



OPPORTUNITIES AND CHALLENGES FOR JUNIOR AND EMERGING MINERS

Who we are

Who we are and what we do



We are an industry organisation representing the explorers, developers and producers of minerals and metals in South Africa.



We serve our members and promote their interests by providing strategic support and advisory input. We facilitate interaction among members to examine policy issues and other matters of mutual concern to crystallise and define desirable industry standpoints.



We act as a principal advocate to government, to state-owned enterprises, communicating major policies endorsed by our members. We represent the industry internationally.

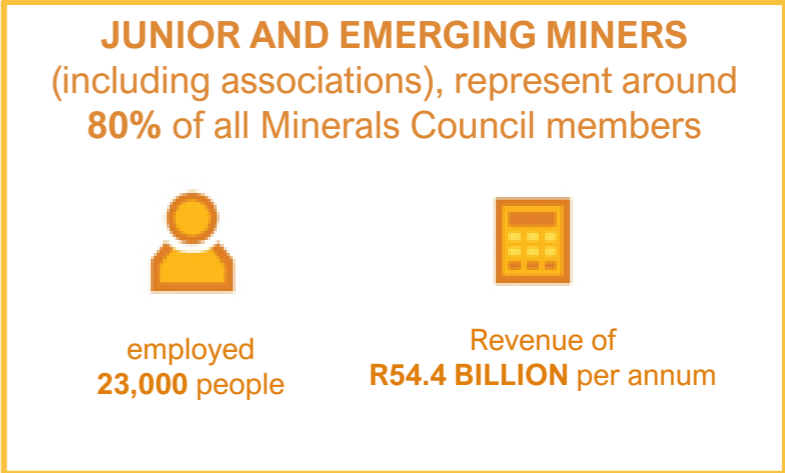
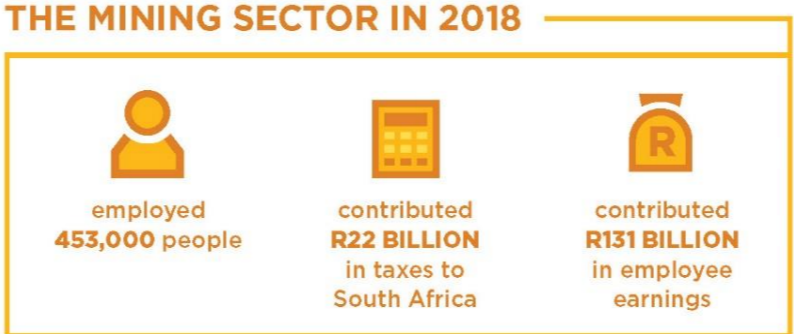


In some sectors, we undertake collective bargaining with organised labour on behalf of members.



Our members

The Minerals Council represents more than 70 large, medium-sized and small and emerging miners, as well as three associations that collectively represent more than 200 entities. These members make up around 90% of South Africa’s mineral production by value



TOGETHER THESE MEMBERS IN 2018

represented **90%** of South Africa’s mineral production by value

Junior and emerging miners?

Who are junior miners?

- While junior mining generally refers to prospecting companies involved in the early stages of mining development, in South Africa the term is used more broadly to include exploration and small to mid-tier producers
- Largely a result of legislative environment, in particular Mining Charter and BEE regulations

Who are emerging miners?

- Emerging miners typically smaller BEE companies involved in the early phases of mining exploration or in early development. Term encompasses a diverse group of mining and mining-related entities, including prospecting and smaller producer companies and contractors

MPRDA success story: Since 2002, significant growth in smaller mining companies operating in South Africa

Junior and Emerging Miners' Desk

The Minerals Council's Junior and Emerging Miners' Desk was established to provide advice and support, and to act as a resource centre for smaller Minerals Council member companies.

The desk hopes to be a voice for the developing mining sector of South Africa. Its key role is in supporting junior and emerging mining through policy lobbying, providing advice, linking junior and emerging miners to networks, providing mentorship and disseminating relevant policy information.

The Junior and Emerging Miners' Desk also supports contracting companies and two mining associations representing over 200 smaller companies.

WHAT THE JUNIOR AND EMERGING MINERS' DESK OFFERS

- 01  Breakfast seminars
- 02  Mentorship group
- 03  Research
- 04  Committee work
- 05  Lobbying and recruitment
- 06  Media
- 07  Policy lobbying

Who's who



Minerals Council South Africa, Chief Executive Officer: **Roger Baxter**



Senior Executive: Public Affairs and Transformation: **Tebello Chabana**



Junior and Emerging Miners Desk: **Grant Mitchell**



Chair of Junior and Emerging Miners Forum and representative on Minerals Council Board

