

MEDIA STATEMENT

MINERALS COUNCIL SOUTH AFRICA'S RESPONSE TO THE PUBLICATION OF THE MINING CHARTER:

WELCOMES THE PUBLICATION OF THE MINING CHARTER AND BROADLY SUPPORTS ITS INTENTIONS AND CONTENT

Johannesburg, 3 October 2018: Following the gazetting of the Mining Charter by the Minister of Mineral Resources on 27 September 2018, the Minerals Council has reviewed the document and provides its initial response below. The Minerals Council is currently consulting with its Board on some of the detail in the document.

In summary, the **Minerals Council, on behalf of its members, welcomes the publication of the Mining Charter and broadly supports its intentions and content.** This new Charter is the product of substantial engagement between key stakeholders and is a compromise that reflects different difficult choices that have been made. This Charter provides a better balance between the mutually reinforcing concepts of promoting competitiveness and transformation.

The Minerals Council considers this charter to represent a policy instrument that provides a clear and durable framework for securing a transformed industry with meaningful broad-based economic empowerment within which the critical goals of growth and competitiveness can realistically be achieved.

The Minerals Council anticipates that the changes effected from the June 2018 consultation draft will prove constructive in terms of the mining sector's ability to contribute effectively to South Africa's economy and social development.

Nonetheless, the Minerals Council remains concerned about some key issues, specifically regarding the limited applicability of continuing consequences of past transactions on disposal of BEE shareholding, the treatment of renewals of mining rights as new rights, the practicality of the Inclusive Procurement provisions relating to local content targets for mining goods, the targets for services, and the turnover threshold for junior miners. The Minerals Council will engage Minister Mantashe on these unresolved issues. It is also hoped that greater clarity and certainty will be obtained in the coming weeks, as the guidelines for implementation are developed.



Key **positives** in the new Mining Charter for the sector are:

- The **removal of the requirement on existing rights to top up from 26% to 30%**. This is an important indicator to the industry, to investors and to rating agencies, that government will observe and respect the sanctity of transactions that have been undertaken in good faith.
- The introduction of “**carried interest**”, is critically important reflecting the need to involve communities and organised labour but including the development of mechanisms towards cost recovery so as to not raise investment hurdle rates. The option of equity equivalents as an offset to “**carried interest**” provides more flexibility.
- The **removal of the 1% of EBITDA stream**, which would have created a separate class of shares, and placed a further unaffordable burden on project viability.
- The **removal of Charter ownership requirements on prospecting rights**, to encourage a Greenfields exploration boom.
- The **removal of the proposal that 1.5 percentage points of the 5% skills development contribution** must be designated for R&D.

Minerals Council President Mxolisi Mgojo concludes: “The Minerals Council congratulates Minister Mantashe in the expeditious finalisation and gazetting of the Mining Charter. It is perhaps a sign that he has struck a reasonable balance, where all stakeholders are not totally happy. The Minerals Council will seek to engage the Minister on the unresolved issues to find workable solutions. The Minerals Council remains 100% committed to improving the competitiveness of the mining sector and to ensuring its ongoing growth and transformation. The Minerals Council supports both the Minister and the President’s efforts to attract investment into this critically important sector.”

For further information please contact:

Charmane Russell

Tel: +27 (0)11 880 3924 or Mobile: +27 (0)82 372 5816

Email: charmane@rasc.co.za

Web: www.mineralscouncil.org.za