Picture credit:
Afrimat Qwaqwa Quarry

JUNIOR, EMERGING, EXPLORATION COMPANIES

WHAT WILL IT TAKE FOR JUNIOR MINING IN SOUTH AFRICA TO SUCCEED?

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6 June 2023, Junior Indaba, Country Club Johannesburg

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<u>The Minerals Council is the champion of junior, emerging and exploration companies</u>

- The Minerals Council has nearly 80 members, half of which are junior, emerging and exploration companies
- Minerals Council members account for 90% of SA's annual mineral output and 90% of employees
- Included in our 38 junior, emerging and exploration members are three associations representing more than 200 mines employing thousands of people
- We are actively recruiting new members as the Minerals Council continues to play a leading role in advocacy and engagement with the Presidency, Ministers and leadership of state-owned companies

- **<u>Notable Minerals Council successes are</u>**:
- The government's acceptance of private-sector participation in the energy sector
- The establishment of the National Logistics Crisis Committee by the Presidency
- High-level, Transnet Board-approved engagement with executives and management of Transnet to resolve rail constraints and secure more rail access for junior miners
- Regular engagement with the Security Cluster and Presidency on crime and corruption

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Why the junior, emerging and exploration sector is important

- In 2022, junior miners generated R88bn in revenue, up from R54bn in 2018. While some of this increase can be attributed to inflation, proportionally the junior sector output increased more than that of the overall mining industry during this period
- Every R1bn spent on exploration potentially contributes about R1.2bn to gross domestic product through direct, indirect and induced impacts,
- In South Africa, the term junior mining takes on a wider meaning than in other jurisdictions and includes exploration companies as well as small to mid-tier producers
- Emerging miners is a term indigenous to South Africa. It refers to smaller mining companies or micro-enterprises.
- Most emerging miners are new entrants to the industry, and many have full black economic empowerment (BEE) credentials.
- Research conducted by the Minerals Council indicates that a majority of mining and prospecting rights are currently held by junior and emerging companies.

What the Minerals Council does for the sector

- Its key role is to support its junior members through policy lobbying, providing advice, linking junior and emerging miners to networks, providing mentorship and disseminating relevant policy information.
- The JEMD lobbied the Minerals Council Board to nominate mentors from large members to support the junior and emerging miners. Currently, seven mentors are providing guidance, on a one-on-one basis, to some of the junior members.
- The Minerals Council is lobbying for a flow-through share tax incentive for exploration companies.
- The JEMD has an agreement with the JSE to support selected emerging mining companies to join the Junior Mining Accelerator Programme, which exposes junior miners to capital markets, assists in re-focusing their business and provides support in areas such as strategic planning and marketing. The intention is for more junior mining companies to list on the JSE.
- The Junior, Exploration and Mining Leadership Forum (JEMLF): the Chair of the JEMLF represents this committee on the Minerals Council Board. Open to the CEOs/executives of junior members, the JEMLF debates policy positions, shares strategic, non-competitive information from departments within the Minerals Council and sets the policy position for the junior sector.
- Junior miners sit on various policy committees within the Minerals Council such as the Mining Charter Reference Group, the Occupational Health and Safety Committee and the Legal Advisory Committee. Junior miners are represented on the Board of the Mine Health and Safety Council.

What a successful junior and exploration market looks like

- Circa 40% of global publicly listed mining companies are on the Toronto Stock Exchange (TSX) and the TSX Venture Exchange (TSXV)
- 48% of the more than 5,300 mineral exploration projects operated by TSX- and TSXV-listed companies are outside Canada (6% of those projects are in Africa)
- A third or C$44bn of total global mining equity capital in the five years to end-2022 was raised on the TSX and TSXV
- TSXV had 47 new mining listings in 2022 and the TSX had 2 – The ASX had 59 new listings
- TSXV has 953 mining and exploration companies with a total market cap of C$40bn (R581bn)
- TSX has 192 mining companies with a total market cap of C$481bn (R6,99 trn)
- With a total of 1,157 mining stocks, the TSX and TSXV are by far the largest mining listing jurisdiction (ASX has 810 as next biggest)
- 54% of TSX-listed mining companies graduated from the TSX-V

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Credit: TMX, TSX, TSXV Market Intelligence Group, S&P Global Market Intelligence

Exploration Implementation Plan / Exploration Strategy

- The Minerals Council held substantive engagements with the DMRE and Council for Geoscience to develop an Exploration Implementation Plan, resulting in an acceptable draft document in January 2021
- The Exploration Implementation Plan gazetted in April 2022 did not fully reflect the 2021 draft and we have reservations about:
- replacing the internationally accepted “first applicant” principal in granting exploration rights with a system of “meritocracy”
- the granting of rights to the Minister to enforce empowerment requirements in the granting of prospecting rights needs to be clarified. Research by the Minerals Council shows that many regional offices still insisting on empowerment despite statements to the contrary by Minister Mantashe.
- The inadequate time frames for exploration rights given complex geological settings and difficulties in securing financial backing
- A proper audit is needed on dormant rights
- We do not support the Exploration Strategy For The Mining Industry of South Africa which was compiled without any engagement with the Minerals Council, nor does it reflect the constructive engagement on Exploration Implementation Plan

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What do venture-capital funded JEEMS need to be successful in SA?

