

JUNIOR MINING EXPLORATION FUND: TERMS OF REFERENCE

1. FUND OVERVIEW

Fund Sponsors	The Department of Mineral Resources and Energy and the IDC.
Fund Manager	The IDC will manage the Fund through its Partnership Programs Unit (“PP”) as an Implementing Agent.
Fund Type	Non-Revolving Fund as funds will be disbursed to end beneficiaries as non-repayable, convertible grants. These grants are convertible to Equity or Profit Share upon successful discovery of an ore body.
Equity/Profit Share	No Equity will be taken at investment stage but the investors will receive the option to convert the grant to Equity or Profit Share. The rate of conversion will be determined on a case-by-case basis.
Restrictive condition	The applicant will be required to agree to a provision to prevent the sale of the mining rights after successful exploration.
Fund Size	R400 million <ul style="list-style-type: none"> - R200 from DMRE - R200 million from IDC
Co-investment	IDC and/or a nominee of the DMRE will be provided right of first refusal for any follow-on funding post initial grant investment, including a first right of refusal to fund the feasibility study work together with the Strategic Equity partners if a project has determined a viable reserve.

2. FUND QUALIFYING CRITERIA

All transactions utilising the Fund must meet the following investment criteria:

Applicants to be considered	Junior Miners with a valid prospecting right.
Size of operation	Potential for > 5 years life of mine.
Stage of operation	Greenfields/Brownfields exploration.
Economic merit	Potential viability of the identified mineralisation.
Sustainability	Technical, Financial and Environmental, Social and Governance considerations.
Technical Analysis / Due Diligence	Technical analysis will be conducted by the Council for Geoscience.
Compliance	FICA and other Regulatory requirements to be met.

Geographic spread	Exploration activities in South Africa by South African registered companies
BEE Requirements	Majority black ownership (51% minimum) with meaningful operational involvement.
Type of enterprises	South African Registered companies including start-ups and companies undertaking expansions.
Maximum Investment	Maximum of R45 million.
Minimum Investment	R5 million
Application of Funds	<p>Early-stage discovery exploration activities (detailed activities to be outlined by CGS and agreed between all parties). Example of services that can be considered by the fund:</p> <ol style="list-style-type: none"> a. Drilling and logging b. Rock sample analyses c. Geophysics surveys d. Geochemistry studies e. Geo-Tech assessment f. Geohydrological studies g. Environmental studies h. Other requisite geo expertise that may include data interpretation and consolidation into a Competent Persons Report (CPR).
Funding Instrument	Grant funding convertible into Equity or Profit Share upon discovery of an ore body.
Fees to end Client (grant recipient)	No fee will be charged to end client
Maximum Term	5 years
Products (Minerals)	For this call: Copper-Nickel, Graphite, Lithium and Rare-Earth Elements.

3. INVESTMENT PROCESS

Due Diligence	The due diligence and/or technical analysis will be conducted by Council for Geosciences and/or IDC to determine that a geological model has been developed and is reasonable. Due diligence will include: Evaluation of the targets that have been generated for exploration; Evaluation of the exploration plan and scope of work; and Evaluation of the costs of the exploration program. All other due diligence work and deal structuring will be conducted by the IDC and where deemed necessary the IDC will appoint a technical service provider.
Presentation to the Grant Fund Approval Committee	Submission report to be presented by IDC and CGS to the Grant Fund Approval Committee for consideration and approval.

Legal Agreements	IDC will enter into appropriate legal agreement specifying terms and conditions and milestones to be achieved.
Disbursement of Funds	<p>First disbursement: Upon the grant recipient meeting all the conditions precedent and draw down conditions, funds will be disbursed from the Fund to the investee.</p> <p>Subsequent disbursements: Subject to predetermined milestones having been met.</p>
Financing Instruments and Pricing	<p>The funding will be a grant convertible into Equity or profit share upon discovery of an ore body.</p> <p>Note that IDC will receive right of first refusal to any follow-on funding.</p>
Grant Fund Approval Committee (GFAC)	A Grant Fund Approval Committee (GFAC) will be established through which all applications to the Fund will be presented for final decision and where applicable, the extent and nature of support to be granted, be determined.