

6TH RISK MITIGATION & CSR IN AFRICA AND EMERGING CONFERENCE- TORONTO

FIND A SAFE HAVEN FOR A SURFACE LEASE: PLATINUM PERSPECTIVE



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largest primary producer of platinum**

PRESENTATION OVERVIEW

- PGM international perspective
- Market drivers
- Impact of recession
- South Africa's platinum mining footprint
- Understanding the mining right versus surface lease perspective
- Emerging legislative & governance framework impacting on surface leases
- CSR risk mitigation efforts
- Discussion of an actual CSR risk mitigation surface lease model
- Concluding remarks

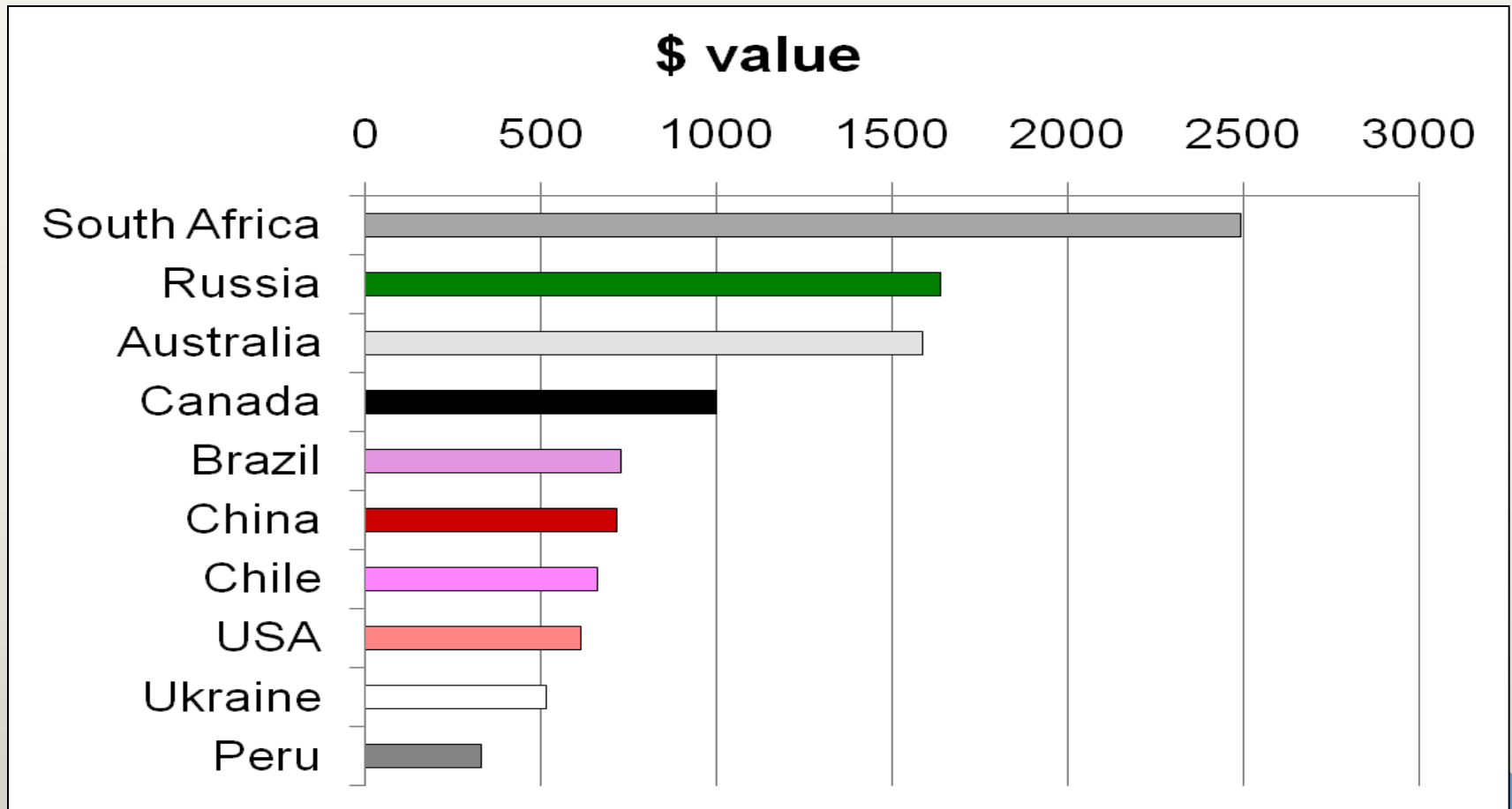


INTERNATIONAL PERSPECTIVE OF PLATINUM GROUP METALS SUPPLY

- Mining of Platinum Group Metals(PGMs) occurs predominantly in South Africa, USA, Canada, Russia, Australia and Zimbabwe
- South Africa has almost 90% of the world's known global reserves of PGM
- The top 4 largest global platinum mining companies are South African based : Anglo American Platinum Limited, Impala Platinum, Lonmin & Aquarius Platinum Limited
- Revision of South Africa's mining regulations in 2002 to 2004 opened the doorway to a vibrant mid-tier and junior platinum mining environment
- Canadian companies have ventured into South African PGM mining environment through partnership agreements (TSX companies Platmin & Platinum Group Metals Ltd)
- Black Economic Empowerment : Royal Bafokeng Resources, ARM, Bakgatla-Ba-Kgafela traditional community etc



NON-ENERGY IN-SITU MINERAL RESOURCES VALUATION BY COUNTRY (TRILLION DOLLAR VALUE)

