



# Insomnia Index.

What is keeping business leaders awake at night?



## Investing in African Mining Indaba Insomnia Index Findings

Delegates at the Investing in African Mining Indaba 2012 had the unique opportunity to participate in the Deloitte Insomnia Index. The fourteen themes were selected with the specific challenges and opportunities mining companies could face when expanding their business into Africa. The Mining Indaba insomnia index results show that the top four opportunities mining professionals see in Africa are Exploration, Emerging Markets, Mergers & Acquisitions and Technology. The top four challenges identified by the Indaba delegates are: Infrastructure, Price volatility, Skills and Reporting & Compliance.

### Mining the detail

#### Opportunities

1. Africa is home to the majority of the world's mineral wealth and is therefore seen as a huge opportunity for mines and making exploration top of the opportunity list. Many parts of Africa are seen as an untapped market and therefore a potential growth opportunity.
2. The expected demand from emerging markets for minerals could be seen as an offset to some of the risk that entering a new market brings. Africa's relatively central location to emerging markets can be seen as a benefit as from a supply chain perspective, both inbound and outbound.
3. The major players in mining are typically target acquisition of developed assets and possibly see acquisitions of existing mid-tier mines operating in Africa as a faster growth and penetration strategy. Mergers & Acquisitions could overcome the lack of skills, local knowledge, goodwill and technology that mines could encounter when expanding into Africa. The consolidation of the mid-tier market specifically in South Africa could be another influencer for delegates seeing Mergers & Acquisitions as a big opportunity.
4. Technology is an enabler for mines to mine deeper, assist with health and safety analytics and practices, employee training and to optimise operating efficiencies to name a few. It is therefore no surprise that miners see technology as an opportunity when considering expanding their business into Africa.

## Challenges

1. The impact operating efficiency due to lack of infrastructure in Africa is seen as a massive challenge for mines. The lack of rail and road, as well as power and water in large parts of Africa make it incredibly difficult for companies to start operations in Africa. Mines need to consider the extra funding and potential partnerships with local Governments in order to operate in Africa.
2. Price volatility is a global challenge and so it is not a surprise that executives see this as a challenge when considering doing business in Africa. The large fluctuations could impact significantly on profitability, cash flow and input costs which ultimately negatively impact the investment case.
3. The respondents listed skills as a main challenge when considering doing business in Africa. Mid-tier miners who are not afforded the same access to a global network of skills that the large-scale miners have, may see this as more of a challenge as the cost of importing skills to remote areas in Africa can be very high. Attracting skills into remote locations continues to be a problem mines face as well as making careers in the mining industry attractive to Generation Y.
4. Reporting and compliance in the different countries in Africa can be difficult to navigate without local knowledge and understanding of the specific requirements. Respondents listed this as the fourth biggest challenge when looking to expand their operations into Africa.

## Summary

Africa clearly has many growth opportunities for the mining industry. The questions now are how do mines overcome the major lack of infrastructure, skills and local knowledge in order to leverage off these opportunities? And will the demand from emerging markets continue to grow and will mines in Africa be able to supply this demand in time in the most cost efficient manner?

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