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Capital discipline is the real differentiator in mining

Mining has always been shaped by cycles, and the current phase is unfolding as strong prices and healthy cash flows coincide with rising costs, increasingly complex projects, and heightened scrutiny from investors, lenders, and communities alike. Against this backdrop, decisions taken in boardrooms about capital allocation will determine which companies are positioned to sustain competitiveness when the cycle inevitably turns.

It becomes easy to assume that the upswing will last longer than it usually does. Boards face pressure to grow production, pursue acquisitions or increase shareholder distributions. The temptation is to fund a range of projects and accept higher cost structures because current prices appear to justify them. Experience from previous cycles suggests that many projects that later struggled were approved at precisely these moments.

Investors and lenders are paying closer attention to how capital is deployed amid volatility rather than to how much growth a company can show.

In a capital-intensive industry built on long-life assets, confidence forms

around whether a company can make consistent, well-judged decisions about reinvestment, funding and risk.

Capital discipline is most visible when markets are supportive and in how companies respond to favourable pricing. Using strong prices to strengthen balance sheets, retire debt and fund projects with sound, risk-adjusted returns sends a signal different from escalating expenditure across marginal assets. The first approach builds liquidity buffers and protects margins, giving management more room to manoeuvre when prices soften. In contrast, the second can leave companies overextended.

Across the sector, capital allocation choices are diverging as miners take different views on risk and positioning.

Some prioritise special dividends and buybacks, while others are reshaping portfolios by increasing exposure to energy transition metals and stepping away from more carbon-intensive assets. These choices reflect long-term assessments of demand and the positions each business wants to take.

Investors and lenders use a consistent set of signals to interpret these decisions. Cost position is often the first reference point. All-in sustaining costs provide a benchmark for how an operation

compares with its peers when prices fall back towards the middle of the cost curve. Leverage levels, free cash flow generation and returns on equity show whether a company can continue investing through the cycle without eroding financial flexibility.

Within mining, operational indicators carry equal weight alongside financial measures, particularly where execution risk and asset quality shape long-term performance.

Safety performance, lost-time injury frequency rates, has become a proxy for operational discipline and risk management, while mines that struggle to manage safety incidents often reveal broader execution weaknesses. Reserve replacement ratios, strip ratios and ore quality metrics further inform whether production profiles can be sustained or improved over time.

These signals matter because markets are cautious about businesses whose value rests largely on favourable commodity prices alone, without sufficient evidence of delivery capability.

For emerging producers and single-asset miners, demonstrating readiness involves more than securing a promising resource. It includes completing feasibility studies, building realistic capital plans with appropriate

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contingencies, negotiating credible offtake agreements, and deploying technology that lowers unit costs and improves efficiency.

These considerations are increasingly assessed alongside social licence. Projects that engage early with host communities and governments are more likely to maintain continuity over the life of an asset. Where this dimension is neglected, even high-quality resources can face repeated stoppages, legal challenges and reputational damage. For funders, the quality of community relationships is now part of risk assessment.

At Nedbank Corporate and Investment Banking, we view capital allocation through this lens.

Sector expertise allows us to understand where a client sits on the cost curve, how diversified its portfolio is, what the life-of-mine outlook looks like and how credible its plans are for energy transition commodities. We assess governance, safety and environmental performance, and design funding solutions that match the capital structure to the timing and resilience of expected cash flows.

Patterns of capital deployment shape how the market reads management intent.

Companies that align investment horizons with resource life, protect balance sheet strength and reinvest selectively are better positioned to navigate volatility.

Environmental, social and governance considerations now run through these assessments.

As an energy-intensive and visible sector, mining is expected to present credible plans for decarbonisation, responsible community engagement and the efficient use of resources.

Technology and automation are helping meet these expectations, reducing costs while improving safety and environmental performance.

These shifts support financial performance rather than competing with it.

Looking ahead, capital allocation linked to critical minerals is becoming more selective. Companies are directing investment more carefully as projects associated with the energy transition move further into execution. The companies that emerge strongest will not be remembered for how aggressively they expanded at the peak of the cycle, but for how deliberately they invested.

With Mining Indaba 2026 approaching, conversations around growth will increasingly be paired with discussions about capital discipline.

For a sector central to the global energy transition, how miners allocate capital has become one of the clearest signals of leadership and a topic that merits open, practical engagement across the industry.

About the author: Rishal Maharaj is Sector Lead: Mining and Critical Minerals at Nedbank Corporate and Investment Banking.

The 2026 edition of the Mining Indaba will take place in Cape Town from 9 to 12 February.

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