As Mining Indaba kicks off its 25th anniversary, let's look at how risks associated with the mining industry in Africa have changed.

Whilst some of our observations may seem like common knowledge, it is worth reflecting on the risk landscape to ensure we are ever mindful of the constant need to remain relevant and reset.

Based on our interactions and experience, today's top risks in Africa remain centred around:

- **Political risks:**

  What is being done to mitigate this huge risk and what can we learn from the past?

Companies which have successfully operated mines in Africa and other foreign jurisdictions have these 3 attributes in common:

- ✓ they engage early with the host government. This also includes collaboration with trusted partners for infrastructure services to ensure critical resources such as water and power are used efficiently and generate sustainability benefits.

- ✓ they demonstrate how they will invest in the local community and most importantly, they foster and entrust local leadership to operate their mines. They respect the environment in which they are operating in or suffer the consequences.

- ✓ they ring fence their African assets into separate entities to minimise the exposure to the parent companies in their home jurisdictions. This strategy still requires robust governance structures and dynamic monitoring of emerging operational risks. For some companies, the ability to navigate between strategic and tactical solutions has been key to effective risk mitigation.

- **Risks associated with changes in law:**

  This is another high-level concern for members of the C-suite. Whilst this risk has always been around the top of the list, it received renewed focus in 2017 when the Tanzanian government proposed new ownership laws virtually overnight and with retrospective application. Not only did this affect the projects on the ground, but regulators were also concerned. In Australia, the Australian Stock Exchange (ASX) forced trading halts on several companies until they were able to explain how the changes would affect them.

- **Losing the license to operate:**

  A complex risk to manage due to the higher stakes now at play with social media and focus on environmental and social concerns. Gone are the days when the major hurdle was the red tape involved in obtaining the mine licence. Who can forget all the images of overflowing/burst tailings dams (one as recently as this week) or scenes of violence sparked by mining protests?

- **Security Risks:**

  These are well documented and mechanisms in place to prevent, pre-empt and protect, set some companies apart from those that do not have multi-pronged approaches to asset protection. In the African context, protection of physical and human assets requires a delicate balance between employment of police and/or mine security personnel to protect, whilst at the same time ensuring they do not provoke the violence.

But what about other, less commonly considered or emerging risks? Have we all reflected appropriately?

- **International Standard to Measure Ore Resources/Reserves:**

  Remember Bre-X, a Canadian company? The share price reached a peak of CAD286.50 in May 1996 before it collapsed in 1997 after it was discovered its headline gold deposit was based on samples which were falsified. The drilling results had been tampered with!

  Fast forward to today. What is the due diligence involved in certifying ore reserves?

  There are various codes around the globe with the Joint Ore Reserves Committee (JORC) Code, being the one we are all familiar with. In fact, Australia was the leader in providing a Code and Guidelines for defining and classifying mineral reserves, including setting minimum standards for public reporting, spurring other countries to follow suit.

  Directors can be found to be in breach of their fiduciary duties established by the Listing Rules, if they fail to make resource/reserve disclosures in compliance with the JORC Code. This is great if everyone follows the code but, to date, an international standard has yet to be adopted.

  From our interaction with the industry, it is interesting to note this is not a high priority concern. Surely this is a risk to executives and investors alike when making investment decisions of the magnitude required to develop projects?

- **Technology in Mining:**

  A major emerging risk is complacency regarding technology. Failure to adequately manage this will impact a company's strategic risks.

  What are the impacts on the workforce in developing countries when technology replaces labour? How safe are driverless trucks/trains (as recently evidenced), and will companies that fail to digitally transform their operations lag further behind? This is without mentioning the issues around data security and privacy.

  How technologically/digitally aware are you? Do you really know the risks around this for your operations?

- **Sustainable Mining:**

  Is your resource-based entity equipped to deal with the World Economic Forum's framework for Mining and Metals in a Sustainable World 2050? They list the key principles for a successful journey to be:

  - Environment and climate conservation;
  - Fair value and development;
  - Transparency and human rights; and
  - Health and well-being.

  In keeping with the times, Indaba 2019 has devoted a "Sustainable Development Day" to this year's programme!

If any of this strikes a chord with you, then it is likely you are reflecting on the risks of your own operations. The question remains, are you doing anything to reset? More importantly, is there alignment in your company when it comes to mitigating strategic risks at the operational level, and is it embedded into a risk aware workforce?

The author of this article, Anne Cheng, is the Manager of Risk, Governance and Internal Audit at Moore Stephens Perth, a member of the Moore Stephens International Network. Anne has had significant hands on experience in managing risk for multi-national and global mining corporations and is available to share further insights or discuss any matters you may have at acheng@moorestephens.com.au