JUNIOR AND EMERGING MINERS' DESK RESEARCH REPORT

The economic impacts

"The Junior and Emerging Miners' Desk also recognises that there is a need for funding."

WHO ARE JUNIOR AND EMERGING MINERS?

In South Africa, the term junior mining has taken on a broad meaning to include, in addition to exploration companies, mid-tier producers. Junior producers operating in South Africa are in sectors such as industrial minerals, diamonds, platinum, coal, manganese, iron ore, chrome and other base metals.

Indigenous to South Africa, "emerging miners" are typically smaller companies. They can be either involved in the early phases of mining exploration or in the early developmental stage. Examples are the many smaller companies at development stage, associations and mining contractors. Since the advent of the Mineral and Petroleum Resources Development Act (MPRDA) in 2002, there has been significant growth in smaller mining companies operating in South Africa.

The junior and emerging miners' sector has been relatively unorganised with these mining companies rarely given an opportunity to influence national mining policy. This has been a source of great frustration for these miners who have felt that they are not supported and that the larger miners and the government have excluded them from the debate. This preliminary research report carried out by the Junior and Emerging Miners' Desk sets out to indicate the economic impacts of the junior and emerging miners through the empirical statistics presented.

There are, however, new signs of hope and progress for the junior and emerging miners' sector.

The Junior and Emerging Miners' Desk provides advice and support, and acts as a resource centre for the sector. The desk has 24 members including two associations which themselves represent a further 200 companies.

OTHER GOALS OF THE JUNIOR AND EMERGING MINERS' DESK INCLUDE:

Full licensing transparency (similar to Namibia, Mozambique and Botswana)

Understanding why Australian and Canadian junior miners are more successful in fund raising than their South African counterparts as well as their focus on exploration and pre-production whereas South Africa focuses on operating mines

Stimulating investment into the sector through tax Incentives, the JSE Venture Capital, and Junior Miners Funds

The new leadership at the Department of Mineral Resources (DMR) understands that this sector has specific requirements for its growth and development. This recognition is clear in the 2018 Mining Charter's provisions for junior miners although some of the provisions that reduce their charter obligations do fall short of what the Minerals Council would have preferred. In addition, the desk has a more co-operative relationship with the DMR and a draft MOU has been developed in this regard.

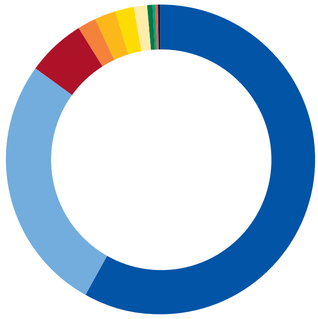
The exploration sector, which comprises a large number of junior and emerging miners, is exempt from the charter's provisions, which means we avoided what would have been a major disincentive.

Our statistics show that the junior and emerging mining sector is significant, representing about 10% of the total industry.

A recent survey carried out by the Junior and Emerging Miners' Desk indicates that junior and emerging miners had revenues of R54.4 billion in 2018.

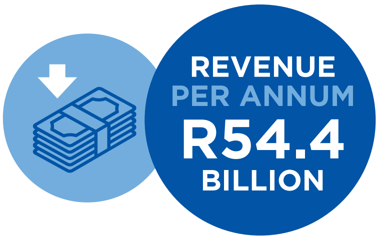
Despite the challenging times the industry faces as a whole, the junior and emerging miners spent R55.5 billion in 2018. The Junior and Emerging Miners' Desk also recognises that there is a need for funding for the junior and emerging miners. As a result, the desk has had meetings with the Industrial Development Corporation as well as the Public Investment Corporation, who are looking to set up a fund. This process is ongoing.

Junior miner mining licences in SA (2017)

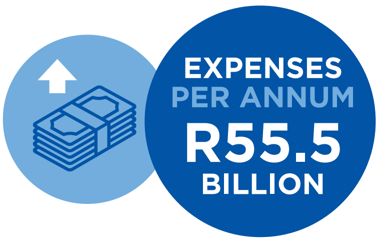


Industrial minerals	823
Diamonds	384
Coal	85
Iron ore, manganese	30
Semi-precious stones	30
Gold	29
Chrome	17
PGMs	11
Heavy mineral sands	4
Base metals (copper, zinc and lead)	3
Natural gas	1

ECONOMIC CONTRIBUTION BY THE JUNIOR MINING SECTOR IN SOUTH AFRICA – 2018



Turnover	R48.7 billion
Interest	R0.5 billion
Dividends	R1.6 billion
Rental/lease	R0.1 billion
Plant/lease	R1.2 billion
Profit on assets	R0.8 billion
Other income	R1.6 billion



Procurement	R21.2 billion
Employee cost	R10.6 billion
Depreciation of capital	R2.9 billion
Royalties and fees	R1.0 billion
Interest paid	R1.1 billion
Rent paid	R0.9 billion
Hiring equipment	R1.1 billion
Loss on assets	R5.4 billion
Other	R11.3 billion

Source: Statistics South Africa (2018)

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CAPITAL EXPENDITURE IN THE MINING INDUSTRY – PER MINING COMPANY SIZE

(R million)	Total	Large	Medium	Small
Construction	13,264	13,139	92	33
Plant, machinery and equipment	51,523	49,129	2,208	186
Vehicles	1,780	1,548	158	74
Total	66,567	63,816	2,458	293
		(95.9%)	(3.7%)	(0.4%)

Source: Statistics South Africa (2018)

The Statistics South Africa definition of company sizes is as follows:
* Large – Turnover >R409 million
* Medium – Turnover R105 million to R409 million
* Small – Turnover R2 million to R105 million

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