Orion Minerals, Chief Executive Officer: **Errol Smart**



Deputy Chair of Junior and Emerging Miners Forum

New Venture Mining, Chief Executive Officer: **Godfrey Mocwane**

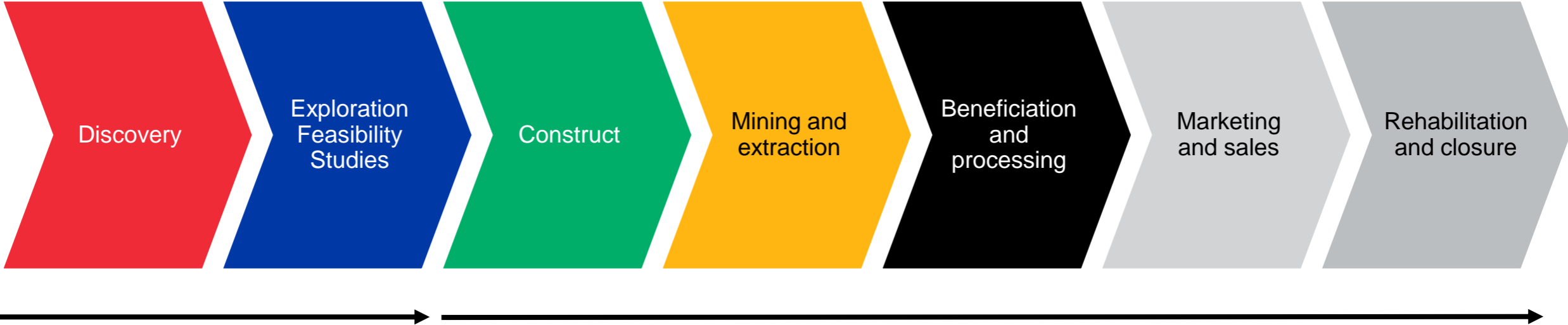
Defining junior mining in South Africa

Defining junior mining in South Africa

	Prospectors (exploration)	Mine developers (from emerging mine sector)	Micro mining enterprises	Miners		Large-scale mining enterprises
				Small-scale mining enterprises	Medium-scale mining enterprises	
Definitive criteria 1	Prospecting right holder	Mining right holder	Mining right or mining permit holder	Mining right or mining permit holder	Mining right holder	Mining right holder
Criteria 2		5 years mining right until mine has positive revenue	Revenue in past tax year <R10 million	Revenue in past tax year of R10 to R50 million	Revenue in past tax year of R50 to R500 million	Revenue in past tax year >R500 million
Criteria 3			<150 employees	<250 employees	<500 employees	>500 employees
Criteria 4	Companies or any controlling shareholder* that does not have revenue generated from other mining rights	Companies or any controlling shareholder* that does not have revenue generated from other mining rights which when aggregated exceeds R500 million	Companies or any controlling shareholder* that does not have revenue generated from other Mining Rights which when aggregated exceeds R500 million	Companies or any controlling shareholder* that does not have revenue generated from other Mining Rights which when aggregated exceeds R500 million	Companies or any controlling shareholder* that does not have revenue generated from other Mining Rights which when aggregated exceeds R500 million	Companies or any controlling shareholder* that does not have revenue generated from other Mining Rights which when aggregated exceeds R500 million
Compliance Element	Full exemption	Partial exemption	Full exemption	Partial exemption	Partial exemption	Full compliance
% of Mineral Council Junior members per category	35%		18%	18%	30%	0%

*as defined in Companies Act

Simplified mining value chain



Focus area of Australian and Canadian juniors

Focus area of South African Junior Miners

Research approach

- Part One: Desktop survey
- Part Two: Survey amongst Minerals Council junior members

Economic contribution by the junior mining sector in South Africa (2018)

Revenue	R billion
Turnover	48.7
Interest	0.5
Dividends	1.6
Rental/lease	1.2
Plant/lease	0.1
Profit on assets	0.8
Other income	1.6
Revenue per annum	54.4