- A predictable and competitive policy and legislative framework that is much more business friendly and in tune with the business models of small venture-capital funded JEEMs.
- A transparent, efficient online off the shelf cadastral system that enables pre-competitive exploration information to be available online in high resolution and available on a first-come first-serve basis to JEEMs locally and abroad.
- A regulatory system that is much more globally competitive, with prospecting rights and renewals issued within three months by the DMRE (a year is too long).
- A taxation system that encourages some extra venture capital investment in exploration by individuals or companies using the flow through share scheme methodology.
- Extra incentives to explore for critical minerals.
- A workable ASM mining policy and legislation.
- Support and mentoring programs from the MCSA for the JEEMs members.

A functional, transparent cadastral system is vital

- The Minerals Council was encouraged by Minister Mantashe's assertion that SAMRAD is a failed system
- The Minerals Council has advocated the deployment of a commercially available, transparent, proven, online cadastral system that is widely used in Africa and in other mining jurisdictions
- An efficient, corruption-free cadastral system is critical to unblock the rights backlog
- The latest data from the DMRE shows a substantial backlog in mineral rights, topping 5,000

Mining and prospecting rights backlog										
Title	**MP**	**LP**	**GP**	**NC**	**FS**	**WC**	**NW**	**KZN**	**EC**	**TOTALS**
Mining rights (Sec 22)	58	12	14	26	7	7	25	2	9	160
Renewal of mining rights	26	1	8	22	1	3	36	4	1	102
Section 11	13	10	41	19	5	8	15	1	0	112
Section 102	71	22	37	27	1	8	76	13	9	264
SLP Section 102, Reg 44	13	20	23	13	0	0	18	8	4	99
SUB TOTAL										737
Prospecting rights (Sec 16)	433	140	34	577	10	31	145	67	12	1449
Section 18	45	53	0	49	7	1	130	13	2	300
Section 11	2	23	2	16	0	0	16	0	0	59
Section 102	9	20	2	22	1	0	77	0	0	131
SUB TOTAL										**1939**
Mining Permits	1584	129	17	227	10	0	115	36	67	2185
Mining permits renewal	8	126	0	0	0	0	0	0	71	205
SUB TOTAL										2390
TOTAL PER PROVINCE	2262	556	178	998	42	58	653	144	175	**5066**

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Critical minerals – exploration is the key

- The model of exploration companies is to find and rapidly prove deposits to sell to bigger miners
- South Africa is rich in clean energy minerals - PGMs, vanadium, copper, manganese, antimony, chromium, cobalt, fluorspar, nickel, titanium, tungsten, zinc
- Making exploration easier will bring in new participants and provide a pipeline of minerals to mine for generations
- Job creation through mining, processing and manufacturing opportunities
- Boost South Africa's export earnings, taxes, royalties, adding to the fiscus for the good of all citizens
- Total mining exports alone represent nearly R900 billion (24%) of South Africa's R3.8 trillion international trade, of which bulk exports represent nearly 50%
- The Australian government has a A$50m Critical Minerals Development Programme to accelerate the development of critical minerals mining and manufacturing
- Canada's government has a 30% cleantech manufacturing tax credit to boost the economics of mining critical minerals, with more than C$10bn over 10 years by offsetting the cost of mining and processing equipment in critical mineral mining and processing
- No South African government support for critical minerals mining

Artisanal and Small-Scale Mining

- MPRDA does not make special provision for artisanal miners for prospecting and mining rights
- The Artisanal and Small-Scale Mining Policy was gazetted for implementation on 30 March 2022
- Government is yet to promulgate legislation/regulation which will translate the policy into actionable requirements for implementation.
- The Minerals Council reiterates the policy must not be used to formalise illegal mining and endorse criminal activity
- The Minerals Council supports genuine artisanal and small-scale mining
- Concerns about the staffing and skill levels of DMRE and other government departments to effectively oversee compliance by artisanal and small-scale miners' compliance
- Concerns about the divisions of legal responsibility for safety, health, rehabilitation, environment if ASM occurs on an existing mining tenement
- ASM operators must be fully responsible for rehabilitation, financial provisions, and securing closure certificates
- ASM should be limited to surface mining – underground mining is expensive, dangerous, technical

Conclusion

- The Minerals Council is regarded by the key stakeholders – the DMRE and the Council for GeoScience (CGS) in particular – as the organisation representing the junior, emerging and exploration sector
- The junior mining project in the Minerals Council has proved to be successful in conducting research into the sector, policy lobbying, providing support to its members through both the Junior Mining Desk and the Junior Exploration and Mining leadership forum
- The Minerals Council has been the key driver along with the DMRE and CGS in driving the exploration agenda in South Africa
- As more Junior companies join the Minerals Council more internal capacity will be added in to support the current programmes offered to junior, emerging and exploration members

Thank you

#MakingMiningMatter

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