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The impact of the "Use It or Lose It" principles of the MPRDA on the sustainability of the platinum mining sector in South Africa.

Johannes Scholtz & Pierre Bredell

26 June 2015

Marikana Massacre (2012)

Marikana Massacre (2012)

5-Month Strike (2014)

1.3 Million ounces of Pt.

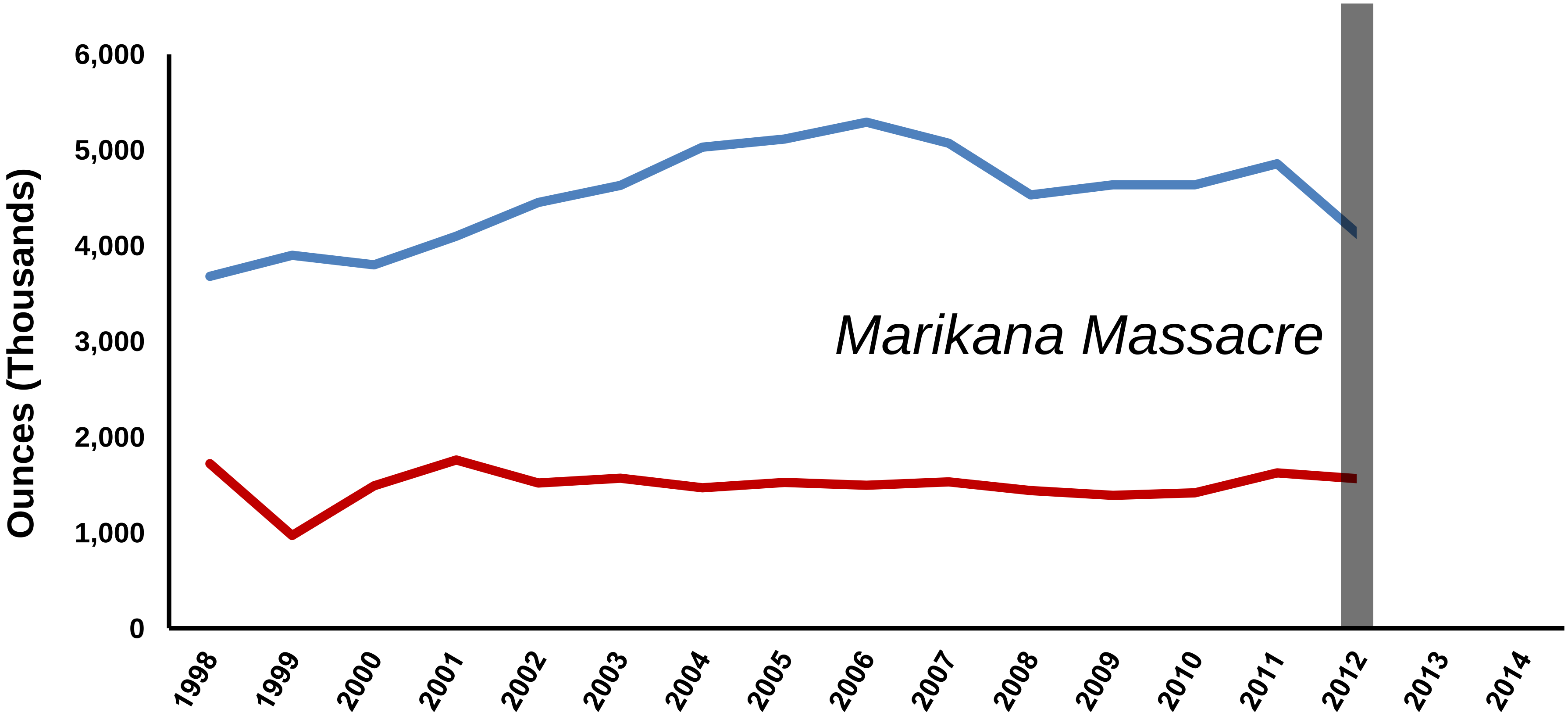
US $1.9 Billion

73% of World Production

