Mining & Minerals

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SOUTH AFRICA

Key considerations for investors in mining mergers and acquisitions in Africa

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Key considerations for investors in mining mergers and acquisitions in Africa

Africa's mining sector presents significant opportunities, but it also comes with unique challenges for investors. It is being reshaped by both global and local forces, with international powers competing for valuable resources and regional initiatives enhancing trade and investment. The importance of navigating regulatory complexities, understanding shifting geopolitical dynamics, and embracing new technologies within this environment cannot be overstated.

As the 2025 Cape Town Mining Indaba approaches, we highlight some of the key considerations, developments and challenges that need to be borne in mind by investors embarking on transactions and projects within this highly regulated and diverse landscape.

Our comprehensive Africa Corporate Guide, is another valuable resource designed to help investors navigate the diverse legal and regulatory landscapes across the continent.

Understanding the regulatory landscape

Understanding the regulatory landscape is crucial for investors in Africa's mining sector. The continent is not homogenous and the mining regulations vary widely from one jurisdiction to another, creating a complex legal environment that requires careful navigation to ensure compliance. While there may be some regional similarities and some multilateral organisations such as the Organisation for the Harmonisation of Business Law in Africa (OHADA) which provide a degree of legal consistency in Francophone Africa, national laws often have variations to this framework. This diversity in regulations means that investors must be well-versed in the specific legal requirements of each country they operate in to avoid potential legal pitfalls.

Navigating resource nationalism

Resource nationalism remains a key concern for investors, as many African governments seek greater control over natural resources. For instance, South Africa's Mineral and Petroleum Resources Development Act 28 of 2002 and Broad-Based Black Economic Empowerment Act 53 of 2003 emphasise transformation and local socio-economic targets, necessitating that investors align with these mandates in the mining sector. In Ghana, the Minerals and Mining Act mandates foreign investors to partner with local entities, ensuring local participation. Similarly, the Democratic Republic of Congo (DRC) revised its Mining Code in 2018 to increase state participation and favour joint ventures with local partners, including a 10% free share for the state in mining projects. These policies significantly shape the mergers and acquisitions (M&A) landscape in Africa, requiring investors to develop strategies that accommodate local ownership and participation mandates.

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Emphasising environmental, social and governance principles

The growing global focus on sustainability has made environmental, social and governance (ESG) a crucial factor in mining operations across Africa. Zambia for example, requires mining firms to implement environmental management plans to mitigate negative impacts. In South Africa, innovative technologies in underground mining are improving both productivity and worker safety, aligning with sustainable practices. Integrating ESG principles not only ensures regulatory compliance but also builds trust with local communities and stakeholders, which is vital for long-term success. Investors must prioritise ESG considerations to align with global sustainability trends and meet the expectations of increasingly environmentally conscious stakeholders.

Leveraging technological advancements

Technological innovations are transforming the mining industry, improving operational efficiency and safety. In Botswana, the use of drones and artificial intelligence in diamond mining has led to significant productivity gains. The rollout of 5G technology across Africa is also enhancing connectivity, promising to play a key role in the future of mining. These advancements enable more precise and efficient mining operations, reducing costs and improving safety standards. Investors should leverage these technological advancements to enhance their operations and gain a competitive edge in the market.

Assessing infrastructure development

Infrastructure is crucial for the success of mining operations. Investors must evaluate the state of infrastructure, including transportation, energy and water supply. Mozambique's development of new rail and port facilities has been vital for the coal sector, improving access to global markets as well as diverting South African commodities from South African ports. The African Development Bank estimates that Africa needs between $130 billion and $170 billion annually in infrastructure investment to support sectors like mining. Adequate infrastructure is essential for efficient mining operations and access to global markets, making it a critical consideration for investors.

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Mitigating political risks

Political instability is a notable concern in some African regions. Political upheaval in countries like Mali and Burkina Faso has disrupted gold mining operations, underscoring the need for robust risk management strategies. Zimbabwe's recent reforms allow foreign ownership of mining businesses, but the potential for abrupt policy shifts remains a risk. Investors should develop strategies to navigate political uncertainty, including engaging with local political analysts, contingency planning and securing political risk insurance. These measures can help mitigate the risks associated with political instability and ensure the continuity of mining operations.

Managing currency risks and exchange controls

Currency volatility and exchange controls complicate M&A transactions, impacting profitability and financial planning. In Nigeria, foreign exchange shortages can delay profit repatriation, requiring hedging strategies or alternative financial solutions. Zimbabwe's fluctuating currency also presents challenges, prompting investors to consider using escrow accounts or offshore financing to mitigate risks. Managing currency risks and exchange controls is essential for maintaining financial stability and ensuring the success of projects and transactions in Africa's mining sector.

Capitalising on pan-African integration

The African Continental Free Trade Area promises to improve trade and investment across the continent by reducing tariffs and simplifying trade regulations. This regional integration enables investors to streamline operations, reduce costs and expand across multiple African markets, enhancing the continent's economic potential. By capitalising on pan-African integration, investors can take advantage of the growing economic opportunities and create a more efficient and interconnected mining industry.

Building strong local partnerships

Strong local partnerships are crucial for mitigating regulatory risks and ensuring smoother negotiations. Joint ventures with local firms can provide valuable market insights and foster relationships with key stakeholders. In high-risk regions like the DRC and Nigeria, proactive engagement with local regulators can help avoid complications and facilitate successful market entry. Building strong local partnerships is essential for navigating the complex regulatory landscape and ensuring the success of mining operations in Africa.

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Emerging geopolitical dynamics and the rise of 'metals of the future'

The global demand for critical minerals, such as copper, cobalt, lithium and rare earths, is intensifying as the world transitions to a low-carbon economy. These minerals are essential for renewable energy technologies like wind turbines, solar panels and electric vehicles. With demand exceeding current production levels, countries like China dominate the supply chain, accounting for over 70% of rare earths extraction. In response, global powers such as the US, India, Saudi Arabia, and the United Arab Emirates are increasing their investments in Africa's mining sector, seeking to secure access to these valuable resources.

As geopolitical competition escalates, there is no doubt that Africa's mining industry will experience a wave of investment activity driven by the pursuit of strategic minerals. The US, with its commitment to diversifying global supply chains, is poised to become a key investor, leveraging initiatives like the Minerals Security Partnership. Similarly, Saudi Arabia, with its Vision 2030 programme, views mining as a critical element of its economic diversification, investing heavily in African resources.

Conclusion

Africa's mining sector presents vast opportunities, but navigating its complexities requires careful planning and a thorough understanding of the regulatory, political, and economic landscape. By staying informed about local laws, embracing sustainable practices and leveraging technological innovations, investors can position themselves for success. In light of the intensifying geopolitical competition for critical minerals and Africa's growing role in the global energy transition, the continent is well-placed to attract investment. However, to realise the full potential of its resources, Africa must focus on creating a more attractive investment environment, fostering long-term partnerships and ensuring that the benefits of mining are widely shared with local communities. With the right strategies in place, investment in Africa's mining industry can yield sustainable, prosperous outcomes.

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BBBEE STATUS: LEVEL ONE CONTRIBUTOR
Our BBBEE verification is one of several components of our transformation strategy and we continue to seek ways of improving it in a meaningful manner.

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