely by a growing demand from China specifically and Asia in general," said Tim Goldsmith, global leader for mining at PricewaterhouseCoopers (PWC). "Currently there is a lot of consolidation in the traditional markets and emerging markets in the developing world - particularly Russia, India and Indonesia," added Australian-based Goldsmith.

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According to the PWC's annual review of global trends in the mining industry, urban migration and Asia's appetite for commodities, along with growing demand from other developing countries, will fuel the existing global mining boom. Although new supplies are coming on stream, most commodities are struggling to meet demand as a result of underinvestment in capital equipment and exploration during the 1990s.

The review concluded that high commodity prices will continue to drive improved company results across a range of key performance indicators for the industry. While improvements in profitability mask substantial increases in operating and exploration costs, profit margins are expected to remain high in the near to medium future.

Challenges for the industry, globally, include addressing sustainability and community issues, managing geopolitical risk and recruiting and retaining a skilled workforce.

Although under-explored, Africa hosts about 30% of the planet's mineral reserves, including 40% of gold, 60% of cobalt and 90% of the world's Platinum Group Metal (PGM) reserves.

South Africa, Ghana, Zimbabwe, Tanzania, Zambia and the DRC dominate the African mining industry, whilst countries such as Angola, Sierra Leone, Namibia, Zambia and Botswana rely heavily on the mining industry as a major foreign currency earner. Unfortunately, several African civil wars are funded by (and often caused by) some of these commodities.

Major new mines opening in Africa or under development are distributed between South Africa, Namibia, Botswana, Tanzania and Gabon, producing gold, diamonds, niobium products, PGMs, chrome and base metals.

The increase in exploration and mine development in Africa has been primarily focused on gold and diamond exploration. Mozambique, Nigeria and Madagascar are but a few countries that have tremendous potential for base metal and industrial mineral deposits.

China, India and Russia, followed by Indonesia and Commonwealth Independent State countries dominate Asian mining as major global producers of commodities such as gold, diamonds, base metals, coal, tungsten, tin and PGMs. Problems of introducing foreign investment into these countries have led to insufficient infrastructure investment and lowered production.

Several Asian countries are nearing ore reserve depletion in many of their mines, with no evidence of real exploration being carried out to extend strategic metal ore reserves.

Indonesia is a major producer of coal, gold, copper and tin. Accurate information on commodities produced in some countries, particularly Russia and China, is difficult to obtain. Although Russia, China and India are major producers of most commodities, a large portion of their production is consumed domestically or purchased by central government banks as stockpiles.

Russia's largest export mineral product is natural gas, followed by crude oil and petroleum products. The Chinese government is trying to convert its medium to large state-owned enterprises into corporate, so that these companies can become more globally competitive. As a result several joint ventures with foreign investors have been signed.

The resources industry in Australia is the country's largest export earner, contributing about 8% of GDP. The industry

was particularly badly affected by the slump in commodity prices in the late 1990s. The low gold price saw exploration expenditure in Australia decrease by as much as 30%, although exploration activities have resumed more recently.

In 2004/2005 the value added contribution of the Australian Mining industry (including wages, taxes, rents, interest and profit paid to shareholders) amounted to US\$42.8 billion, or 5.4% of GDP. The value of mineral exports, including gas and oil, was US\$67.7 billion - about 41% of Australia's total goods and services exports. Europe

Compared to the other continents, Europe is not a major producer. However, base metals and gold are produced in Ireland, Spain, Portugal, Romania, Turkey, Sweden and Finland. Cyprus is well known for its base metal deposits on Troodos, and Turkey has great potential for base metal and gold deposits, and is an established chromite producer. Coal is a major European product with Germany and Poland being major producers. Americas

North America is the home of two of the world's largest mining countries, the US and Canada. The US dominates the world in terms of value of raw mineral production.

Of major recent significance was the opening of North America's first diamond mine, the Ekati Mine in north-western Canada, which at full production will produce three million carats a year, approximately 10% of world production.

Greenland has recently seen increased exploration activities, in particular diamond exploration. However, there are no major producing mines.

South America has suffered due to low gold and base metals prices. Most countries saw either a reduction in activity or even total withdrawal by firms that were previously active. However, South America still attracts the most exploration dollars in the world - 27% of global gold exploration and 38% of base metals. Globalisation

The ever-increasing move towards globalisation is driving a record number of mergers, acquisitions strategic alliances and joint ventures around the world, and currently most mining companies are riding a wave of success.

The latest PWC report on the top 40 mining companies in the world (representing more than 80% of the global industry by capitalisation) shows a 37% increase in revenue in 2006 over 2005 figures. There's a 64% increase in net profit for the same period, and a 66% increase in distributions to shareholders - some of which is funded by a 73% increase in net debt.

The net profit margin for the top companies sits at 27%, with a gearing ratio of 15.2%, a return on equity of 33% and a return on capital employed of 23%.

- This article was written by Sharon Davis for Deep South Africa, a book on the South African mining industry published by Nelida Publishing in November 2007. Online links [here](#) and [here](#)