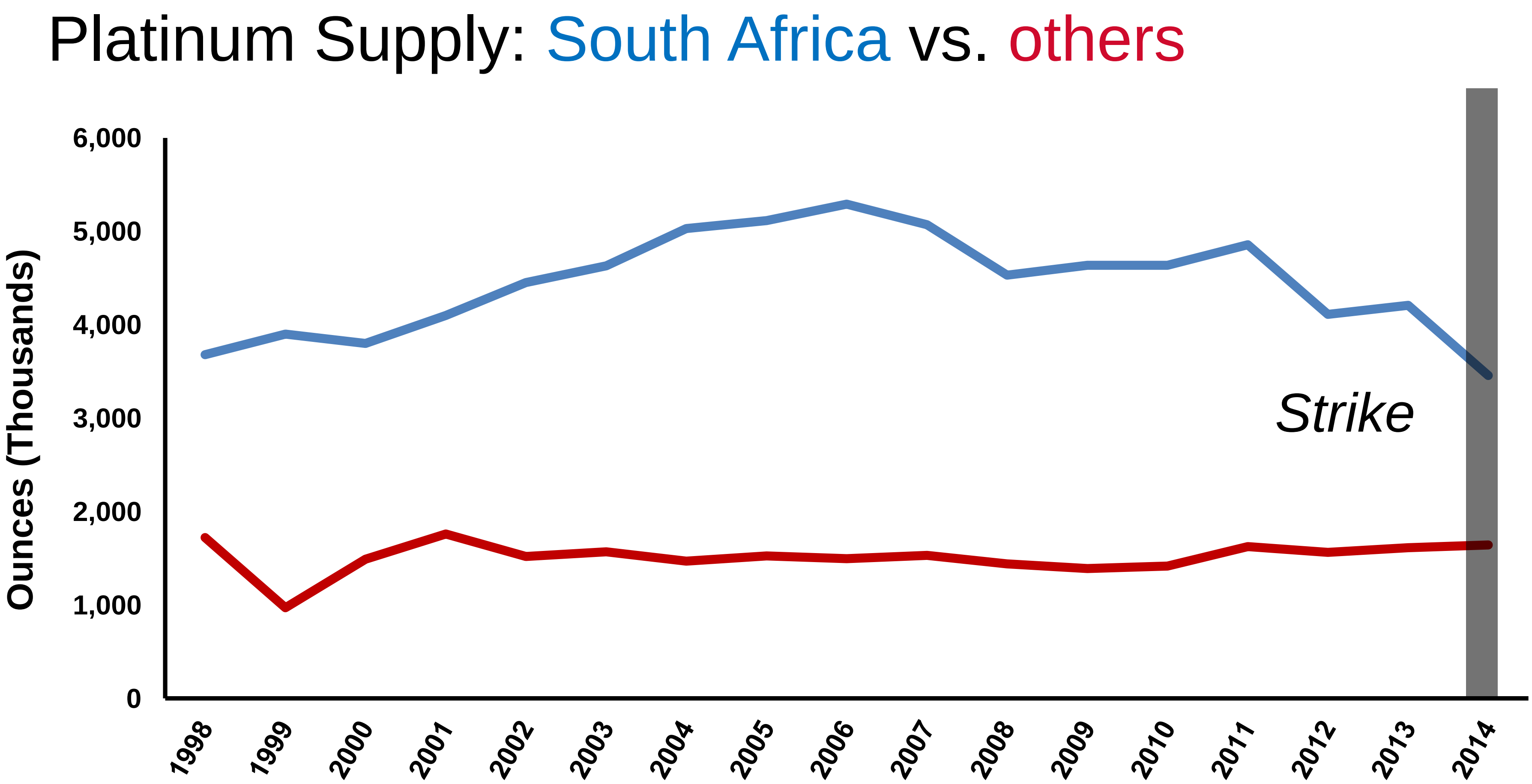
95% of World PGM Reserves

Platinum Supply

Platinum Supply: South Africa vs. others

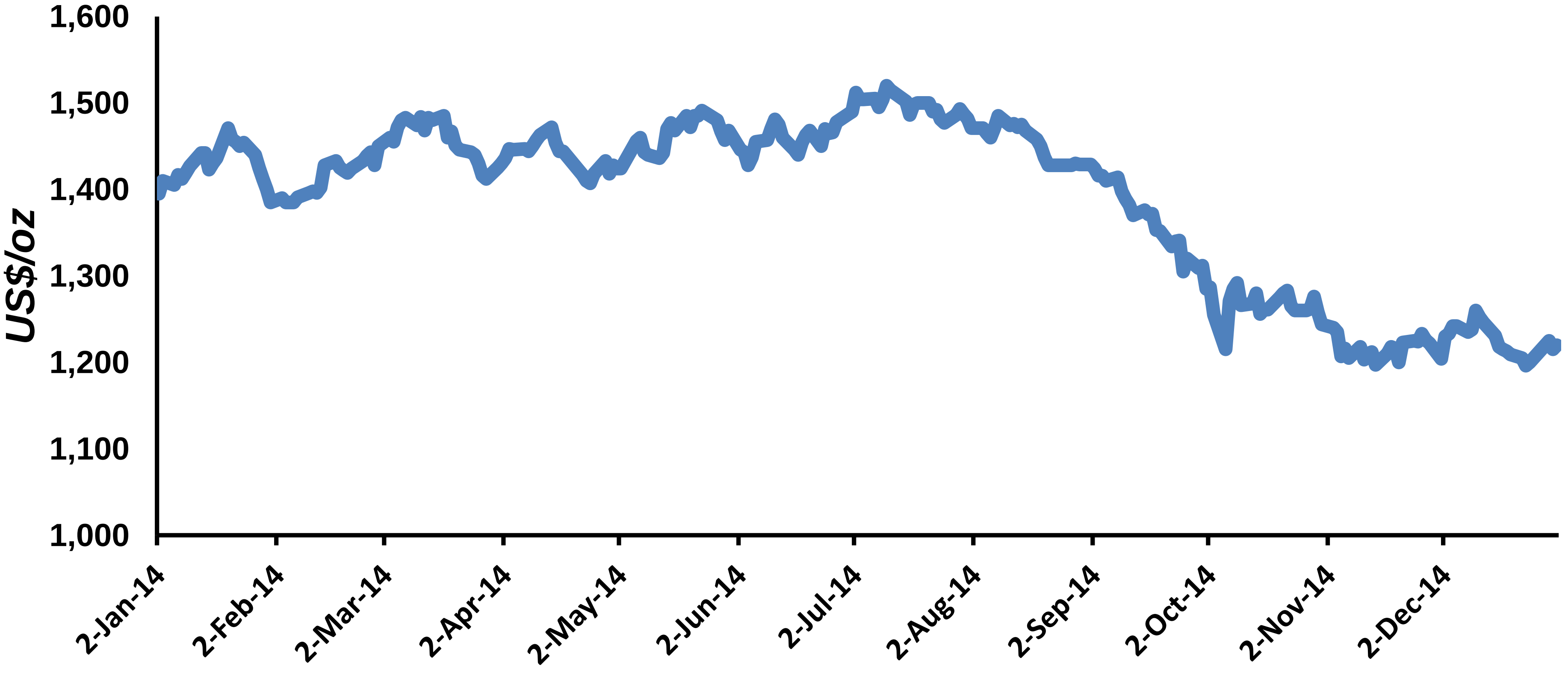


Platinum Supply



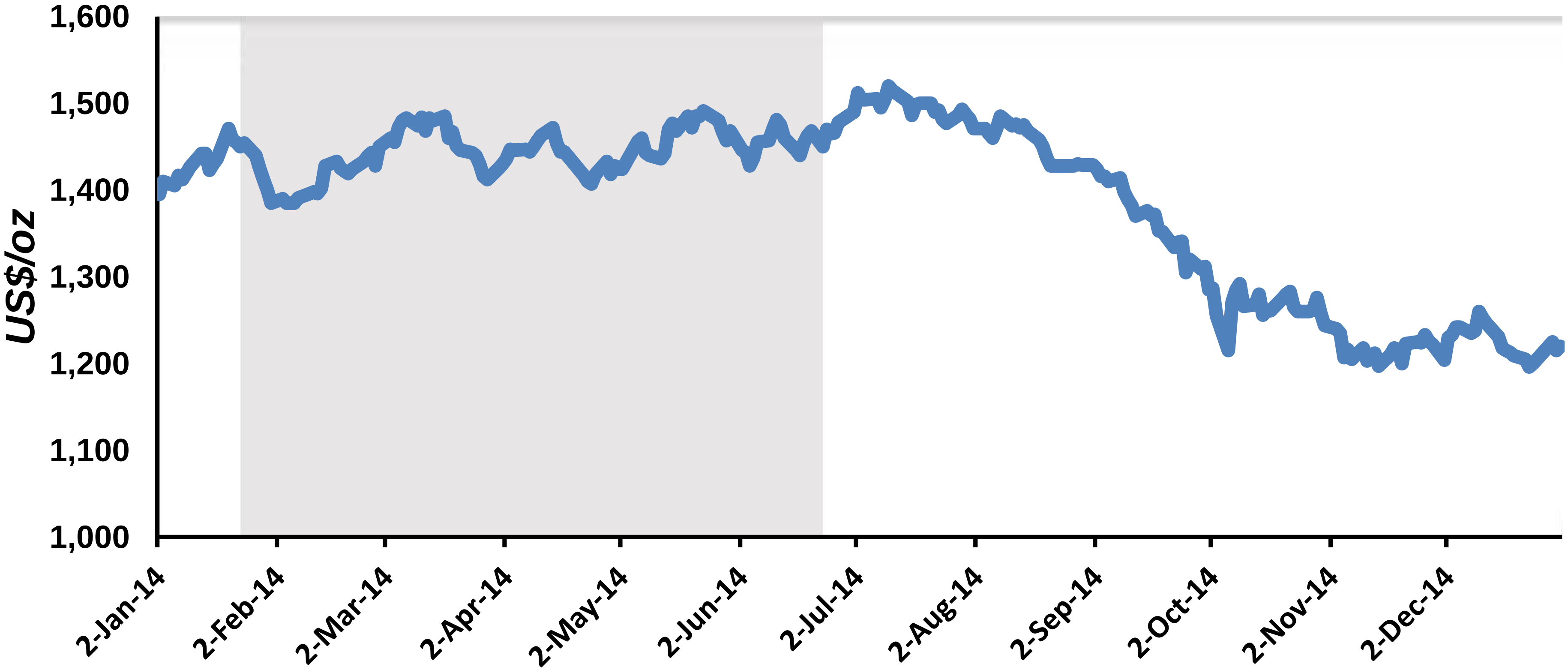
Platinum Price

Platinum price 2014



Platinum Price

Platinum price 2014

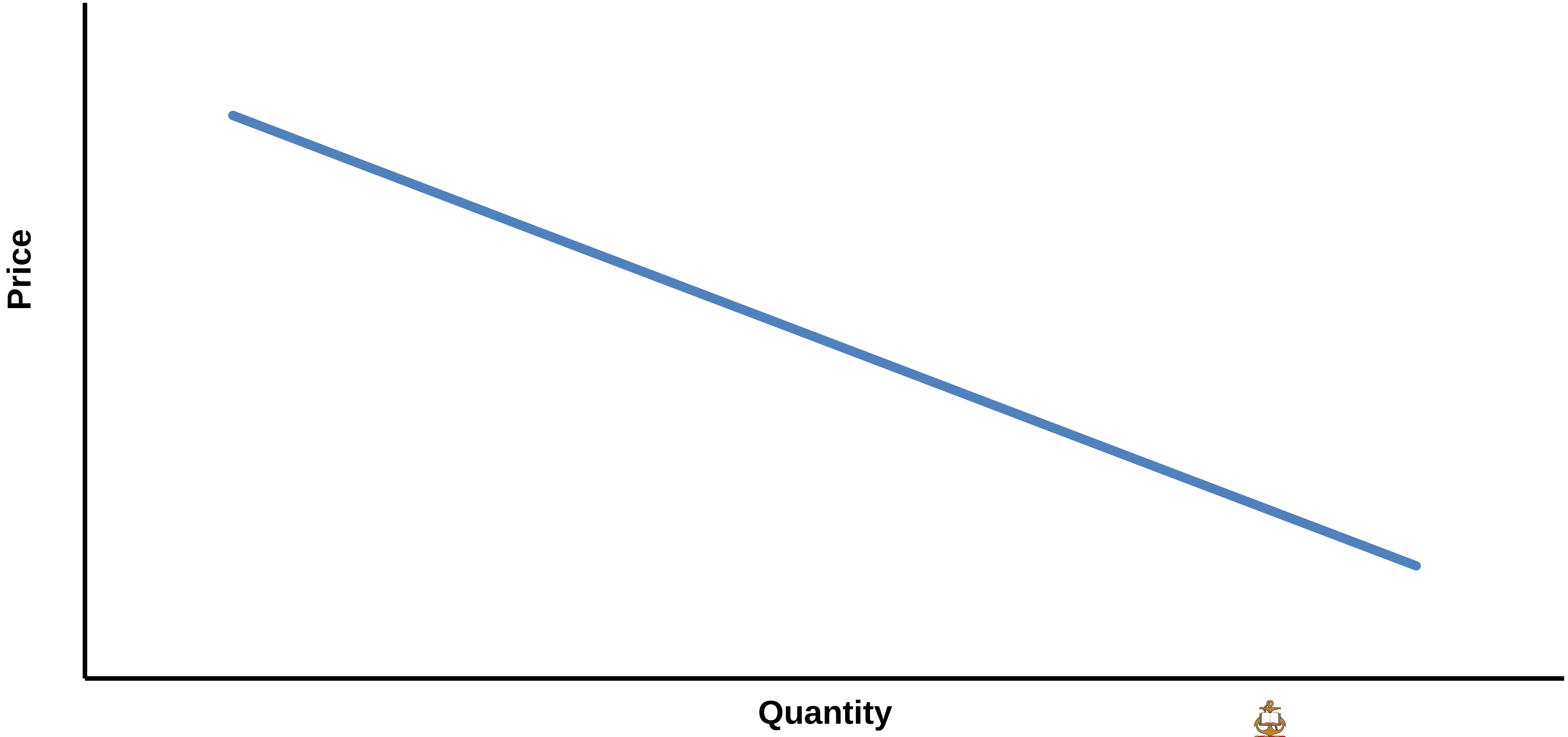


Demand vs. Supply

Demand vs. Supply

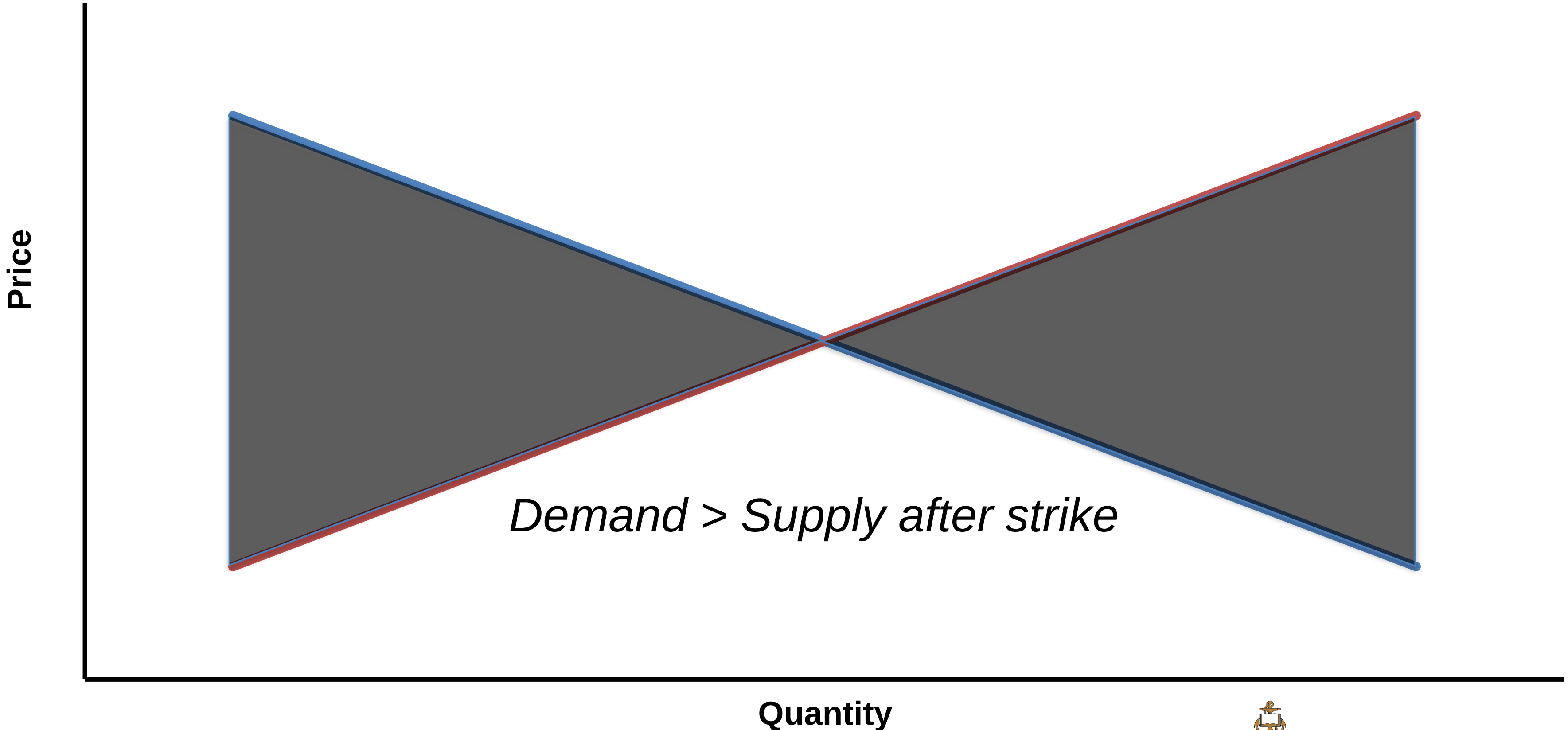
