SUPPORTING THE JUNIOR SECTOR: THE EMERGING MINERS DESK

Grant Mitchell
Consultant
Emerging Miners Desk
The Chamber of Mines of South Africa

• Founded in 1887 became a national organization in 1968
• Chamber of Mines is a voluntary employer organisation that supports and promotes the South African mining industry. The Chamber serves its members and promotes their collective interests by providing strategic support and advisory input
• The membership of the Chamber is structured as follows:
  • 38 major mining companies and 32 junior mining companies
  • 4 Associations namely; Aggregates, Sands Producers Association of Southern Africa (ASPASA), South African Diamond Producers Organisation (SADPO), Association of Shaft Sinkers and SA Mining Contractors, Clay brick Association of South Africa (CASA)
• Chamber member companies represent more than 90% of South Africa’s mineral production by value, they contribute $886m (R11.3bn) in taxes and employ c.462 000 people
• All Chamber member are required to sign and adhere to a Membership Compact, a code of ethical business conduct

• Visit us at http://www.chamberofmines.org.za
What is Emerging Mining?

Definitions of Emerging Mining in South Africa

Challenges Facing Emerging Mining

The Work of The Emerging Miners Desk

Conclusions
What is Emerging/Junior Mining

• **What is Emerging Mining?**

  - Emerging Mining is a term Indigenous to South Africa
  - It generally refers to mining/exploration companies that are at the early phase of mining development
  - In South Africa the term is closely linked to BEE companies
  - It differs to some degree to Junior mining which is the internationally accepted definition

• **What is Junior Mining?**

  - Internationally Junior mining refers to the exploration sector.
  - In countries like Canada for example Junior mining is well supported through organisations such as PDAC which lobby government for a more favorable policy environment to support exploration and early phase mining development
  - The result is that Canadian are active globally and have contributed to the development of the Canadian industry
## Defining Emerging and Junior Mining

<table>
<thead>
<tr>
<th>Category</th>
<th>Activity</th>
<th>Operation</th>
<th>Gross Asset Value</th>
<th>Annual Sales Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Majors</td>
<td>Production</td>
<td>Global Markets</td>
<td>&gt;R8 billion</td>
<td>&gt;R8 billion</td>
</tr>
<tr>
<td>Juniors</td>
<td>Contractors, production and exploration</td>
<td>SA and Internationally based</td>
<td>&gt;R18 million but below R8 billion</td>
<td>From R30 million to R8 billion</td>
</tr>
<tr>
<td>Emerging Miners</td>
<td>Exploration/production</td>
<td>SA based</td>
<td>Below R500 million</td>
<td>Below R500 million</td>
</tr>
<tr>
<td>Small Scale (formal)</td>
<td>producers</td>
<td>Regionally based</td>
<td>Up to R18 million</td>
<td>Up to R30 million</td>
</tr>
<tr>
<td>Small scale (informal)</td>
<td>producers</td>
<td>Locally based</td>
<td>Up to R150,000</td>
<td>Up to R300,000</td>
</tr>
</tbody>
</table>
Small Business Development Act 1996

- Defines a medium mining business with annual sales up to R38million.
Challenges facing Emerging Mining

Finance

• Commercial banks are seen by emerging miners as risk averse and not friendly to smaller mining companies
• Public funding Institutions are also seen as risk averse
• Demise of specialist funding institutions such as the New Africa Mining fund
• The raising of finance was listed as the biggest challenge facing emerging miners.
What the banks think......

• At a workshop held by the EMD in 2014, five commercial banks listed the following as criteria for funding:
  • Geological endowment
  • Regulatory certainty. The problem is not the MPRDA, but is application. There are some concerns however: Section 2 requires ministerial approval for the transfer of shares within companies. This will be a deterrent to investors who require free trade
Challenges facing Emerging Miners

- **Mining right applications** – delays in the administration of mining rights which negatively impacts on the project.
- **Permit applications** – delay in WULA’s which can also have a critical impact on projects.
- **Social and labour plans** – guidance on the implementation of SLP’s and Charter requirements.
- **Skills Development** – lack of technical expertise amongst smaller companies.
Challenges continued

• Environmental compliance
  - Guidance on EIA applications
  - Updates on legislative requirements
  - Constant changes in environmental and mining laws
• Industrial relations – collective bargaining and unions
• Safety and compliance
  - Guidance on safety compliance
  - Open communication between DMR and Mine Health and Safety Inspectors (section 54’s)
The Work Of the Emerging Miners Desk

- Emerging Miners Desk Members
- Objectives
- Public workshops
- EMD member only workshops
- Mentorship programme
- Research
- Stakeholder engagement
- Help Desk
- Media
- The Mining Indaba
Members

• There are approximately 30 member companies which includes two associations
• The Majority are in the coal sector (n=14) followed by diamonds, Ion ore and manganese.
• There are also 4 contracting companies
• There is a strong BEE component particularly in coal
Objectives

• The primary objective is to provide services to our member companies
• A secondary objective is to lobby stakeholders on behalf of the sector
Public Workshops

Since 2014 the EMD has held a number of public workshops on key policy areas

Examples are:

- On Finance (in conjunction with major banks)
- On the Environment (compliance)
- On the Mining Charter
- On Water Management

- All workshops are documented as a form of research
Member workshops

The EMD also holds exclusive workshops for members only.

Examples are:

- The Mentorship group and Emerging Miners
- With members so as to give input to the Mining Charter
- With a major producer who was looking to form off take agreements with Junior producers
- With the IDC
Mentorship Programme

• In 2014 the EMD recruited 8 current and former senior executives from the mining sector to act as mentors should emerging Miners request it.
• Most are former CEO’s with expertise in diamonds, coal, gold, manganese and finance.
• Mentors are paired with Emerging Miners and provide oversight and guidance.
• The mentors work on a pro bono basis and therefore do not act as consultants.
• Since 2014 there have been 9 requests for mentorship.
Research

• The EMD conducts ongoing research into the sector mainly by documenting workshops.
• In 2014 a needs assessment was conducted by questionnaire.
• In 2016 a consolidated research report was released entitled “Challenges facing the Emerging and Junior Mining sector in South Africa”
As the business of the Chamber is lobbying on behalf of its membership stakeholder engagement is a critical area. The following stakeholders are currently being engaged on an ongoing basis.

- The DMR
- The department of trade and industry
- BUSA
- Mintek
- Community Engagement
Help Desk

• The EMD answers a continual stream of queries from both its members and other interested parties.
• Where appropriate it makes referrals and networks people and organisations
Media

• The EMD has both written articles as well as conducted interviews with journalists from various publications.

• Examples are Martin Creamer, the Sunday Times and the Chinese National News Agency.

• The EMD also has a group on Linkedin
The Mining Indaba

In 2017 for the first time in the Mining Indaba’s history there was a programme dedicated exclusively to Junior Mining. The “Investment Battlefield” attracted 16 Junior companies under following categories

- Coal
- Diamonds and PGM’s
- Gold
- Bulk, energy and base metals
- Battery metals

- There were three judges per commodity and four companies pitching per commodity.
- Prizes for the winner and runner up amounted to R150,000.
- Entrance for the participating companies was free.
- The programme was in partnership with the EMD.
- Participating companies represented Australia, the UK, Canada and South Africa.
- The JSS fund was also launched