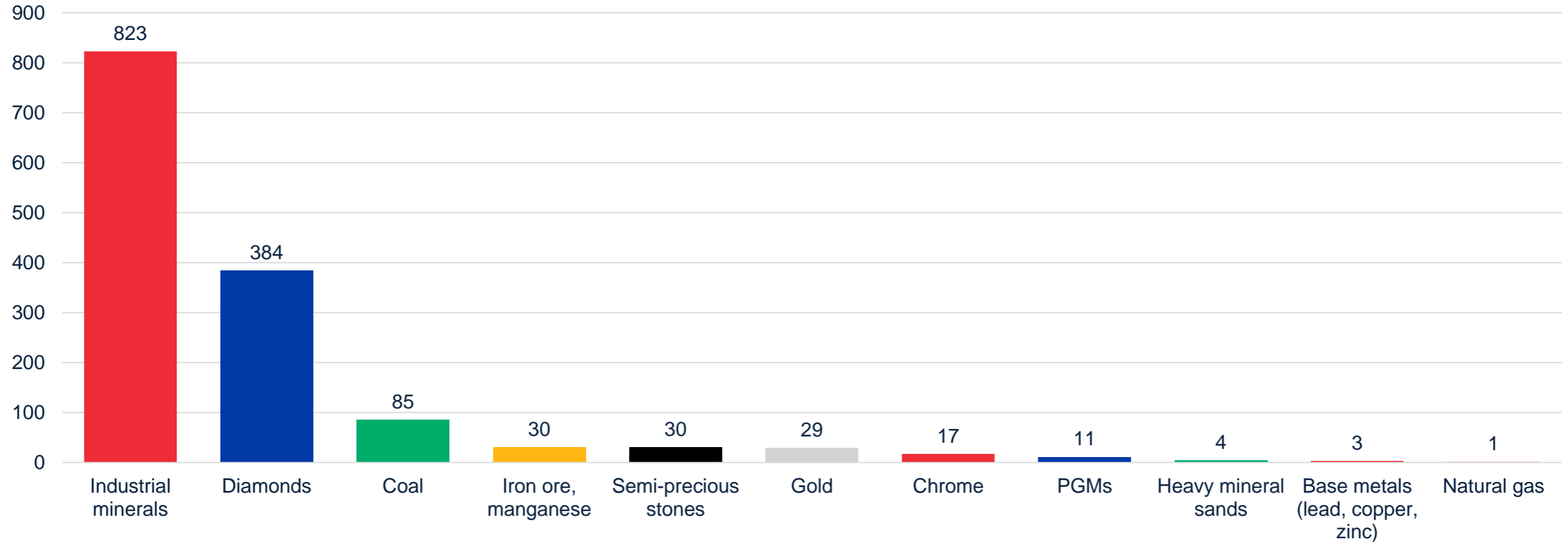
Source: StatsSA June 2018

Economic contribution by the junior mining sector in South Africa (2018)

Expenses	R billion
Procurement	21.2
Employee cost	10.6
Depreciation of capital	2.9
Royalties and fees	1.0
Interest paid	1.1
Rent paid	0.9
Hiring equipment	1.1
Loss on assets	5.4
Other	11.3
Expenses per annum	55.5

Source: StatsSA June 2018

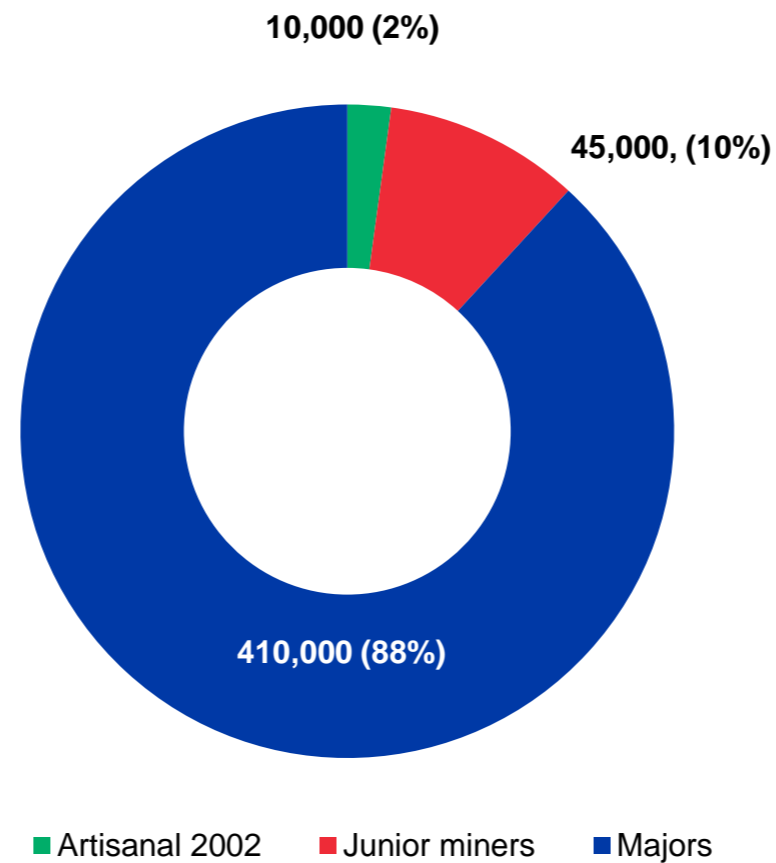
Junior miner - mining licences* in South Africa (2017)



Source: DMR Statistics Tables 2017
* Mining rights

2016 direct permanent jobs in mining (excluding contractors)

Junior miners accounted for
10% of direct permanent
jobs in mining



Source: DMR Statistics - B1 statistical tables 2017
Junior miners as defined by the Minerals Council