Demand vs. Supply

Demand vs. Supply



Demand vs. Supply

Demand vs. **Supply**



Why is the Platinum price falling?

1994

New Direction

- Transformation
  - Mineral and Petroleum Resources Development Act of 2002 (MPRDA)

- Prospect of losing mineral rights

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Ownership of Mineral rights prior the MPRDA

Common law principles

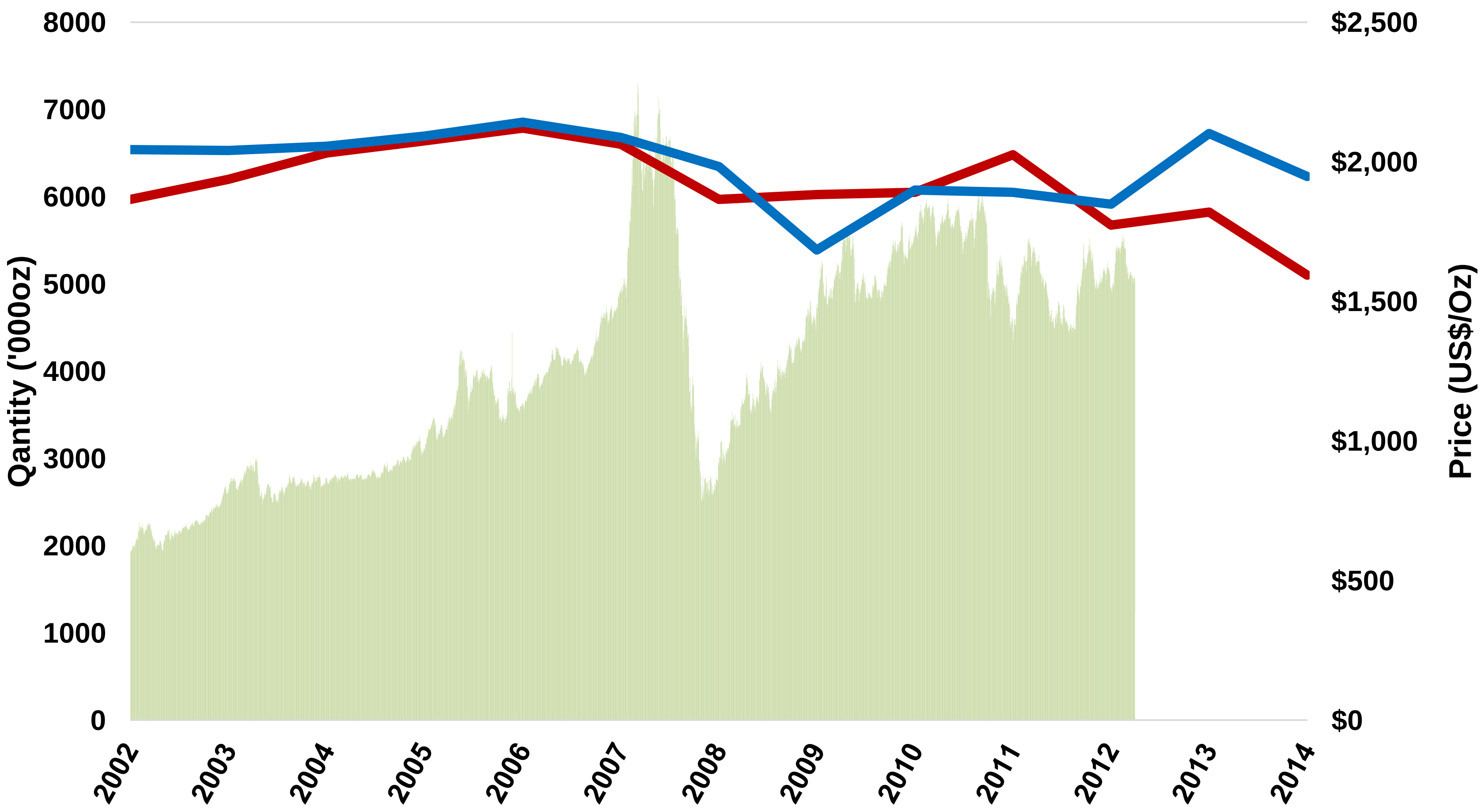
- Owner of land
- Mineral rights
- State owned 1/3 of mineral rights

Ownership of Mineral rights under the MPRDA

Mineral and petroleum resources belong to all South Africans, with the State as custodian thereof.

- State has power over all mineral rights
- Old-order rights
- New-order rights
- “Use it or lose it” policy of MPRDA

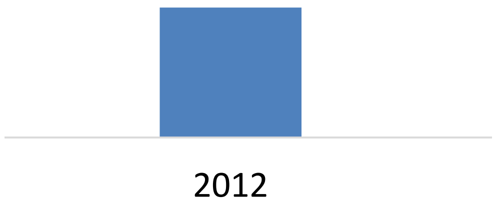
Platinum Supply & Demand



Why is the Platinum price falling?