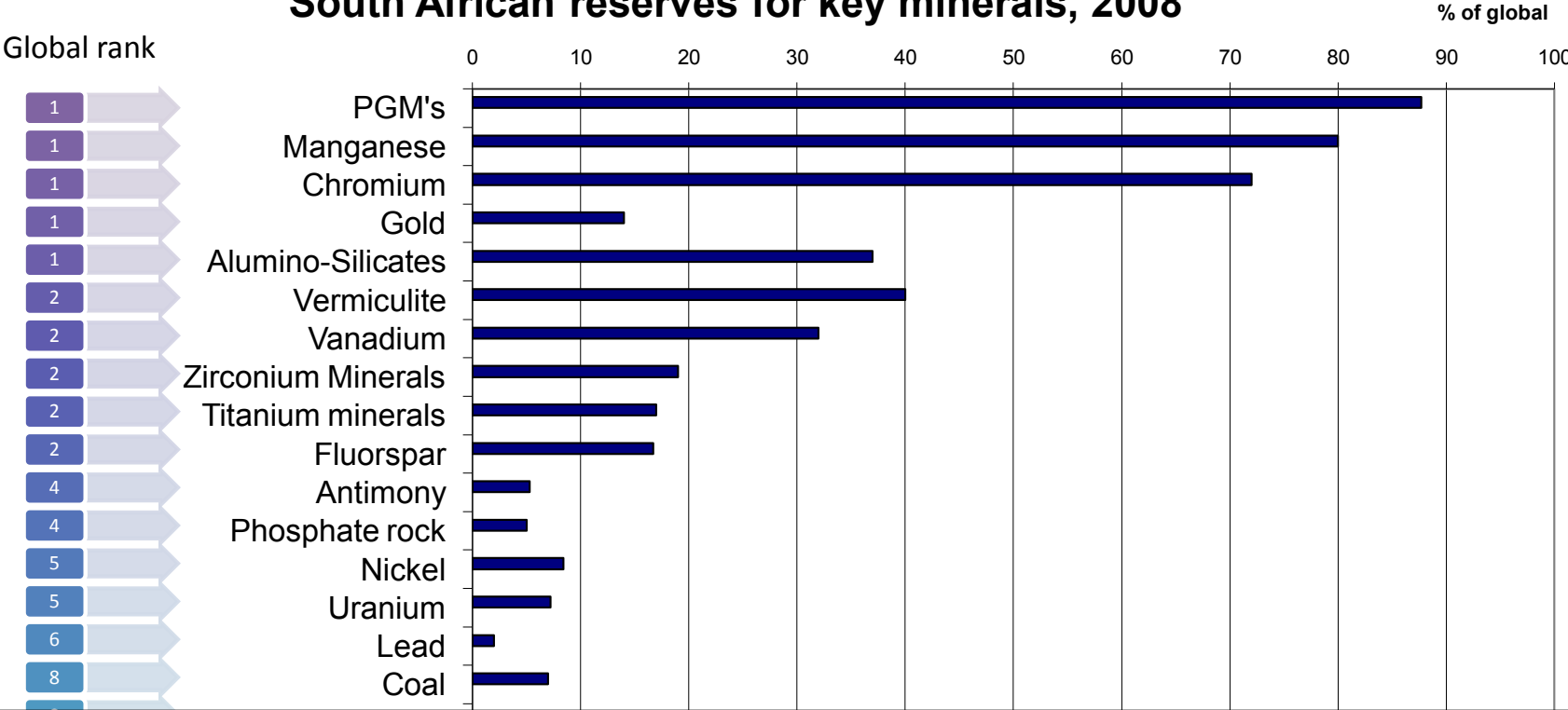


Source: Citibank Report, 2010

RSA MINING POTENTIAL

South Africa, is not mature mining real estate! The country still has significant geological potential

South African reserves for key minerals, 2008



Source: DMR, USGS

PGM MARKET DRIVERS

- Auto catalysts – Treat harmful gases emitted from vehicle exhausts. Automobile industry accounts for 30% of the global consumption of platinum. Refining catalyst in petroleum & speciality silicones
- High end jewellery demand
- Electrical – Enhances magnetic qualities of cobalt alloy computer hard disks to enable faster data to be stored at higher densities to improve access times
- Innovative fuel cells are being developed using platinum as an alternative energy source to rapidly diminishing fossil fuels and to as an alternative to nuclear energy



IMPACT OF THE RECESSION

- Global financial crisis did impact on the industry with workforce downsizing & placing operations on maintenance used as an intervention strategy to curtail cost pressures . PGM market did experience certain levels of volatility in 2006, 2007 & 2008
- PGM market is positioned towards a steady & cautious recovery in 2011, driven by stronger market fundamentals
- Reflected by the world's PGM leader Anglo American Platinum Limited's market capitalization increasing by 51% since June 2009 (PwC, 2010) and workforce increasing to 48 807 almost to pre-crisis employment levels
- Other platinum producers Impala, Lonmin, Aquarius Platinum and ARM ranked in top 10 SA mining companies surveyed by PwC in 2010