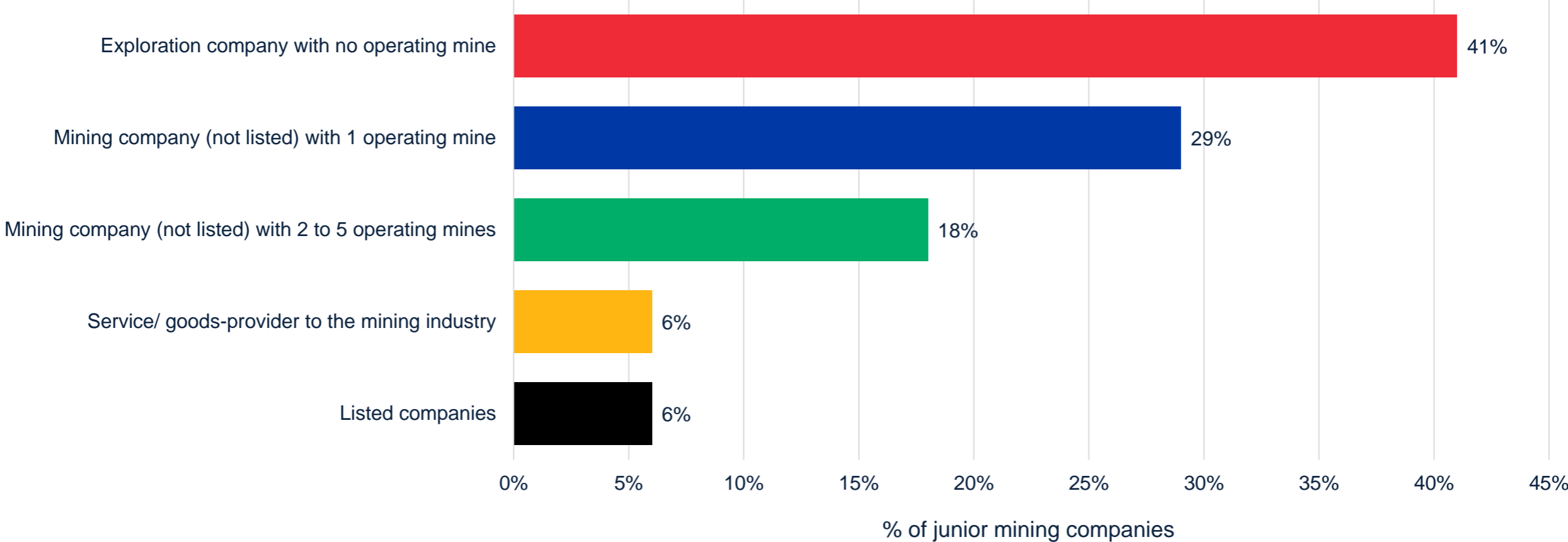
Survey results

17 Junior miner members of the Mineral Council South Africa



Business nature of junior miners in survey

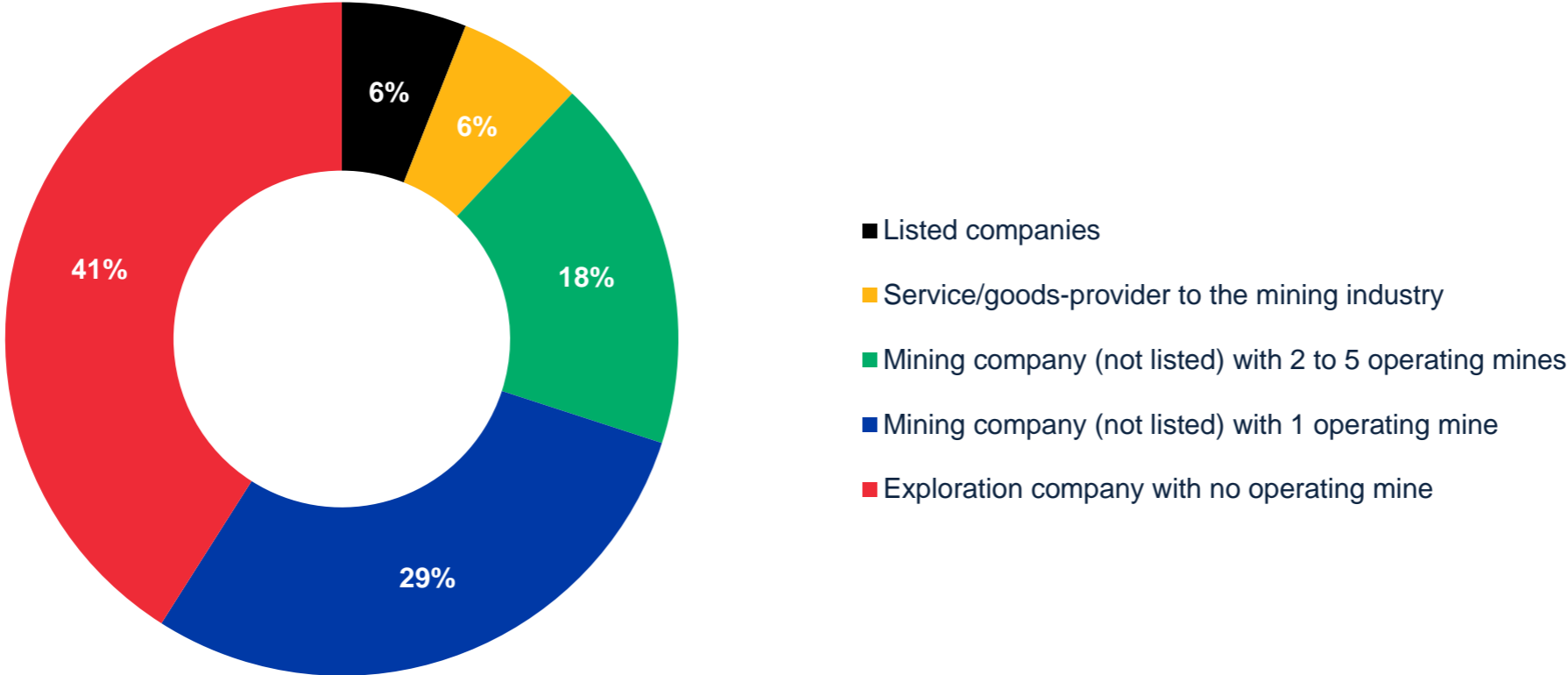
(% of respondents)



