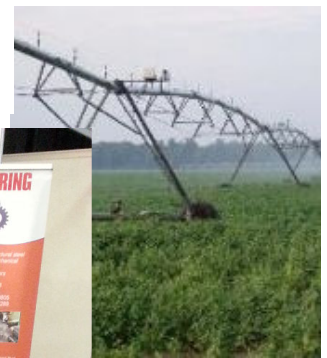


IZASA 2016 Review



- Are renewables the saviour of zinc in South Africa – zinc is the preferred steel coating
- Development plans to encourage further regional HDG investments stay on track.
- East Africa remains key focus for market development
- Infrastructure development addresses logistics challenges – what's the opportunity for zinc?
- Construction boom in East Africa allows zinc to roof Africa
- AfriCorr Conference - formal meetings allow for shared ideas in collating atmospheric zinc corrosion data in Africa. Programs target performance guarantees setting zinc systems apart
- Regional fertilizer marketing focuses on sulphate availability and quality
- Secondary businesses link to form closed loop in support of zinc in fertilizer developments
- Corporate Social Responsibility activities continue to support the membership



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HIGHLIGHTS OF 2016

Locally, the commitment of Vedanta Zinc International in the South African Gamsberg development has pushed forward with \$400m committed to the first phase. This will be a 4m tpy opencast mine and a plant capable of producing 250 000 tpy of zinc in concentrate. ELB Engineering Services have been appointed to provide engineering and procurement services (including overseeing the construction of the process, power and water plants). Aveng Moolmans will set up and commission the open cast mine and concentrator plant.

Regionally, the Southern Africa zinc market remains depressed with little infrastructure growth to drive zinc consumption. West Africa remains dominated by Nigeria and, as a result, this market has largely stalled as forex earnings have depressed key government project spend. In comparison, East Africa remains buoyant with construction growth well into double figures. Real analysis will have to wait for the next biennial regional zinc market survey which will report on detailed 2016 zinc consumption. To support greater market penetration, IZASA has driven standards upgrading, greater specifier awareness and identified future investors to increase galvanizing capacity. It is hoped to report positively on the outcomes of this strategy during the next year.

It is fair to say that, without the solar industry, the galvanizing industry in South Africa would have seen casualties in all metro areas. The REIPP projects have saved and even allowed some growth in the industry. Although timing, and so cash flows, may not be predictable this has been the industry's saviour. With around 100kg galvanized steel/kW of solar, parks of 100MW offer galvanized steel potential of 10 000 tonnes which is the equivalent of a deep level mine and surface plant. It is estimated that solar projects completed and in construction have provided a market opportunity of 283 000 tonnes of galvanized steelwork.

Supporting market positioning for zinc in construction, IZASA was able to provide a forum for information and performance data sharing at the 2016 AfriCorr Corrosion Conference during the year. The development of a communication forum should enable sustainability in terms of support of zinc coatings in construction and restrict market entry for alternative materials. With the construction market experiencing a 10%+ growth rate, for over a decade, in many African countries, combatting alternative material use remains a priority.

East Africa continues to power Sub-Saharan zinc market growth and with a working open trade regime, the need to harmonize standards is a clear priority. The Kenyan Bureau of Standards (KEBS) is driving the harmonization process and IZASA has provided much needed inputs into zinc coating standards. Infrastructure growth remains high in East Africa such that engagement with various parastatals is an ongoing priority. Although the new standard gauge railway in Kenya will use diesel locos initially, electrification will occur in a similar manner to that being used in the new Ethiopian rail corridor links. Galvanized track hardware should be a preferred choice for the electrification systems.

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With a large buy-in to “build local”, IZASA is identifying key infrastructure projects to drive increased regional capacity.

The zinc secondary market in Africa has been challenging for many years. Over the past few years, IZASA has prioritized information sharing to market participants such that local consumption of local secondary arisings is becoming a reality. This enables a drive for better sustainable delivery to the fertilizer markets and has opened the opportunities for higher value zinc containing products to be developed for use in Africa. Fertilizer use, whilst remaining low in global terms, has doubled in Sub-Saharan Africa over the past 5 years. IZASA has supported the IZA zinc in fertilizer projects in the DRC and provided inputs into a McArthur Foundation Challenge project by the University of Pretoria.

Through more company engagement rather than high level industry actions, a greater understanding of the issue relating to the zinc die-casting industry is being developed. The few die-casters who have survived in South Africa are looking at the use of new alloys specifically targeting the auto industry. South Africa remains a major global player in auto production as a result of the governments APDP (automotive production and development programme). This has focused largely on exports such that, despite a fall in construction use, zinc coated steels for auto use remain at a high level.

With IZASA being a founding member of the Lepharo Business Incubator, an avenue exists for the development of suitably empowered service suppliers for the mining and steel industries. The increased use of such suppliers is mandated by government in South Africa. Lepharo is recognized by many stakeholders as a meaningful development centre for new businesses and has recently been selected as one of three such centres nationally for additional establishment funding. Lepharo is to manage the Ekurhuleni Business hubs directly. It should be noted that almost 50% of all metal value adding in South Africa is carried out in Ekurhuleni municipality. Lepharo is fully Section 18A approved and is Merseta accredited as a training centre allowing for training levy rebate retrieval.

Numerous media interviews and articles and technical articles have been produced over the year. Much of this serves to improve awareness and IZASA is a regular contributor to Metal Pages which is directed towards Africa.

