

ANC rekindles mining incentive

SuppliedSky's the limit: Errol Smart, chair of the Mineral Council's junior leadership forum and CEO of Orion. He says Orion's R450m investment was spent on local suppliers as fast as the money came in.

The ANC's discussion document on rebuilding SA's economy gave the junior mining sector some hope to cling to in the uncertain times, as it raised the question of incentivising investment in the sector. The 30-page document outlines various strategies and plans the governing party has for reconstructing, growing and transforming the economy after the damage inflicted on it by a strict lockdown to curb the Covid-19 epidemic, worsening unemployment and business closures.

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In the document released last week are four paragraphs, or roughly half a page, dedicated to mining, outlining a variety of ideas and, notably, calling for an "immediate" resolution to disputes over regulations and uncertainties.

For junior mine developers and prospectors, however, the document was an agreeable step in the right direction, said Errol Smart, the chair of the Minerals Council SA's junior leadership forum.

"It's the first time in a long time since I've seen a document drafted by a political organisation that I could nod my head to in most factors," he said in an interview. "Sometimes these disasters present the kernel for opportunities."

The ANC said it wanted to encourage mining company listings on the JSE and that "SA retail investors willing to invest in mining exploration should be incentivised, as is the case in other mining jurisdictions".

EXPLORATION

It wants to see "robust junior mineral exploration" in SA, something that has largely stagnated in recent years under regulatory uncertainty. Without fresh discoveries of mineral deposits there will be no longterm mining in SA.

According to data from S&P Global Ratings, SA's annual spending on exploration has stagnated at about \$97m (R1.6bn) in the past two years, which is 76% below a 2007 peak of \$404m.

It indicates a dearth of investment and a deep reluctance by the industry to put money into a high-risk business.

The ANC's document reignites debate around calls made by the mining industry, investors and analysts for many years that SA should adopt the Canadian flow-through share model, which provides tax incentives for purchases of equity in exploration and junior mining companies.

“We’ve been banging on this drum for so long. I’m hugely encouraged someone has heard the drum roll and the ANC policy committee has taken it on board,” Smart said.

“There’s a role for junior mining to play in rural areas of SA, which are often overlooked in development finance opportunities. That’s where we need to get funds moving,” he said.

The model has made the Toronto bourse a go-to destination for mining companies, rich with investment inflows and deal activity.

Smart and his team at the junior leadership forum have employed the services of legal firm Fasken, one of Canada’s largest law firms, to help it prepare a document to take to the National Treasury and SA Revenue Service (Sars) to argue for the changes in regulations needed to make a flow-through share scheme a reality in SA.

Smart declined to give a timeline, but he said the forum would first make a presentation to the council’s board to get its backing before approaching the government.

Of critical importance was including organised labour and communities in discussions to get their backing for the scheme, a process that would run concurrently with talks with the government, he said.

Sars would have to forgo early tax in favour of longer-dated tax inflows when mining projects are developed and are in production once minerals have been found and delineated, Smart said.

“Maybe now there’s a more willing audience. Orion brought in R450m of investment over three years. As fast as it came in it was spent on local suppliers and the knock-on effect of that and the secondary taxation that flows out of it is important,” said Smart, referring to JSE and ASXlisted Orion Minerals.

Smart is CEO of Orion, which is restarting the Prieska copper and zinc mine in the Northern Cape.

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