Source: Minerals Council survey

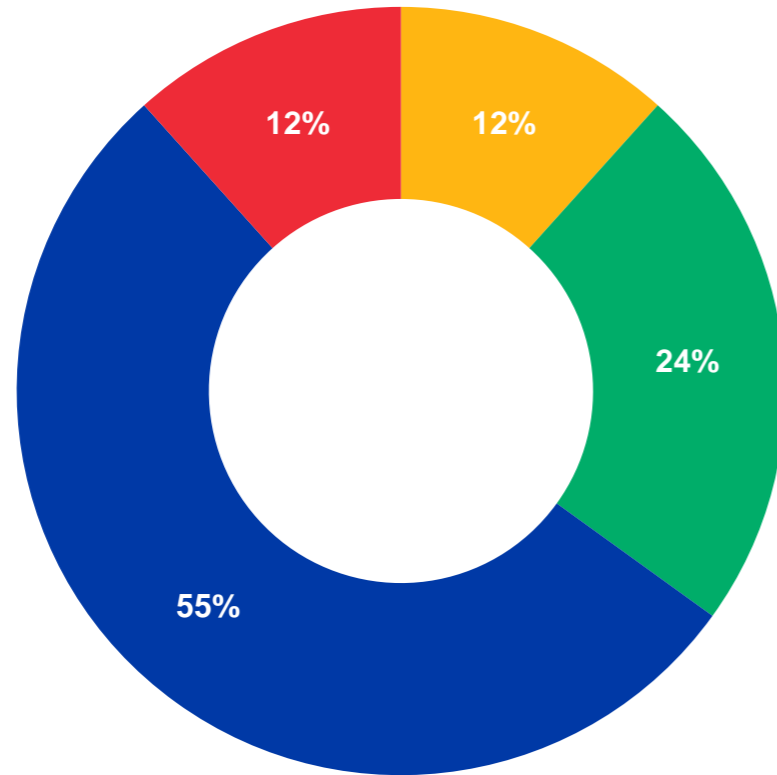
Business nature of junior miners in survey

(% of respondents)



Source: Minerals Council survey

Strategic objective of junior miners (% of respondents)