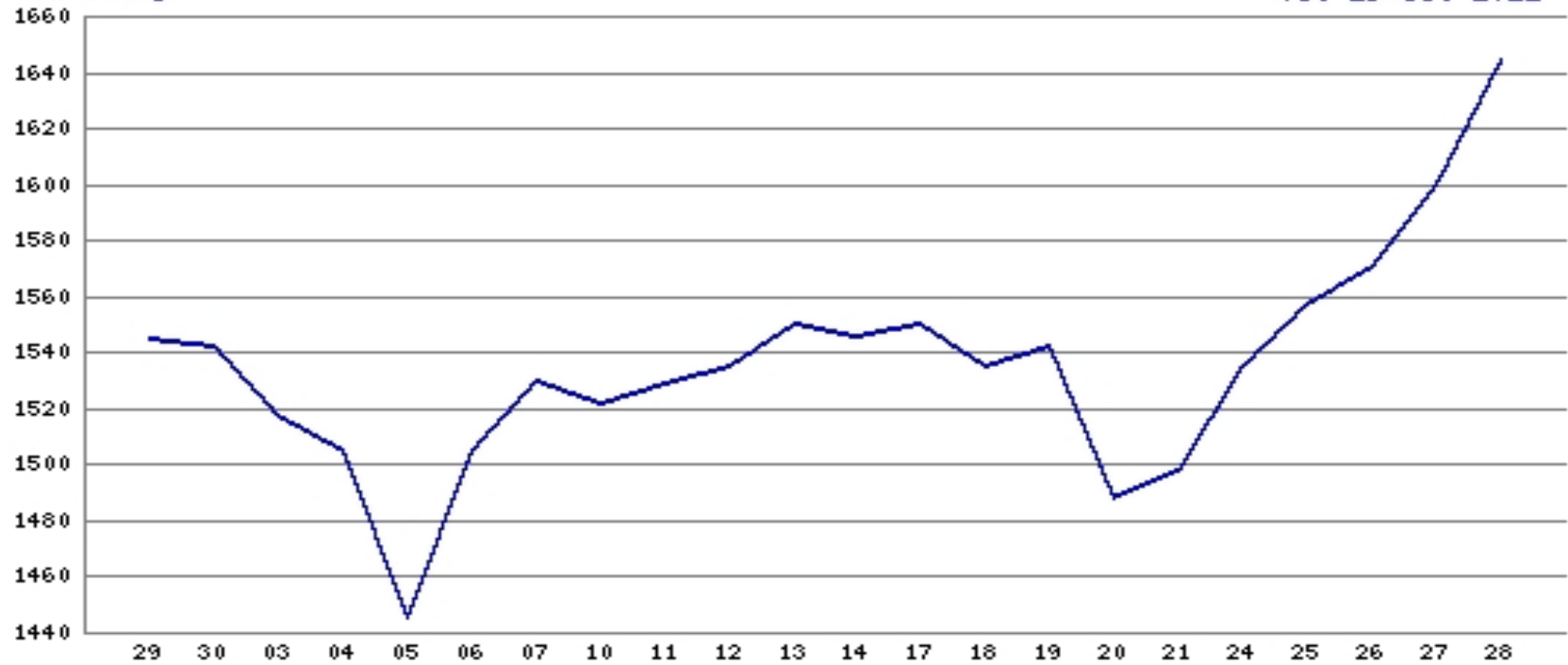


CURRENT PERFORMANCE OF PLATINUM OVER SEP 2011 TO OCT 2011

JM Base Prices
US\$ Daily

Platinum

From: 29 Sep 2011
To: 29 Oct 2011



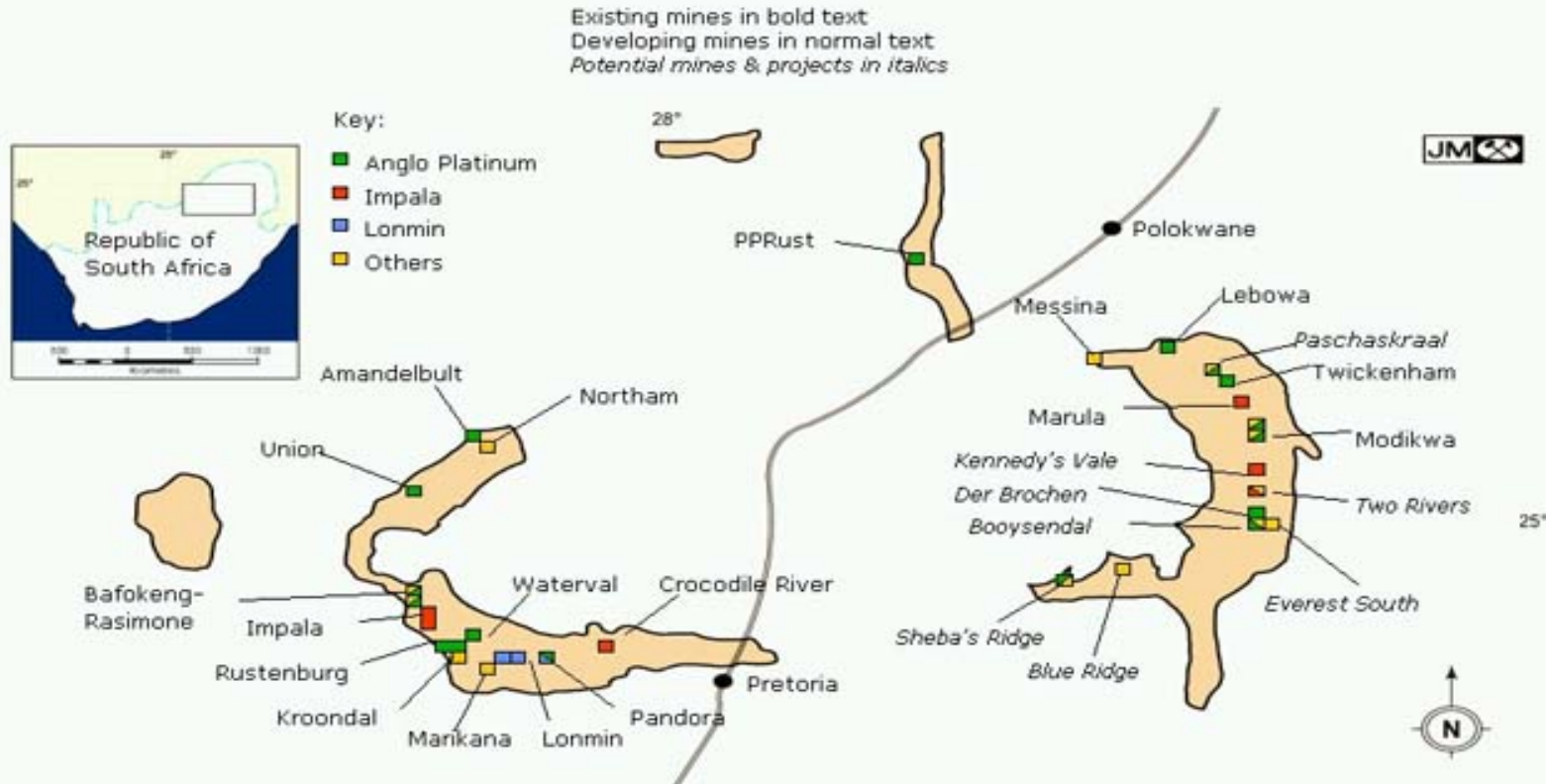
Sep 2011

— Platinum

Period Average \$1535.90

SOUTH AFRICA'S PLATINUM MINING FOOTPRINT

Schematic Map of the Bushveld Complex
 Showing Approximate Location of Platinum Mines and Projects



Reference source: JM,2003

PLATINUM MINING FOOTPRINT

- It is undisputed that South Africa does have a dominant global platinum mining footprint but it is in the context of developing world conditions
- Certain mining operations, projects and process plants are located in rural & underdeveloped areas. Lower socio-economic development baselines in comparison to other areas of the country
- Walking alongside the mining footprint needs to be an equally accountable social footprint, obviously we need to set forth to meet realistic expectations of host communities



UNDERSTANDING THE MINING RIGHT VERSUS SURFACE LEASE PERSPECTIVE IN SA

- In 2002, the MPRDA set forth the transformation of the mining industry
- Older order mining rights and prospecting rights converted to new order rights under these new provisions
- MPRDA replaced the common law position that the land owner is the owner of the whole of the land, including the airspace above the surface and everything below it
- Common law position supported by previous Minerals Act, 1991
- Holder of a new order right to minerals under the MPRDA are granted limited real right to such minerals for a period of 30 years subject to renewal



UNDERSTANDING THE MINING RIGHT VERSUS SURFACE LEASE PERSPECTIVE.....

