

# Orion nails down final mining right in Prieska

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CEO of Orion Minerals, Errol Smart. Picture: SUPPLIED

In a rare bit of regulatory good news in the SA mining sector, Orion Minerals has secured every permit it needs to start work on the R5.4bn copper and zinc project, after the granting of its second and critically important mining right.

Orion, which is traded in Johannesburg and Sydney, is bringing the defunct Prieska mine in the Northern Cape back into production, and it has now slotted into place the final piece of the puzzle bothering investors by having a fully permitted project, including a water-use licence.

"We're pretty chuffed. We've got our final mining right and now the mine is absolutely shovel-ready with all our approvals in place," CEO Errol Smart said.

"We could move on site this afternoon and start mining. It's a bit of a record. I don't know any other operation in SA that has managed to get prospecting rights, drill out the ore body, do a bankable feasibility study and get two mining rights and a water-use licence granted within five years," he said.

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"It has always been one of the big criticisms of operating in SA, how long the whole permitting process can take and the uncertainty that goes with it. It has been a big problem with us, with our investors, this securing of permits," he said.

Investors are wary about large capital investment projects in SA, particularly mining, where the regulatory environment is fluid and securing permits can take years, changing the economic proposition of such projects.

"If it wasn't such a superhuman effort to get all this done, there could have been 10 Orions in the last five years because the prospectivity is here in the Northern Cape. There are dozens of other projects that can be taken through a similar value accretion process," Smart said.

The project will deliver R40bn of export earnings for SA as it sharply increases the country's production of copper and zinc. Prieska will, on average, produce 59,130 tonnes a year of zinc in concentrate compared to SA's output of 115,000 tonnes in 2019, according to Minerals Council SA data.

The mine will generate 19,652 tonnes of copper annually, compared to the 56,000 tonnes SA produces from primary copper mines, as well as the by-product of platinum group metals mining.

When Orion secured its water-use licence, its share price doubled during trade on the JSE on August 6, a move Smart attributes to SA investors who have access to just 16% of the company's issued shares.

"The South Africans get it that this is imminent. This is an attractive project that's going to go. The Australians are all still nervous about what can happen in SA — is it real and is it going to happen?" he said.

Smart pointed out that the Vardocube mining right secured on Friday represents 27% of the ore body included in the bankable feasibility study released at the end of May.

But it was the vast size of the tenement covered by the right that was the true value because it covered "highly prospective" exploration areas near the known deposit.

The Vardocube right combined with the Repli mining right, which covered 73% of the known Prieska ore, and the water-use licence means that serious investors are coming to "kick the rocks" at the project in the next few weeks ahead of making a decision whether to become involved, Smart said.

While there was local SA interest, the main interest was from large offshore mining companies, he said.

He has said he expects a deal on financing to be concluded in about three months.

Orion is close to India's Vedanta Resources' Black Mountain and Gamsberg zinc mine and concentrator, while global resources company Anglo American's sefa Mining Fund has rolled over the repayment of a R14m loan from end-July 2020 to April 2021. The sefa loan is secured against a 29% stake in Prieska held by Agama Exploration and Mining, a wholly owned Orion subsidiary.

Orion had already invested R450m in the project and community projects, working to build relationships with about 27,000 people living in poverty in towns near the mine, as well as local and provincial governments and the department of mineral resources & energy, Smart said.

"A project like this is just so much more doable if you have supportive government institutions. When you get into conflict with communities and local municipalities, and they're dysfunctional, and dysfunctional provincial management, then it's almost impossible."

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