

# Follow the money - corporate mining profits in South Africa

Saturday 28 October 2023, by [HIGGINBOTTOM Andy](#) (Date first published: 28 September 2023).

**Andy Higginbottom summarises his report on corporate profits in South Africa. He asks a number of vital questions - who are the main corporate players in South African mining? Who profits from mining in South Africa? The principal data source is thirteen company annual reports for 2022, supplemented by relevant reporting and more analytical literature. Higginbottom argues that we must fight the latest chapter in imperialist neo-colonialism to ensure that Cecil Rhodes' structural legacy must fall.**

We “follow the money” - the profits of mining corporations operating in South Africa, gleaned from the corporations' own published accounts. We are following their *declared* profits. Transfer pricing and the illicit flow of profits from legal operations have both rightly been [flagged as major concerns](#), but here we seek to map only *the licit flow of profits*. These are of enough concern.

The companies do not acknowledge that their profits come from the super-exploitation of half a million workers, who work in platinum group metals (39%), coal (21%), gold (20%) and the other sectors (20%). An increasing proportion, about one third, are not direct employees in production. They are employed by sub-contractors and labour brokers, or they are employees working on capital projects.

## How much are they making?

South Africa's mining revenues peaked in the previous commodity cycle in 2013, followed by a trough. The beginnings of a new uptick in demand were affected by Covid in 2020, then made a strong recovery to record levels in 2021 and 2022.

Mining corporations plan for cyclical changes, and typically they will set profit targets as a cycle average of 15% rate of profit (Return on Capital Employed - ROCE). ROCE is a measure of the *degree* of profitability.

Profits are revenue minus costs. For exports, this relation is strongly affected by exchange rate movements. When the rand depreciates against the dollar, it is to the advantage of producers, because most of their costs are in rand, whereas their sales prices are in dollars. From 2021 to 2022 the year-on-year increase in profits in dollar terms was 10.4%, whereas in rands it was more than double that at 21.9%.

The sector generated at least US\$15.7bn net operating profits in 2022. Coal, platinum group metals, and diamonds achieved especially high prices and were particularly profitable for their producers.

## Who are the main corporate players?

Foreign-based multinationals received around 55% of all South Africa mining profits in 2022.

Until 2018, three mining super-majors dominated: Glencore Xstrata, BHP Billiton and Anglo American. There has been a significant shift in the last five years, with Glencore and BHP Billiton reducing their positions. Both companies however retained assets outside South Africa that they had obtained from their acquisitions of Xstrata and Billiton respectively.

Swiss company Glencore has benefited hugely from unusually high coal prices. Glencore's combined greenhouse gas emissions, mostly from its coal production, were 370 [mtCO<sub>2</sub> equivalent](#) in 2022. This is nearly as much as the *entire* UK emissions of 417 mtCO<sub>2</sub> equivalent.

Four South African based mining companies each made over US\$1bn profits in 2022. Impala Platinum, Sibanye Stillwater and African Rainbow Minerals made most of their profits in the platinum group metals sector; while Exxaro and other coal companies also gained. Impala and Sibanye have attracted the interest of the giant US based asset managers, such as Blackrock and Vanguard.

### **Who profits?**

Anglo-American stands out as the overall major player, taking 41% of all sector profits. It leads in platinum and, through its subsidiary Kumba, in iron ore.

Anglo's roots go back to the notorious imperialist Cecil John Rhodes who founded the DeBeers diamond conglomerate in 1887, and the Oppenheimer family's Witwatersrand gold interests, which came together in 1925. For over a century, Anglo has been the single greatest beneficiary of the super-exploitation of African workers, in the migrant labour system first constructed by British colonialism, and then further segregated under apartheid.

Within five years of majority rule, Anglo moved its headquarters to London in 1999, close by Buckingham Palace, and in 2021 the company returned to the original DeBeers London office in Charterhouse.

Anglo made huge global profits of US\$14.5bn in 2022, 58% of which came from Southern Africa. Anglo's own data shows that employees in the producing areas of Africa, Latin America and Australia generate about four times more profit per head than their remuneration.