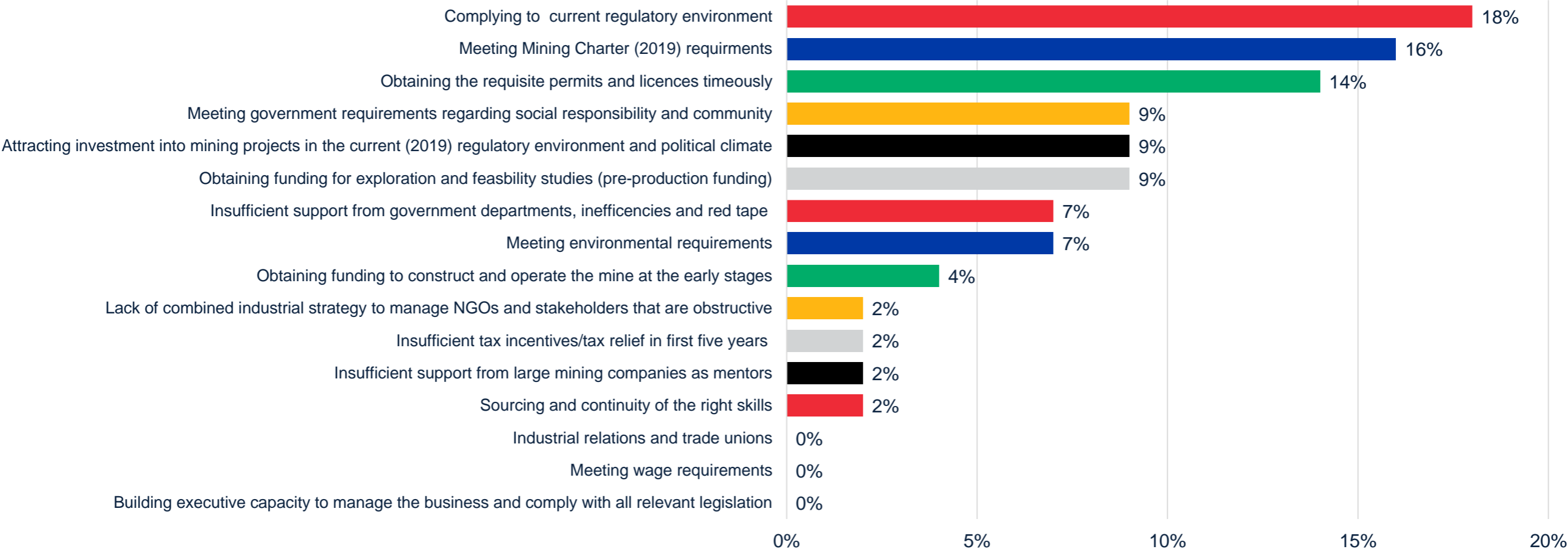


- To be an integrated exploration and mining company (multiple mines)
- To be a mining company with multiple operating mines, but outsourcing all exploration
- To be a reputable operating mining company (at least 1 mine)
- To be a reputable exploration company

Source: Minerals Council survey

Greatest single challenge facing Junior Miners

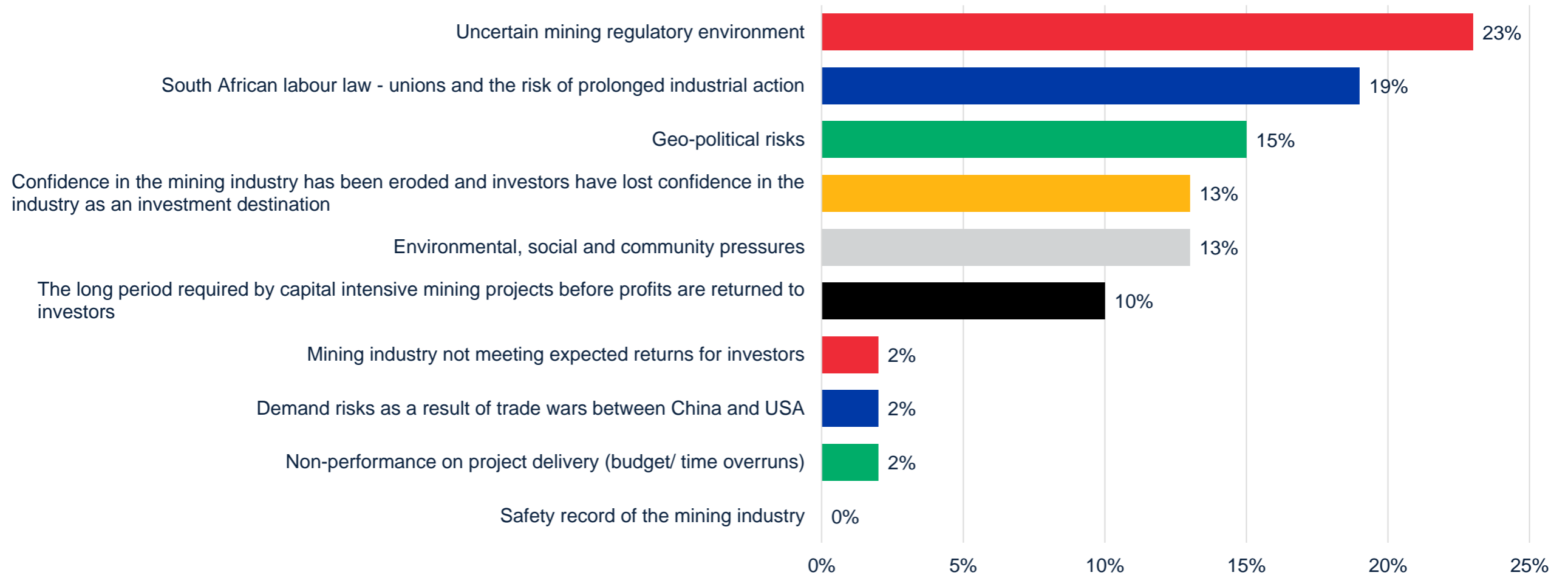
(% of respondents)



