

Chapter 2

Australian mining in Africa

Introduction

2.1 Australia's current commercial activity in Africa is strongly focused on the extractives sector. While reported figures vary, submissions to the inquiry have indicated that at least 170 Australian Stock Exchange-listed mining and other resource companies are operating in some 35 African countries, with the scale of exploration, extraction and processing involving current and potential investment estimated to be worth more than \$40 billion.¹

2.2 Africa is generally acknowledged as having some 30 per cent of the world's mineral, oil and gas reserves.² The Australia-Africa Minerals and Energy Group (AAMEG) expressed the view that resources development 'will remain a cornerstone, if not the cornerstone, of African economic development for the remainder of the twenty-first century – and perhaps well beyond'.³

2.3 DFAT has described the footprint of Australian extractives companies in Africa as follows:

A DFAT stock-take in 2015 estimated that investment flows in the extractives sector by Australian companies were significant and geographically diverse with projects underway in 35 countries. Australian companies are most active in the resources sector in South Africa, Namibia, Tanzania, Zambia and Burkina Faso.⁴

Operations of Australian mining sector companies

2.4 Australian mining companies in Africa are active across a broad geographical area, in both the operation of mines and the exploration of future projects (see Figure 3 below).

1 Australia-Africa Minerals and Energy Group (AAMEG), *Submission 4*, pp. 5–6.

2 AAMEG, *Submission 4*, p. 2.

3 *Submission 4*, p. 2.

4 *Submission 30*, p. 3.

Figure 3: ASX listed mining companies in Africa



Source: AAMEG, *Submission 4*, p. 4.

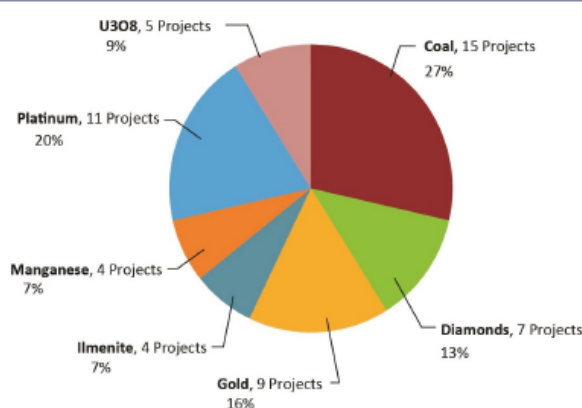
2.5 Data provided by AAMEG shows the range of minerals currently being extracted by Australian mining companies. As shown in Figure 4 below, Australian mining projects in Africa span a broad range of resources, including uranium compounds, manganese, ilmenite (a titanium ore), and diamonds. Coal mines form the largest portion of existing mines (27 per cent), followed by platinum (20 per cent) and gold (16 per cent).⁵ A large number of additional projects are currently in the exploration phase for those minerals listed above, in addition to nickel, phosphate, rare-earth elements, iron ore, and copper.⁶

5 AAMEG, *Submission 4*, p. 5.

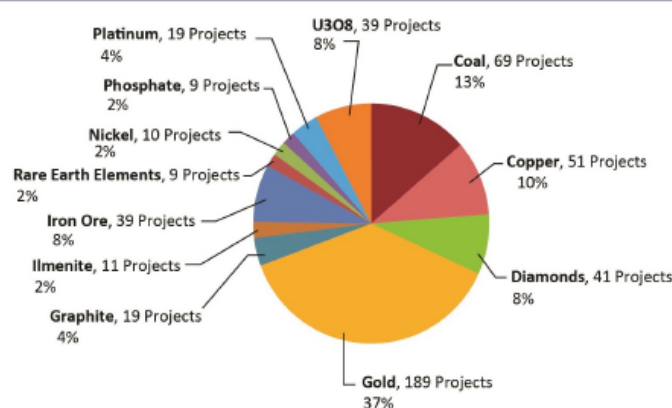
6 AAMEG, *Submission 4*, p. 5.