There is significant black leadership in the sector due to the Black Economic Empowerment (BEE) programme. This is "legalised corruption" embedded within corporate governance. Increased ownership for a select few has bought their loyalty to big business. This is epitomised by the 9% stake in Lonmin of Cyril Ramaphosa, whose urging of police action led to the Marikana Massacre on 16 August 2012.

Marikana is one instance of a global pattern of contracted out state violence for profit. Lonmin's major shareholder is Xstrata (later Glencore). Emails surrendered to the Farlam Commission reveal that Lonmin's hardline was endorsed by Xstrata's hands-on chief executive Mick Davis. Xstrata had just three months earlier sponsored similar shootings in Peru. Davis went on to become Treasurer of the UK Conservative Party.

Sibanye Stillwater is a 'rising star'. It was originally set up as Sibanye Gold by Gold Fields in 2013. Since then, it has expanded aggressively into platinum metals with its takeover of US producer Stillwater in 2017, and then Sibanye Stillwater bought out Lonmin in 2019. It has become clear that at a price of US\$290 million, Lonmin's mining operations were severely undervalued.

Lonmin's assets were worth much more than the executives of either company let on at the time. Lonmin's managers wanted to close down the company as the entity responsible for the Marikana

Massacre. Working with the Association of Mineworkers and Construction Union (AMCU) and the Alternative Information and Development Centre (AIDC), economist Dick Forslund argued against the takeover and the threatened job cuts. He pointed out that once the minerals extracted with platinum are taken into account, the company would have increasing revenues. Despite these warnings, the Competition Commission approved the takeover.

Sibanye has indeed expanded production in the Lonmin mine, especially the K4 shaft expected to be profitable for the next 50 years. Within just three years, Sibanye has drawn R34.7bn profit from Lonmin production. That's *eight times* its purchase price.

In contrast to coal producers' recent great good fortune, the gold mining companies have been struggling to make a profit from the ever-deeper mines in South Africa, in which nearly 100,000 mine workers still toil. In 2020, Harmony Gold bought the last remaining gold mine assets of Anglo Gold Ashanti in South Africa for R4.4 billion. Harmony is now the biggest gold producer in South Africa, where it has nine underground mines, one open pit and "several tailings retreatment operations". It has a mine in Papua New Guinea and a project in Australia.

### **What is the London connection?**

Half of all the profits generated by mining in South Africa in 2022 passed through to London corporations and capital markets.

The longstanding relationship of racialised exploitation that began with Cecil Rhodes has entered a new chapter as companies relocate their HQs to London. Following Xstrata and Anglo, several former South African based companies have extensive overseas operations, especially in the gold sector. Randgold Resources was founded in 1995, with headquarters in Jersey (UK) and listed on the London Stock Exchange. By 2017 it achieved operating profits of US\$335 million from mines in Mali, Cote D'Ivoire, Senegal and Democratic Republic of the Congo. In 2018 it merged with the Canadian Barrick Gold for US\$6.5 billion to become the world's largest gold producer.

Anglogold Ashanti no longer has any production in South Africa but fifteen gold mine assets overseas that generated a net operating profit of around US\$1.8bn in 2022. On 18 August 2023, Anglogold decided to move its corporate headquarters to London and have its primary share listing in New York.

The migrant labour system established by Cecil Rhodes and his cohort of Randlords, the openly imperialist mining magnates that so determinedly elevated themselves to riches, remains in place, albeit these days in neo-colonial forms. Our study shows that Rhodes' legacy runs much deeper than his prominent statue at Oxford University, insulting as that is. Behind the symbol there is a continuing structural economic legacy.

Neither have fallen, yet.

As Ghana's first leader, Kwame Nkrumah, said, we need positive international action to fight this latest chapter in imperialist neocolonialism "with resolution and in unity". Rhodes' structural legacy must fall.

**This blogpost summarises the report, [The Corporate Make-up of the Mining Industry in South Africa: Profit Survey 2023](#), which will also appears in [Amandla!](#) magazine, in the October 2023 edition.**

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