Mikael's Perspectives – July 27th, 2018

Understanding the recent increase in mining deaths in SA

Investment analyst workplace injuries don't go much further than headaches and paper cuts. Those can be nasty, but my colleagues and I deeply respect in other sectors of the economy it can get deadly serious quickly if companies are not extremely mindful.

Abnormally high serious injury rates in the mining sector flagged a material concern, so I visited several South African mining operations in different stages of their life cycles. Apologies for the poor image quality, but these 4 images I took at least gives you an idea of comparative mine site conditions, from the best (top left) to the worst (bottom left).

The best mining companies develop greenfield mines applying the strictest safety standards. When these mines are no longer super profitable they sell them on to B-grade mining companies, who eventually pawn them off to C-grade mining companies, and so on. Each successive owner receives a progressively older, poorer, lower grade and more dangerous mining asset. But, to make a return, management are forced to cut costs and often corners. I saw firsthand there are progressively less strict access control, reduced safety inductions, fewer supervisors, less aware employees, less safety signage, increased work in unsafe geological areas, more and closer interaction between man and machine and higher plant & equipment failure rates.

I propose it serves a potential investor in mining companies to pay attention to more than spreadsheets from the relative safety of their desks.

Our work continues...

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