

Foreign Direct Investment projects

The number of new projects reported in the TIPS Foreign Direct Investment (FDI) Monitor dropped to four in the first quarter of 2018, down from eight reported a year earlier.

The TIPS FDI Monitor tracks major foreign-owned projects, analysing new and updated investments on a quarterly basis. New investment projects refer to projects not previously captured in the database and updated projects refer to any substantial change in previously captured projects.

In the first quarter of 2018 the Monitor identified four investment projects, two new projects in mining and two updated projects in renewable energy. This is half the number of projects identified in the first quarter of 2017. The mining projects are both at exploratory and pre-feasibility stages while the renewable projects were both completed in 2017. Monitoring managed to identify only investment values for the two renewable projects, which have a total investment value of R16.4 billion.

The first project in mining is the Prieska Zinc Copper Project being developed by Australian-based Orion Minerals. Orion is undertaking a project aimed at the treatment of sulphide zinc/copper mineralisation in the Northern Cape, 270 km from Kimberly. The Prieska Zinc Copper Project has a deposit recorded as one of the world's top 30 volcanogenic massive sulphide deposits. The mine was operated from 1971 to 1991, after which it was closed and the site rehabilitated. It has a historical production of more than 430 000 tonnes of copper and more than a million tonnes of zinc. With major infrastructure in place, the project is being fast-tracked to feasibility, having completed the development of a mineral flow sheet. The Bankable Feasibility Study (BFS) and Environmental Impact Assessment (EIA) are underway parallel to resource drilling, underground inspections, and establishing activities. There are two major phases of drilling targeting near surface mineralisation that are expected to be amenable to open pit mining. The Deep Sulphite Target below the historical mine is expected to form the cornerstone of the company's development strategy. The project is expected to produce about 12 000 to 15 000 tonnes a year of copper concentrate and 20 000 to 25 000 tonnes a year of zinc concentrate – consistent with the mine's historical output.

The second mining project identified this quarter is the Thorny River Diamond Project by Botswana Diamonds, an established Ireland-based diamond exploration company with operations in South Africa and Botswana. The Thorny River Diamond Project is a consolidation of the Frischgewaagt, Hartbeesfontein and Doornrivier properties in Limpopo. It would be the company's second exploration operation in South Africa. The company has started a six-month scoping study to determine commercial potential following extensive field work generating volume and grade estimates. The project has a modelled *in situ* grade range of 46 carats per hundred tonnes (cpht) to 74 cpht and a diamond value range of \$120/ct to \$220/ct; however, this will be refined by the study.

Projects under the Renewable Energy Independent Power Producer Programme (REIPPP) that recently commenced commercial operations are the Khobab and Loeriesfontein wind farms

and Xina Solar One parabolic trough plant. The wind farms were connected to the Eskom grid by December 2017 and the energy generated will be sold to Eskom as part of a 20-year power supply agreement. They are owned by a consortium led by Lekela Power, a joint venture between Actis, based in London, and Mainstream Renewable Power, an Ireland-based energy company. Other members include Thebe Investment Corporation; the IDEAS Managed Fund; Futuregrowth Asset Management; Genesis Eco-Energy, in partnership with Lereko Metier Sustainable Capital; and the Khobab and Loeriesfontein Community Trusts.

The R7-billion project is located in the Northern Cape Province Hantam Municipality. The wind farms stand adjacent to each other with a generation capacity of 140 megawatts each and comprise a total of 122 wind turbine generators, spanning 6 653 hectares. Collectively the farms have the capacity to power an estimated 240 000 South African households. Most of the 99m turbine towers were locally manufactured at the Gestamp Wind Turbine Tower Factory in the Western Cape.

Closing out projects this quarter include the Xina Solar One Project in Pofadder in the Northern Cape. Abengoa, a Spanish energy company, owns 40% of the project and was developer on the project. The Industrial Development Corporation (IDC), the Public Investment Corporation (PIC) and the KaXu Community Trust owns the balance. The project is one of three renewable projects developed by Abengoa in South Africa and is valued at R9.4 billion. The solar power plant uses parabolic trough technology with a thermal energy storage system using molten salts. It is expected to power about 95 000 households, preventing 348 000 tonnes per year of carbon emissions. The project is reported to form the largest solar complex in Africa with a total installed capacity of 100 megawatts.

More than 40% of the investment in the Abengoa project comprised local content, with equipment and materials used in the construction of the plant such as pipes, pumps, valves, mirrors, steel structures and mechanical assemblies all sourced locally. According to Dominic Goncalves, Abengoa's vice-president for business development, the company views South Africa as a key market with great business opportunities because of growing populations and the need to increase power generation. It is the only project that reported employment, with 1 300 jobs created at the peak of construction falling to 80 permanent jobs during the operation phase that has now commenced.