- Owners of surface rights do not hold mineral rights, unless new order mining rights are legally acquired through the DMR's regulatory framework
- The platinum mining industry mainly acquires its right to work on the surface of the land primarily through the instrument of a surface lease agreement
- The platinum footprint vests primarily on tribal communal land
- The surface lease agreement constituted between the mining company, tribal community and Minister of Rural Development & Land Affairs (Trustee: Minister stipulates inclusive engagement processes)
- Tribal land rights are deemed to be “old order land rights” , surface lease agreements are constituted within an emerging & contended legislative framework



EMERGING SA FRAMEWORK IMPACTING ON TRIBAL LAND RIGHT AND LAND USE: ALSO INTERPRETED IN RELATION TO CURRENT OVERARCHING GOVERNANCE REQUIREMENTS

Land Right Emerging & Contended Framework

- Communal Land Rights Act repealed by constitutional court ruling in 2010
- Perspective on arguments posed and legal scenario's that may occur in future
- Interim protection Act of 1996 in place (Read interalia with Constitution)
- Trustee powers accorded to Minister of Land Affairs and Rural Development

Traditional Leadership & Governance Act 2003, as amended in 2008

- The Act set forth transformation duties of tribal authorities, legal recognition & customary validation, jurisdiction, special presidential commissions for leadership claims & disputes, oversight duties of government structures, protection of rights of women
- Mining industry has no direct legislative duty to Act but rather a social accountability to it

King III corporate governance requirements

- Corporate governance perspective on tribal authorities in terms of stakeholder grouping requirements
- Board policy requirements and relevant programme strategies
- Taking into account of the legitimate interests and expectations of tribal authorities

Land Use Emerging Framework

- Minister of Land Affairs and Rural Development is also the custodian of this new Bill
- Spatial Planning and Land Use Bill, 2011
- GIS decision support key to process
- Spatial mapping process lead to zoning, planning and allocation of land use across the country
- Mining industry interests are protected by certain provisions