Source: Minerals Council survey

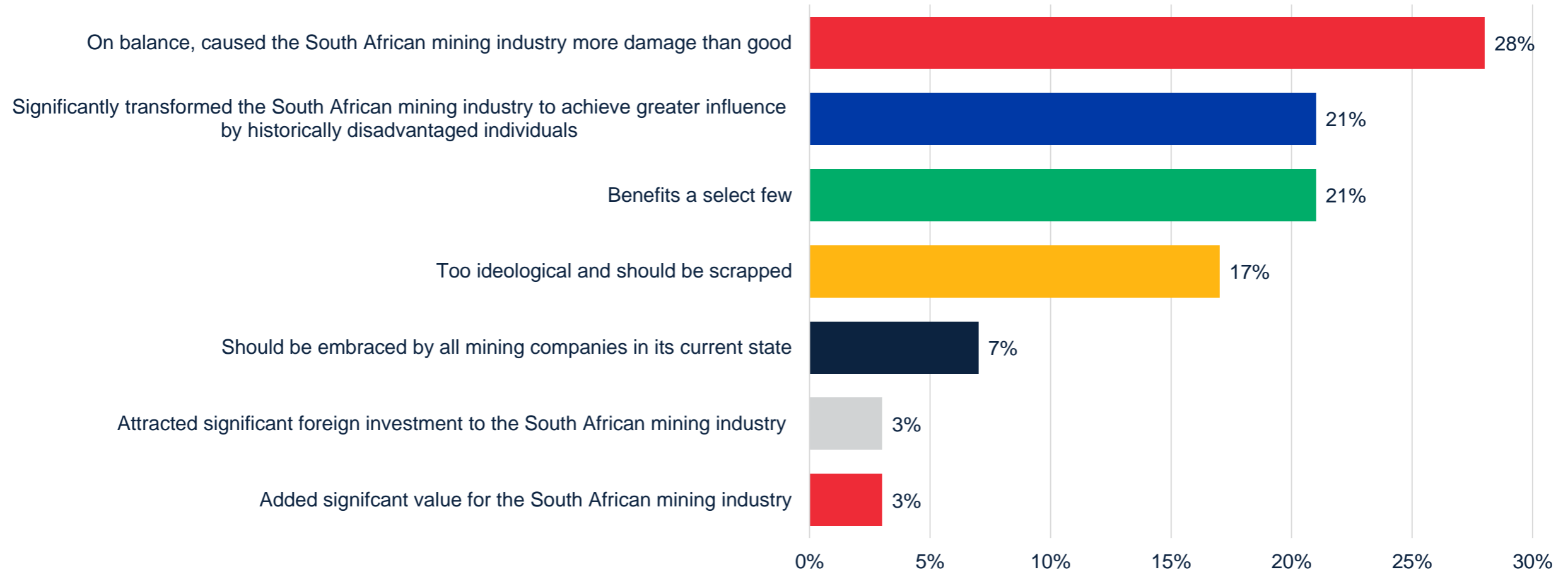
Perceived impediments to attracting investment

(% of respondents)