Figure 4: Sector investment by ASX-listed companies in Africa, 2015

Operating Mines



Exploration



Source: AAMEG, *Submission 4*, p. 5.

2.6 For example, Base Resources, with headquarters in Perth, is an Australia and UK-listed resources company. Its flagship development is the Kwale Mineral Sands Project in Kwale County, 50 kilometres south of Mombasa in Kenya. This is a US\$310 million investment currently producing ilmenite and zircon. The mine:

...is significantly boosting revenue for the Government of Kenya and Kwale County and is set to deliver significant revenues in tax and royalty payments over the life of the mine, together with considerable indirect taxation, direct and indirect employment and other economic benefits.⁷

Australian mining equipment, technology, and services (METS)

2.7 As a result of Australia's strength in the extractives sector, Australian companies have developed expertise in a range of supporting functions. The mining equipment, technology, and services (METS) sector has become an important industry in its own right.

⁷ Base Resources Limited, *Submission 6*, p. 1.

2.8 The Department of Industry, Innovation and Science describes the METS sector as follows:

The Mining Equipment, Technology and Services sector provides specialised products and solutions for mineral exploration, extraction and mining supply chains. This includes equipment manufacturers; engineering services; mine software products and other related equipment, services and technologies where the primary function is to support the mining and mineral extraction industries.⁸

2.9 In his submission to the inquiry, the Hon Bill Johnston MLA, Minister for Mines and Petroleum, also acknowledged:

Africa has also been identified as a key market for Australian mining equipment, technology and services (METS) companies, with many companies already having established operations in the region.⁹

2.10 Paydirt Media indicated that many African countries are important markets for Australian METS companies:

In the Austmine 2015 survey, 33 percent of METS companies identified Sub Saharan Africa as a key market, while 26 percent regarded North Africa as important. The Austmine 2013 Survey found that 26 percent of Australian METS companies have invested in Sub Saharan Africa through establishing operations there. There is therefore an obvious synergy whereby Australian mining activity provides the Australian METS sector with a competitive advantage which in turn is available to support the continued development of the minerals and energy sectors in the countries of Africa.

It is also of note that the use of Australian mining software in the discovery and ongoing development of the African minerals sector has been important. Some sixty percent of the world[']s exploration and mining software has been developed in Australia and generates \$600 million a year in revenues and more than \$240 million in exports.¹⁰

2.11 Mr Dominic Piper, Editor, Paydirt Media, stated that in his view the METS sector could be better supported by the Australian Government in Africa:

I think that as part of the overall METS, mining engineering technology services, sector it certainly is an area that would benefit from assistance from the Australian government, perhaps through Austrade [Australian Trade and Investment Commission].

In other jurisdictions, particularly looking at somewhere like Latin America and places like Mexico and Brazil and Peru and Chile, other big mining economies, the Australian METS sector is well served by Austrade for the

8 Department of Industry, Innovation and Science, *Mining Equipment, Technology and Services Industry*, <https://industry.gov.au/industry/IndustrySectors/MiningEquipmentTechnologyServicesIndustry> (accessed 6 June 2018).

9 *Submission 5*, p. 4.

10 *Submission 22*, p. 4.

most part, leading trade missions and things like that, organising companies to visit some of the major mines. We don't really see that in Africa at the moment.¹¹

Australia's trade and investment in other industries

2.12 Submissions noted that Australia's strong focus on the extractive industries is not indicative of the broader investment landscape in Africa, however, with technology, media and telecommunications, retail and consumer products, and financial services accounting for over 50 per cent of foreign direct investment in the countries of Africa in 2013.¹² Outside of the resources sector, Australian companies are forming a growing presence in agriculture, education, and services industries. This is further examined in chapter 4.

11 *Committee Hansard*, 2 May 2018, p. 31.

12 Export Council of Australia, *Submission 24*, p. 4.