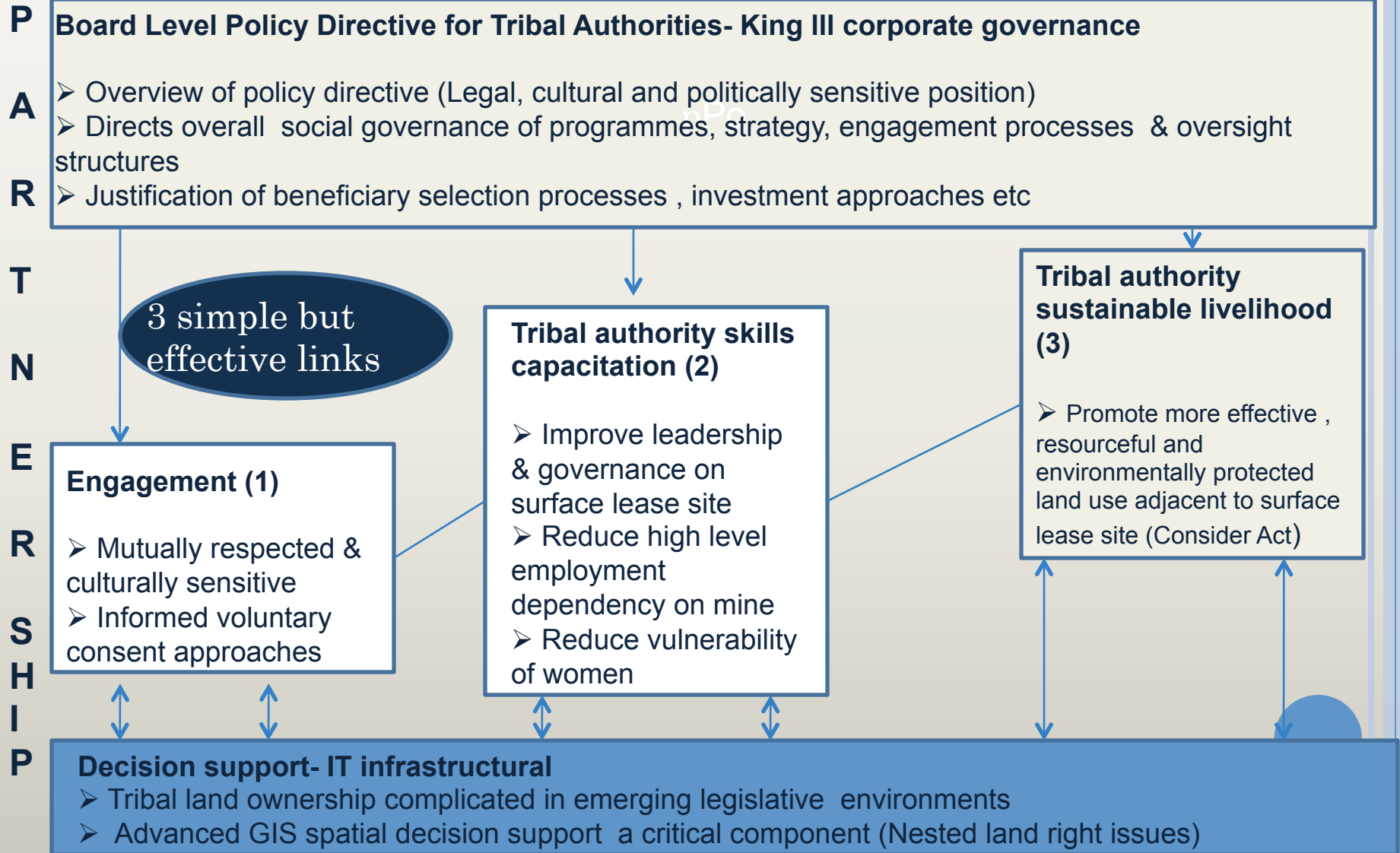
CSR RISK MITIGATION IN AN EMERGING LAND RIGHT LEGISLATIVE FRAMEWORK

- South Africa's land tenure reform issues are not unique. Effective of 1999, land tenure reform remains a complex issue for Africa in general. Typical African mining countries which adopted land tenure reform in recent years : Botswana, Zambia & Tanzania through various legislative processes customized to suit each country's circumstances.
- In an emerging and contended legislative framework tribal communal land right is deemed to be socially vulnerable
- Both minister and mining company will take reasonably minded measures to improve the social protection of the surface lease agreement
- CSR powerful risk mitigation tool to improve social protection of surface lease (We are not glorified signatories to multi-million dollar company CSR funds but rather guide, lead and develop actual partnership programmes of benefit to the host community & government)
- Ultimate aim is to reduce aid dependency and create socio-economic sustainable tribal mining communities adjacent to surface lease site. Platinum mining industry only utilizes a surveyed portion of tribal land for surface lease, adjacent communal land needs to be probably utilized to gain maximum benefit of the land resource
- Move mindset away from hand-outs and vicious dependency cycles



COMPONENTS OF AN ACTUAL PLATINUM SURFACE LEASE MODEL- 26

TRIBAL AUTHORITIES WILL POSSIBLY BE CONSIDERED FOR INCLUSION ACROSS LARGE SCALE OPERATING ENVIRONMENT



CSR RISK MITIGATION EFFORTS

- CSR risk mitigation is not a “knee jerk” reaction to an evolving legislative and governance environment. Programmes must be proactive in thinking approaches, well executed and resourced to gain maximum benefit
- Use foresight and not hindsight in structuring programmes
- Preferred Partnership Models are important to leverage impact of programmes (Government-Mining Company-Host Community) : NGOs do fit in dependent on the programme strategy
- Unfortunately even mining companies with multi-million dollar CSR budgets can not resolve all issues therefore our efforts are focused towards critical focus areas in the context of preferred partnership models



CONCLUDING REMARKS

- CSR issues in emerging markets are without a doubt tough and challenging. There are “no easy quick fix” short term solutions.
- It will take time , effort and resources to drive meaningful impacts. Socio-economic issues run deep in emerging environments therefore it needs to be addressed over longer term programmes. The programmes can not be only solely underpinned by company CSR funds, that in essence will be unsustainable in future.
- Host governments, mining companies and host communities themselves are equally accountable to ensure these efforts remain successful in the long term. A team effort is required.
- CSR programmes are not only risk mitigation tools, but an opportunity for us to seek common ground & work in partnership with each other towards common objectives.

