

# Orion aims to be South Africa's first fully green-powered junior miner

By David Whitehouse

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Orion Minerals aims to fully power its South Africa operations with wind and solar power in the long term. REUTERS/Mike Hutchings

**Australian Orion Minerals aims to become the first junior miner in South Africa to be fully powered by renewable energy at its Prieska and Okiep projects in Northern Cape province, CEO Errol Smart tells The Africa Report.**

Northern Cape is one of the best places in the world for wind and solar power; it has the potential to become **Africa's largest renewable energy hub**, Smart says from Mbombela (Nelspruit) in South Africa. His long-term target is for both projects to be fully powered by renewable energy.

In June, President Cyril Ramaphosa said **private companies such as miners will be able to generate their own power**, avoiding the risks of outages imposed by state-owned utility Eskom. "There is a race on" to be the country's first miner to run fully on green power, Smart says, and the company is already able to access renewable power at **half the Eskom cost**.

In August, the company exercised its option to purchase the **Okiep** copper project. Orion says there is potential for synergies with its flagship **Prieska** copper and zinc project, also in the Northern Cape, though Prieska is 450km away. While power from state-owned Eskom will initially be needed at Prieska, the company aims to be carbon-neutral by 2026, Smart says.

- The prospect of low-cost **hydrogen** becoming available in Northern Cape will allow low-cost clean smelting to be carried out, Smart says.
- Orion could cooperate with other miners in the region on green refining, he adds.

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The neglect of the region's copper and zinc resources dates back to the apartheid era in the 1980s when there were sanctions and disinvestment, compounded by a period of low copper prices, Smart says. Later, fears that the ANC would nationalise mines put a stop to investment and exploration.

The company has also considered the option of acquiring a historical database of over 60 years of mining and exploration records at Okiep. Previous Okiep owners such as **Newmont** and **Gold Fields** produced 30,000 to 40,000 tonnes of copper metal per year for decades, Smart says. He argues that there is an opportunity to re-establish that scale of production after more drilling and feasibility work.

- "Nobody has gone back there, but the world is desperate for copper and zinc. We have first-mover advantage."

## Financing

Orion shares trade on the South African and Australian stock markets. Its largest single shareholder is **Tembo Capital**, with a 23.8% stake. In Australia, the company has a joint-venture agreement with **IGO** for nickel and copper exploration at Fraser Range, in the west of the country.

Much of the finance for Prieska will be bank debt and the company is now exchanging terms sheets with lenders, Smart says. "Debt finance of South African operations is much easier" than in many other African countries.

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About 20% to 25% of the Prieska project finance will be equity, which will likely be raised outside public markets. The amount of equity needed will be much less than the company's current market valuation of R1.36bn (€77m), Smart says.

- Smart aims to conclude financing for the Prieska mine by the end of the year, and anticipates that it will take about three years to start production.
- The feasibility study at Okiep will take about six months and the company is likely to seek financing for the project in mid-2022.
- If Northern Province's copper and zinc resources existed anywhere else in the world, investors would instantly put in much more than they are being asked for, Smart says.

## Local protests

Recent violent political protests in South Africa have left the country "tainted by extremely poor investor sentiment, especially within Orion's Australian shareholder base," according to a note from **Simon Hudson-Peacock**, mining analyst at S2 Research in Cape Town. The result, Hudson-Peacock writes, is that the share price is "hugely undervalued" at a time when capital for Prieska is needed.

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In May, Smart complained that locals demanding jobs and services contracts at Prieska were **blockading the area** and slowing progress on the project through intimidation. A local unemployment rate of 80% and decades of government failure to provide local services have left the population frustrated and open to being misled by "opportunistic" politicians, he says.

- Smart says he held "very productive" discussions with local communities last week.
- The company has a five-year programme intended to reach **70% local procurement**, and small-scale suppliers will need to go through an enterprise development programme.
- Smart aims to avoid the costs of bringing in labour from outside the region, but says proven expertise from external sources will still be needed. "The end goal can't be reached on day one."

## Bottom line

Orion is betting that South Africa can't afford to leave its copper resources and renewable energy potential unexploited.

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