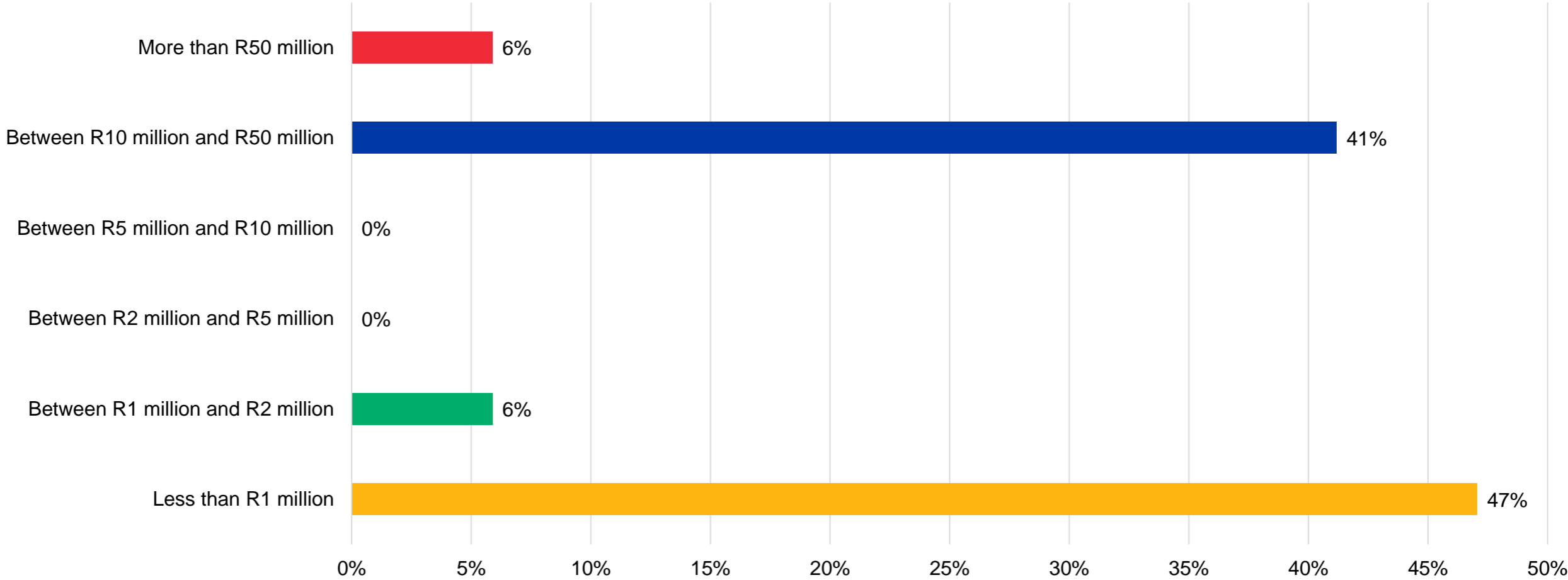
Source: Minerals Council survey

Junior miner perceptions of Mining Charter 2018



Source: Minerals Council survey

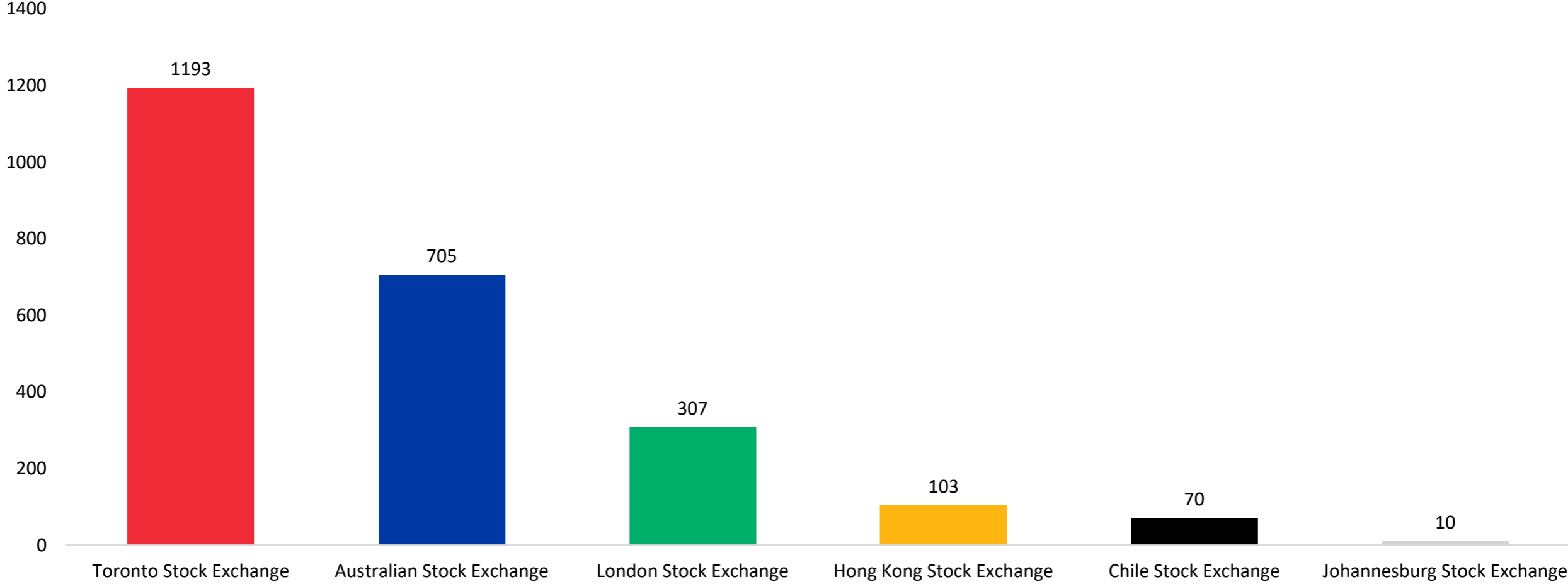
Permanent labour cost (% of respondents)



Source: Minerals Council survey

Number of emerging mining companies listed

(Market cap < R500 million)



Source: Minerals Council survey

Conclusions

Junior and emerging mining sector a **significant player in South African mining industry** – both as explorers and developers, and smaller producers

An entry point for mining entrepreneurs who can significantly assist the South African economy

70% of survey sample see regulatory environment as their greatest challenge, while 30% see investment as their greatest challenge

Countries such as Canada and Australia have built their industries on the back of the junior sector

South Africa could consider **offering tax incentives to junior mining companies**

- Similar to flow-through share model used in Canada, and other tax incentives offered in Australia

Conclusions

Minerals Council research shows **a multiplier effect of between 7 and 10 jobs** in surrounding industries for each mining job

- Junior sector could contribute **230,000 jobs** as a conservative estimate

Government and junior miners need to partner to develop the sector further

Minerals Council Junior Mining Desk has engaged the DMRE on **signing an MOU on collaboration**

Imperative that regulatory environment does not impede the development of junior mining in South Africa

Thank you

T +27 11 498 7100 E info@mineralscouncil.org.za W www.mineralscouncil.org.za

5 Hollard Street, Johannesburg, 2001, PO Box 61809, Marshalltown 2107

