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Heightened mergers and acquisitions activity signals new era for critical minerals

Mining is at a turning point as companies recalibrate strategies and embrace mergers and acquisitions (M&A) activity to secure long-term growth. Jean-Pierre Smith, Principal of Corporate Finance at Nedbank Corporate and Investment Banking (CIB), explores the forces driving this change.

The mining sector is shifting priorities to align with the push for a low-carbon future. A surging demand for critical minerals, including lithium, copper, nickel, cobalt and rare earth elements that are vital to battery technologies and renewable energy systems, is prompting companies to re-evaluate their portfolios and seize the opportunities created by the energy transition.

Base metal miners are at the forefront of this strategic shift, actively diversifying their holdings to include these sought-after resources.

This shift is influenced by a host of factors, including the operational intricacies of mining critical minerals, the need for specialised expertise, and broader economic and geopolitical challenges. These complexities are encouraging miners to redefine their value propositions in alignment with a rapidly changing global landscape.

M&A activity has emerged as the preferred mechanism for securing access to critical minerals. Recent transactions, such as Exxaro Resources expanding into copper and manganese, BHP's bid for Anglo American's copper

assets, and African Rainbow Minerals acquiring the remaining 50% stake in the Nkomati Mine underscore this trend. **These moves illustrate this alignment with the green energy transition, while also leveraging existing competencies in bulk material handling to generate growth pathways.**

For precious metals miners, however, diversification efforts have been more measured. Gold mining companies, for instance, have opted to focus on geographic expansion rather than venturing into unfamiliar commodities. Similarly, the cyclical pressures weighing on the platinum group metals sector have constrained its capacity to explore new avenues. These miners are trading cautiously, building on existing strengths to maintain stability in volatile market conditions.

Despite the allure of battery minerals, integrating unfamiliar commodities into operational portfolios remains challenging. Factors such as the complexity of beneficiation processes and the volatility of supply chains have prompted miners to prioritise resources with proven demand and established processing methodologies. This pragmatic approach ensures that innovation is balanced with commercial viability – a theme expected to dominate discussions at Mining Indaba 2025, alongside the broader implications of the energy transition on M&A trends.

Acquisitions of operational or near-operational assets are increasingly favoured over greenfield exploration. Reports from S&P Global indicate a decade-long decline in greenfield investments as miners opt for acquisitions that promise expedited market entry and lower risk. Yet, greenfield projects remain

vital for long-term sustainability of the industry, offering the potential to evolve into valuable brownfield opportunities in the years to come.

The appetite for operational assets presents unique opportunities for junior miners, whose expertise in exploration and project de-risking makes them indispensable contributors to the growth in this sector. M&A activity is further nuanced by valuation discrepancies, often stemming from differing priorities between sellers and buyers. Bridging these gaps has necessitated innovative mechanisms, such as earn-outs, deferred payments, and equity rollovers. For listed entities, offering premiums on current share prices has proven effective in aligning stakeholder expectations.

Securing funding in today's economic environment presents another layer of complexity. Rising interest rates and fluctuating markets have prompted miners to explore alternative financing models. Mechanisms such as royalty agreements and phased investments are gaining traction, with the Endeavour investor model emerging as a compelling strategy. **By acquiring minority stakes in junior entities, companies like Perseus Mining, Assore and Rio Tinto have successfully balanced risk mitigation with the strategic insights needed to achieve geographic and commodity diversification.**

Africa holds immense potential in the global push for battery minerals, with its rich reserves of lithium, cobalt and rare earth elements positioning it as a critical player in meeting future demand. **By 2050, the need for these minerals is expected to skyrocket, underscoring the continent's importance in the energy transition.**

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Yet, this opportunity comes with challenges. China's dominance in mining and refining has revealed vulnerabilities in global supply chains, prompting Western nations to look for alternatives. This shift opens doors for miners in Africa to diversify partnerships and expand their influence on the global stage.

At the same time, African governments are asserting greater control over their natural resources, requiring miners to adapt their strategies. Zambia,

for example, has demonstrated how conducive policy environments can promote collaboration through commercially viable agreements. Projects like Centamin's Sukari Gold Mine illustrate the mutual benefits of partnerships that align corporate objectives with national priorities, and delivering economic, social and infrastructural gains.

When responsibly managed, mining projects generate multifaceted benefits, from shareholder returns to community upliftment and government revenue. Joint ventures and minority stakes are showing success in aligning objectives of miners with those of host nations, mitigating risks, and building sustainable partnerships.

As Mining Indaba 2025 approaches, the industry must move beyond short-term goals to focus on sustainable, forward-thinking strategies. Mining companies can lead the global energy transition, but this requires balancing profitability with environmental stewardship and social responsibility.

The critical question remains: how will mining companies address these challenges while positioning themselves for a sustainability-driven future? Mining Indaba 2025 offers the sector an opportunity to create a shared vision built on resilience, adaptability and long-term value creation.