IZASA has had a tough year financially, but remains committed to expanding its reach into the two development regions beyond Southern Africa. Southern Africa is largely dependent upon minerals development. West African economies require oil and gas for revenue. East Africa is largely devoid of these revenue sources and nevertheless has managed to sustain development through well-targeted infrastructure spend. This simple analysis demonstrates that no one-size-fits-all market development strategy works throughout Sub-Saharan Africa. Where synergies are clear they are used but, the need to work through the IZASA membership is the only route to zinc market penetration. Membership growth is a clear primary objective to source regional activities. IZASA is grateful to its membership and the financial support for the various activities during 2016 and looks forward to a challenging 2017.

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2017 PLANS - COMING SOON

Further regional marketing

A General Galvanizing Workshop will be held in Nairobi Kenya in February 2017 to complete the business analysis and define the activities required to increase capacity in the East Africa region. Further market intelligence for West Africa will be gathered to frame the market development strategy there. The biennial zinc market survey will enable quantitative analysis of the market situation in Sub-Saharan Africa and further assist with the most effective strategies to be followed with limited resources.

Zinc coated products for construction and infrastructure

Continuation of coating performance studies in East Africa will provide data for market promotion of zinc coatings in the region. An additional benefit is the development of local consulting expertise to support the industry. In South Africa, the published work will be used to assist with further standards development and producer product guarantees. Retaining hot dip galvanized steel as the preferred material in solar projects remains a marketing priority. Transport, water and power projects have been identified as specific opportunities for members.

Fertilizers and Health

IZASA has been asked to chair a Round Table discussion at Africa Fertilizer 2017 in Cape Town in February 2017. IZASA suggested speakers have been invited by FertASA for their 2017 events. The input into the DRC and other regional zinc additions to fertilizer projects will continue.

Alloys

A paper will be given at the March 2017 World Foundry Conference in Johannesburg. In addition, it is hoped to have a round table discussion with zinc die-casters during this event to provide greater market development focus.

Galvanized tubular products

Regional partner identification for tubular products will continue with member participation to drive the overall market focus.

For further details on these activities and to keep abreast of news and further events please refer to our web site www.izasa.org or feel free to contact us directly.

WHAT IS IZASA?

Zinc use in Africa remains low with both supply and demand considered underachieving in terms of population and geography. Established in 2002, IZASA's role was defined as the development of the zinc market in Sub-Saharan Africa. In 2000, as a region, the intensity of zinc use in southern Africa was about 40% lower - when measured in respect to steel consumption - than in the U.S. and Europe. With key economies within Africa now approaching, or exceeding, double digit GDP growth rates the development of infrastructure is now demanded by the population rather than just those exploiting resources. A sustainable economic model is being established with Africa remaining the final global marketplace for many products including those containing zinc.

Initial activities of IZASA focused upon analysis of constraints and opportunities within the existing zinc industry. This program was called the South African Zinc Initiative supported by the Department of Trade and Industry and three industrial partners namely Exxaro (formerly Kumba Resources), Anglo American and ArcelorMittal Steel SA (formerly Iscor). The remit of the organization stretches to the Sahara such that marketing targets are all of Sub-Saharan Africa.

The International Zinc Association is recognised as the industry forum on matters as diverse as international marketing to the management of the sustainability of the industry over the long term. This is managed through being the voice-piece of the industry in its dealings with regulators and governmental agencies. The guiding principles adopted by the IZA in establishing regional operations, is that fast track market penetration can be effected in markets where successful interventions have worked elsewhere. This is particularly important in regional activities where leverage is not just related to funding but also to people. Regional operations tend to be staffed by a single person or a person and an assistant. In the operational strategies of IZA Southern Africa (or IZASA), partnership and leverage principles are applied through identified champions.

IZASA is empowered to

- 1) Grow the market for zinc and grow the market share in competitive industries*
- 2) Focus on market development projects*
- 3) Educate the market with respect to the optimal use of zinc*
- 4) Build the customer knowledge base and assist with one-on-one marketing*
- 5) Educate sales forces and merchants with respect to technical aspects and services available*
- 6) Increase visibility in the specifiers market as the information experts in zinc*
- 7) Market the benefits of zinc*

MEMBERSHIP

IZASA is continually looking for members. By becoming an Affiliate Member of IZASA, companies become automatic members of the International Zinc Association. Representing over 75% of the world's zinc producers this body acts as the voice for the industry on all issues facing the industry. The IZA has established regional bodies globally and through the IZASA members become part of the global industry. The benefits of membership are:

- participation in group activities to benefit the industry and YOUR company
- the leverage of the zinc global network to assist with industry development
- participation in concept marketing regionally through regional visits and other activities
- receipt of alerts and analysis from IZASA and IZA
- communication on commercial leads
- a greater lobbying voice to appropriate government frameworks
- the opportunity to shape regional market development programmes to further local industry development
- information and assistance on resolving issues impacting upon the industry
- participation in IZA committees to shape the industry
- receiving the Zinc Network
- entitlement to send delegates to Zinc College. This is the sole event that informs senior personnel about the zinc industry and provides for a major networking opportunity
- direct access to IZA publications, free of charge
- use of a free Zinc Logo license

In return IZASA expects from its members:

- a commitment to industry development and growth
- political support for industry positions
- active participation in IZASA programmes

For further information please contact IZASA on 083 456 4989 or izasa@icon.co.za or visit our web site www.izasa.org