Tshepo Pitse
Principal of Mining and Resources at Nedbank CIB.

A DFS is not definitive **without a funding plan.**

Mining projects are as much about vision as execution. A definitive feasibility study (DFS), as Tshepo Pitse, Principal of Mining and Resources at Nedbank CIB explains, is the foundation on which a project is built. However, without a funding strategy, even the most technically sound DFS risks becoming a document of untapped potential.

Every miner knows the thrill of discovery – the promise of unlocking value beneath the surface. But all too often projects fail – not because of what's beneath the ground but for what's missing in the plans. A DFS should map the route from concept to execution. However, without a proper funding strategy woven in, it risks leaving projects stranded. It's like a mine shaft with no exit – a promising start but going nowhere.

A DFS is not just technical; it's strategic. Banks look to fund projects with clear competitive advantages like high-quality shallow resources with good grades, a long mine life, and first or second quartile unit costs in stable jurisdictions with good management teams. These factors reduce uncertainty and improve viability. However, even the best technical cases require strong financial structures to turn potential into progress.

Risk allocation is key. Mining is inherently uncertain, shaped by fluctuating commodity prices, operational risks, and shifting regulations. Successful projects involve precise risk allocation among various stakeholders that are best equipped to manage those risks and, thereby, enhance the project's attractiveness to funders and investors. For example, contract mining shifts operational risk while reducing upfront capital requirements. Build, own, operate and transfer (BOOT) agreements for processing plants ensure certainty and continuity in processing ore and delivering metal. **These strategies not only reduce risks but also attract lenders by transforming challenges into opportunities.**

Exploring alternative funding pools during the DFS is critical. Streaming and royalty finance, which grew from $2.1 billion in 2010 to over $15 billion in 2019, offer liquidity with less equity dilution.

While faster to implement than traditional loans, one must carefully consider the long-term impacts these mechanisms may have on cash flow and profitability. Each decision must align with the broader economic resilience of the project.
The front-end engineering design phase also presents an opportunity to unlock liquidity. Capital goods and services sourced from countries with export credit agencies (ECAs) and equipment suppliers offering asset-based finance, provide valuable liquidity pools. ECAs offer guarantees and insurance, expanding funding sources especially for projects in high-risk jurisdictions.
Selecting ECA-backed suppliers can improve project economics because of favourable terms with higher gearing and longer tenors.

Execution is as important as financing. Construction phases are sensitive to delays and cost overruns, requiring contingencies and strong project management to stay on track. Lenders focus on developers' experience and ability to deliver on time and within budget, with guarantees from engineering, procurement and construction management (EPCM) firms or sponsors support, which provides further reassurance.

Sustainability has become a defining feature of project viability.
Mining projects have enormous social and environmental impacts – and banks insist on adherence to frameworks such as Equator Principles and the Performance Standards of the International Finance Corporation (IFC).
However, it's no longer enough for projects to simply meet regulations: environmental, social and governance (ESG) principles must be integrated into a company's strategy as a core principle – not just as a box-ticking exercise.

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Aligning with the net-zero transition is non-negotiable.
By 2030 global emissions must be halved to limit global warming to 1.5 degrees Celsius by 2050.

At COP29 multilateral development banks pledged to increase climate finance to $120 billion annually for low- and middle-income countries. Banks have started measuring financed emissions and have pledged reductions in scope 1, 2 and 3 emissions, requiring mining projects to demonstrate clear plans for decarbonisation. Mining projects tend to be energy intensive and renewable energy solutions, whether through independent power producers (IPPs) or on-site projects, are becoming more crucial for sustainable energy supply. IPPs favour long mine lives, offering affordable financing that reduces operating costs and carbon footprints.

Green funds are a valuable resource and expected to grow from $31 trillion in 2021 to $53 trillion by 2030. But miners must guard against greenwashing claims of sustainability without genuine impact.

Lenders are increasingly focused on projects with real environmental benefits and robust financial returns. Those that integrate renewable energy and sustainability-linked loans gain competitive advantages, enhancing both funding certainty and reputational value.

Despite these measures, some projects still stumble at the gap between feasibility and financing. Short reserve tails and long lead times to production deter lenders who prefer clear paths to returns. Commodity price protection strategies – particularly for projects with higher unit costs – remain crucial, ensuring revenue certainty against market volatility. For unrefined metals or commodities long-term off-take agreements are crucial and the credit quality of offtakers also plays a key role in securing lender confidence. Quality resources with a low cost of extraction and processing backed by experienced management teams are fundamental in securing financing. These factors must be embedded in the DFS to align with financial realities.

Stakeholder engagement is equally critical. A DFS that overlooks the communities and governments impacted by mining, risks its social licence and long-term success. Early collaboration reduces the risk of costly disruptions and builds trust, creating a foundation for shared benefits and smoother operations. **Transparent partnerships addressing local concerns are essential to the viability of a project.**

The stakes have never been higher. The global energy transition has positioned mining as a cornerstone of sustainability, with critical minerals reshaping the industry. This opportunity comes with increased scrutiny, and projects are judged as much on their social and environmental credentials as their technical merits.

As Mining Indaba 2025 approaches, it's clear that mining finance is about more than simply enabling projects. It's also about aligning the industry with global sustainability goals while navigating its complexities. The future of mining will be shaped by those who combine technical expertise with long-term strategic vision.

Nedbank Corporate and Investment Banking stands at the forefront of this evolution, offering unparalleled insights and solutions in mining finance. Our commitment to integrating ESG principles, innovative funding strategies, and stakeholder engagement ensures that we not only enable projects but also align them with global sustainabilty goals.