Above Ground Platinum Stocks

Platinum Stocks



Platinum Stocks

Quantities unpublished & unknown

Platinum Stocks

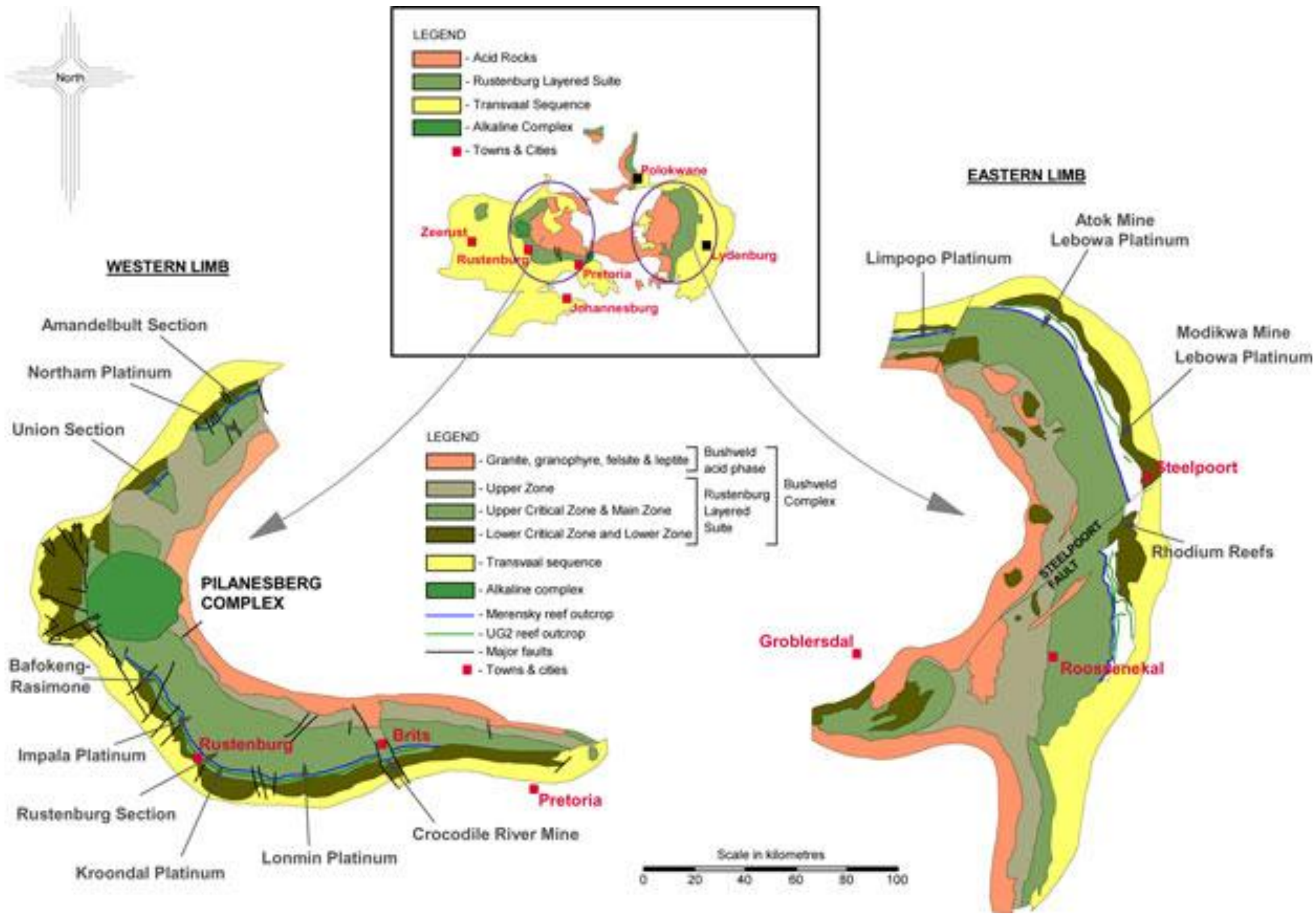
World
Platinum
Investment
Council

- After financial crises
  - 2009 by 635koz
  - 2011 by 430koz

MPRDA Contribution?

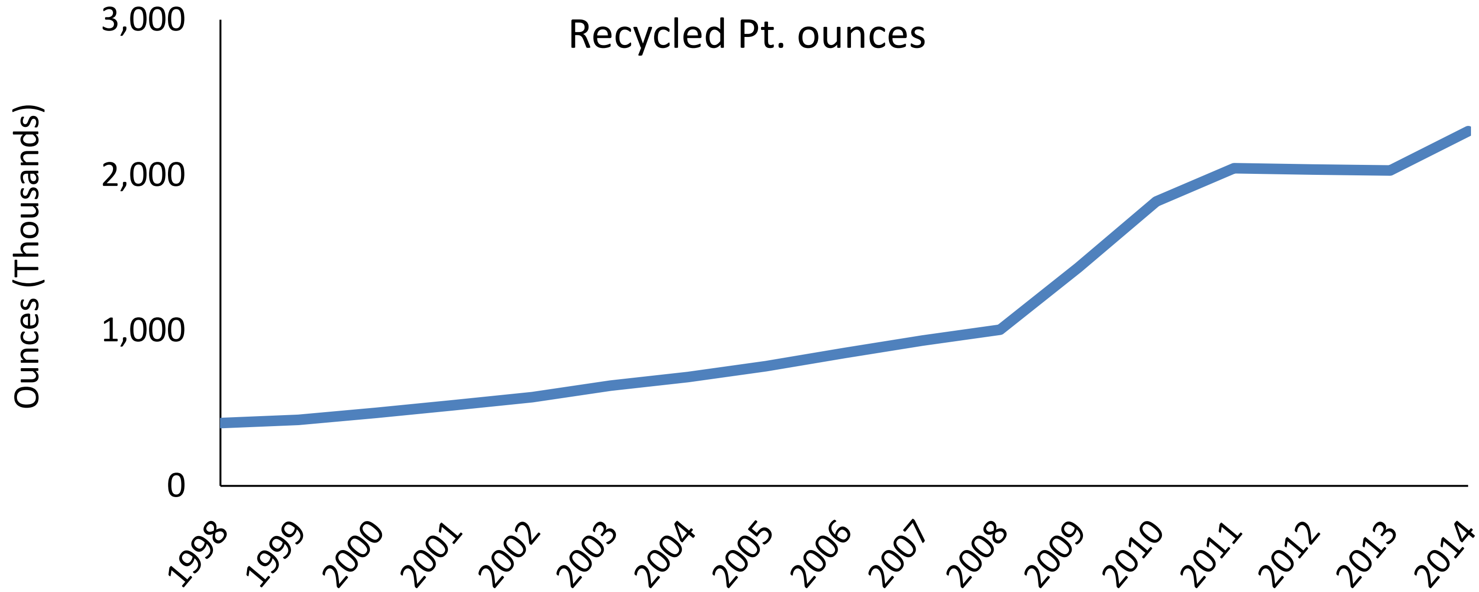
1998 2000 2002 2004 2006

Interviews

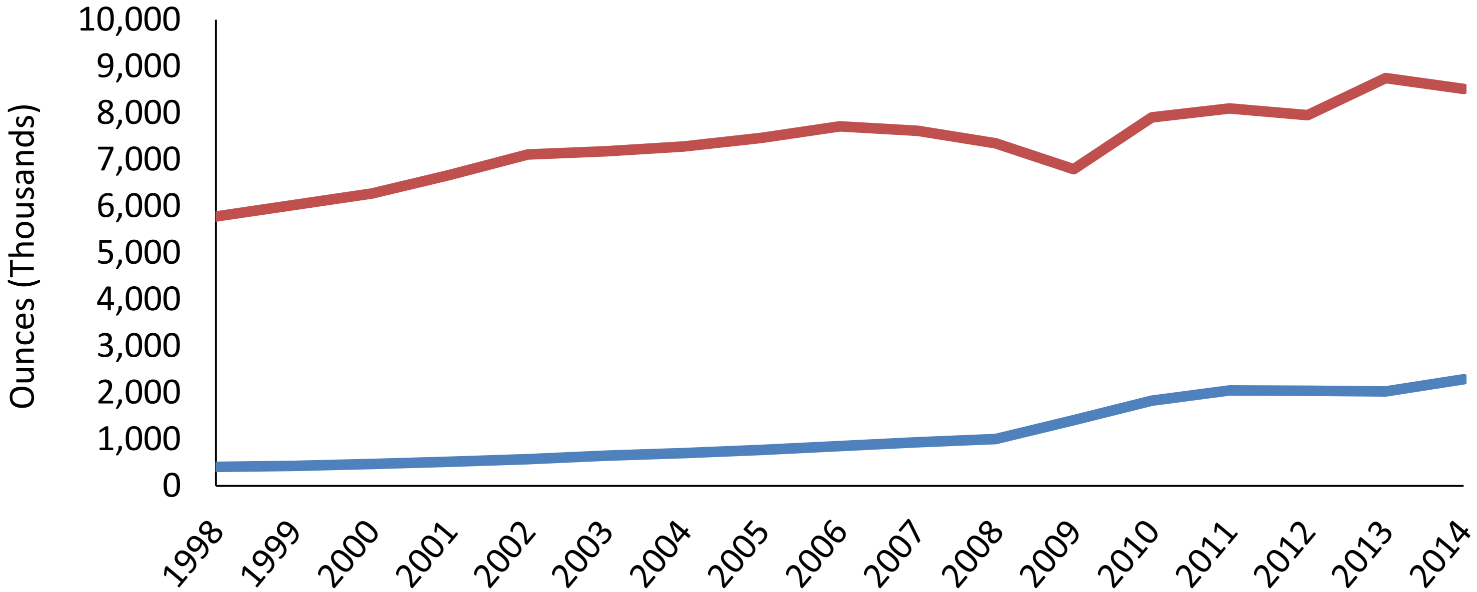


Bushveld Complex +500Mil oz of Pt

Recycling

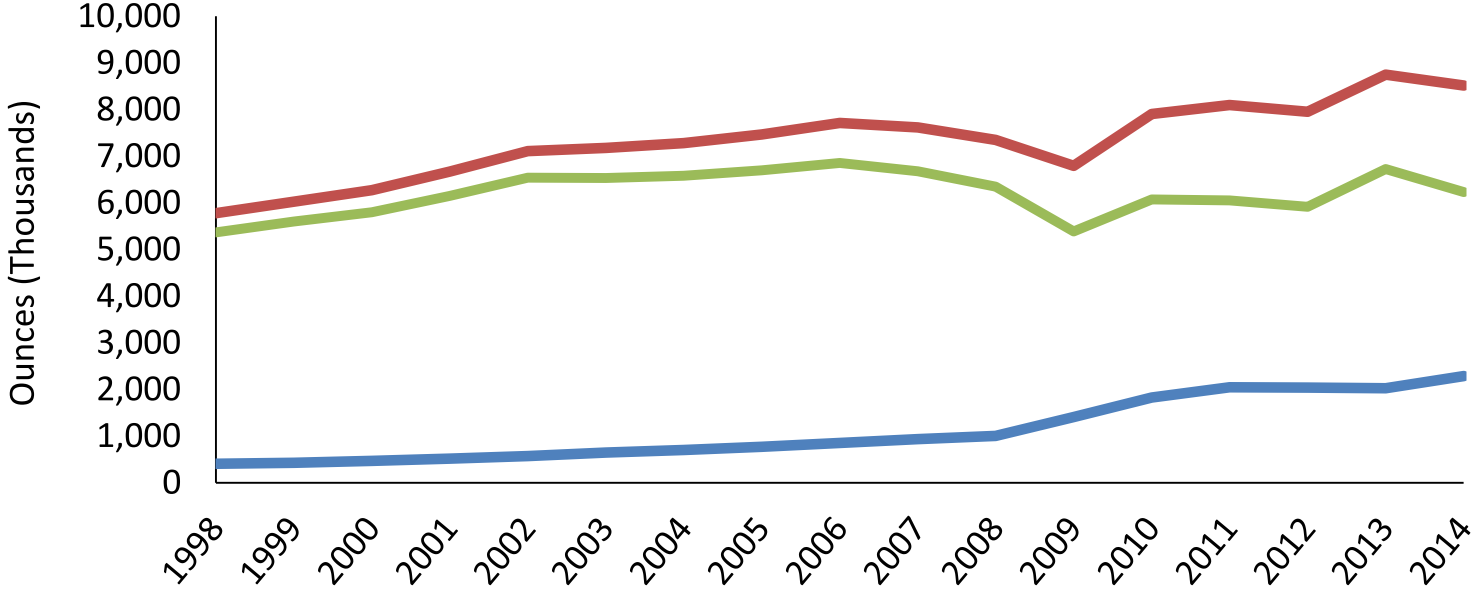

Recycled Pt. ounces
Ounces (Thousands)
3,000
2,000
1,000
0
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014

Recycling



Ounces (Thousands)
10,000
9,000
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014

Recycling



- 2002
  - 8% of demand - 570 000 ounces
- 2014
  - 25% of demand - 2 284 000 ounces

Sustainability of Production

Performance of JSE-listed platinum stocks over 1 year to 17 March 2015

AngloAmerican Platinum Limited

-33.18%

Sustainability of Production

Performance of JSE-listed platinum stocks over 1 year to 17 March 2015

IMPALA PLATINUM

-48.29%

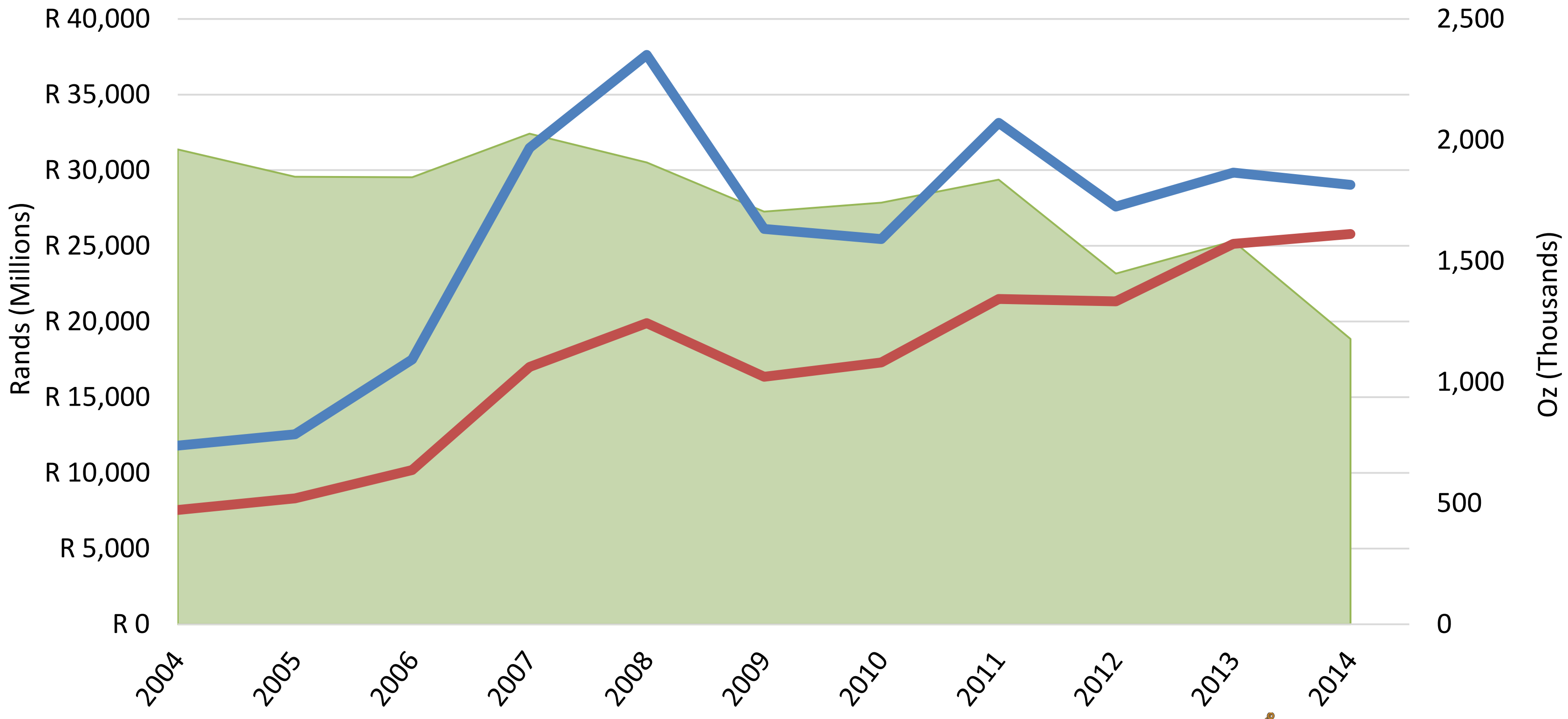
Sustainability of Production

Performance of JSE-listed platinum stocks over 1 year to 17 March 2015

LONMIN

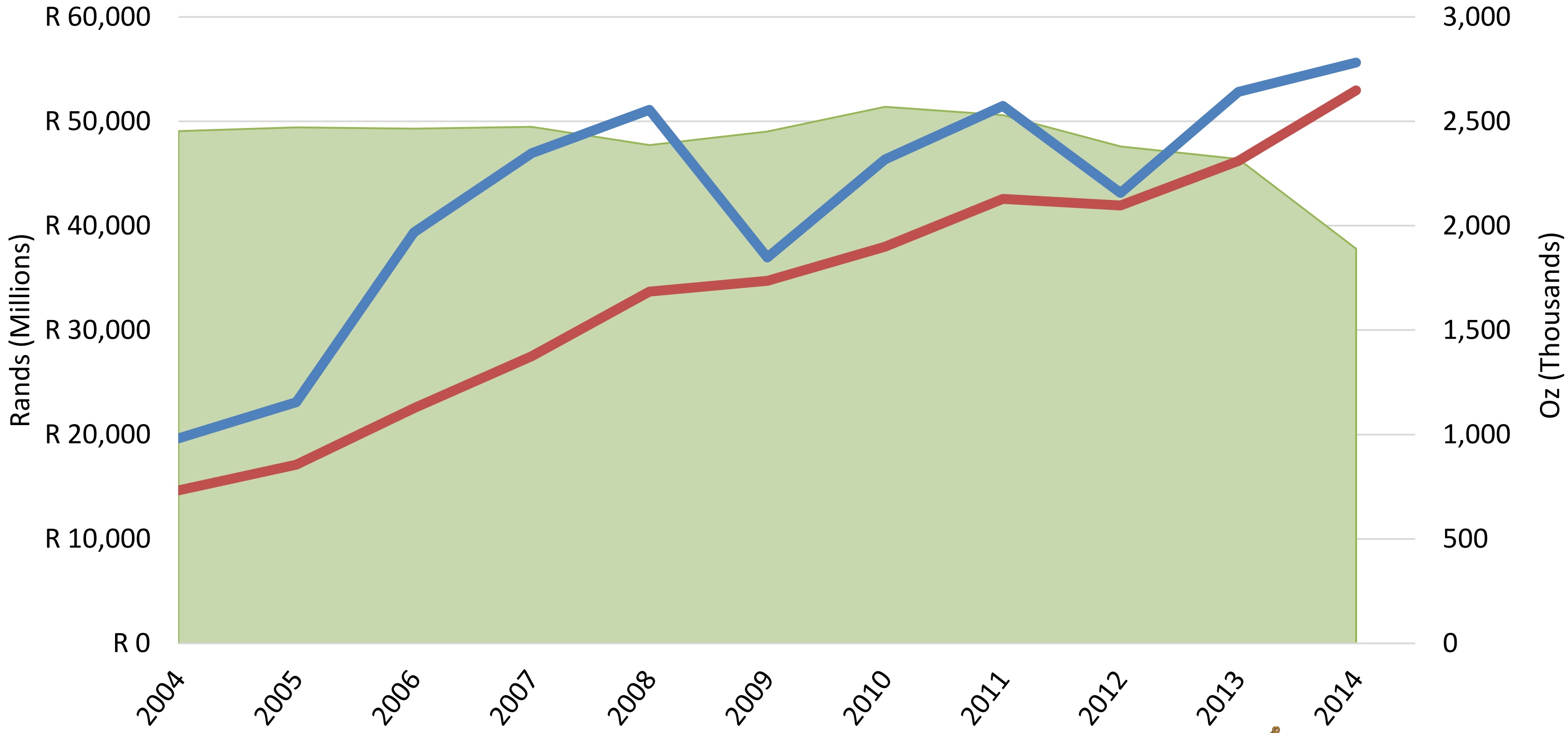
-60.92%

Sustainability of Production



Sustainability of Production

AngloAmerican Platinum Limited



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Sustainability of Production

"Cost of digging platinum out the ground is set in South Africa."

"If the price remains where it is, it will not incentivize new production."

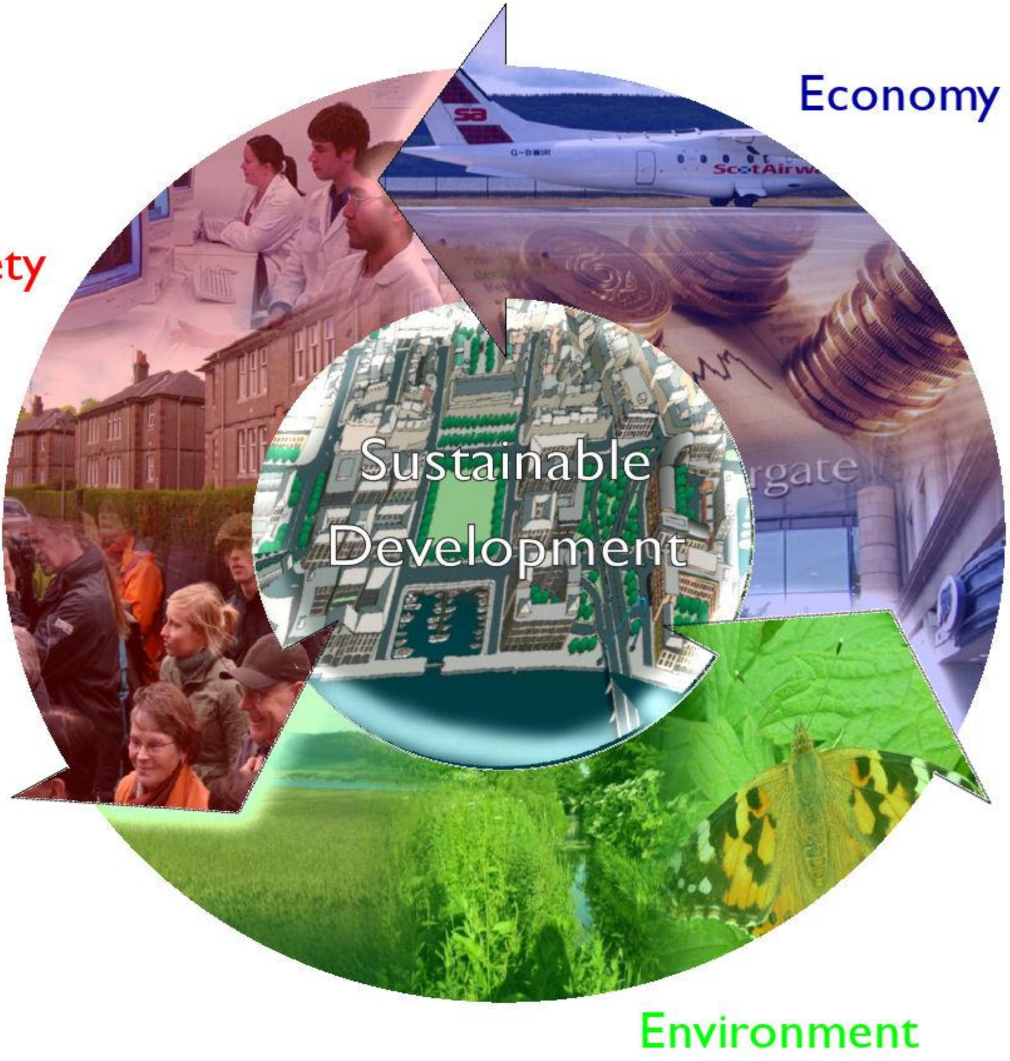
Jan van Niekerk - CEO of Regarding Capital Management

Concluding Remarks

MPRDA Objectives

- *Equitable access to minerals* ✓
- *Expand opportunities for historically disadvantaged* ✓
- *Promote economic growth* ?
- *Development Mineral and petroleum resources*
  - *Orderly and ecologically sustainable* ✓
  - *Promoting social and economic development* ?
- *Promote employment* ?
- *Provide for security of tenure* ?
- *Ensure that holders of mineral rights contribute towards the socio-economic development* ?

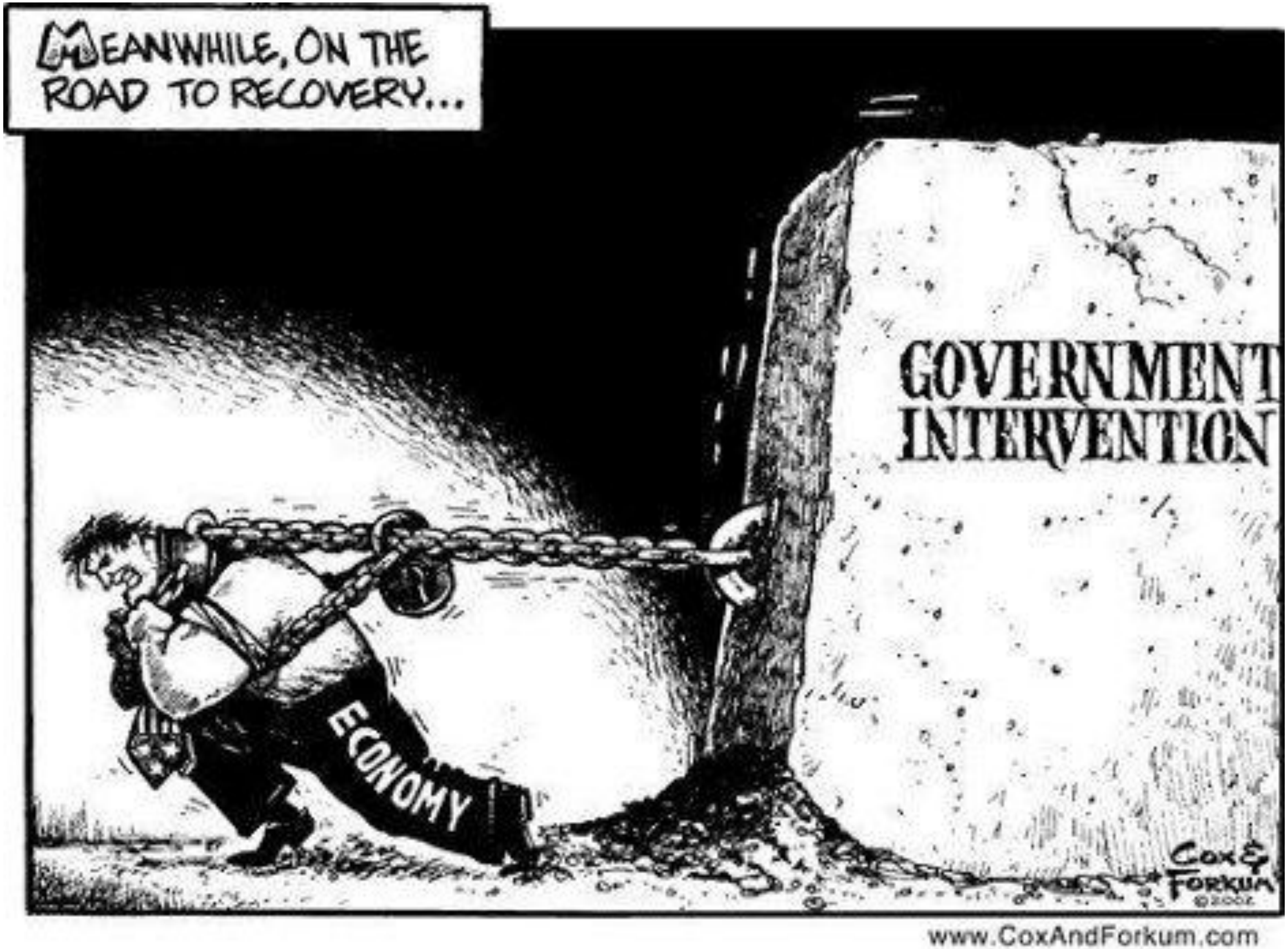

MINE
CLOSED


Economy
Society
Sustainable
Development
Environment


WAY TO
END END
STRIKE
SIGN
Union

Recommendations

- Review and adjust policy
  - Strategic vs. non-strategic minerals
  - Adjust time
- Remove policy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Thank you for your kind attention!