

JUNIOR MINING EXPLORATION FUND: TERMS OF REFERENCE

1. FUND OVERVIEW

Fund Sponsors	The Department of Mineral and Petroleum Resources (DMPR) and the Industrial Development Corporation (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 DMPR- R200 million from IDC
Co-investment	IDC and the Council for Geoscience (CGS) 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 registered prospecting or mining right.
Exclusion of Applications Subject to Legal Disputes	Applications that are subject to ongoing legal disputes or litigation including disputes over ownership, prospecting or mining right validity, or community and land access may not be considered for funding. Where a prospecting/mining right is in the process of being transferred, the application can be considered as long as the application for transfer has been submitted in terms of Section 11 of the MPRDA.
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. Applications may be subject to enhanced due diligence and reputational risk assessment at the discretion of the Fund. The Fund reserves the right to request additional disclosures, conduct background checks, and refer such cases to the relevant oversight committees prior to making a funding determination.

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 R50 million.
Minimum Investment	Minimum of R10 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"> Drilling and logging Rock sample analyses Geophysics surveys Geochemistry studies Geo-Tech assessment Geohydrological studies Environmental studies Other requisite geo expertise that may include data interpretation and consolidation into a Competent Persons Report (CPR). <p>Advanced exploration activities (detailed activities to be outlined by CGS and agreed between all parties). Examples include:</p> <ol style="list-style-type: none"> Further Resource Definition Geotechnical Studies Metallurgical Testing Environmental Impact Assessment Permitting and Regulatory Compliance Feasibility Studies
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)	CGS to advise and steering committee to approve
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3. INVESTMENT PROCESS

Due Diligence	The due diligence and/or technical analysis will be conducted by Council for Geoscience 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 the Technical Committee to the Grant Fund Approval Committee for consideration and approval.

Legal Agreements	IDC will enter into appropriate legal agreements specifying terms and conditions and milestones to be achieved.
Disbursement of Funds	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. Subsequent disbursements: Subject to predetermined milestones having been met.
Financing Instruments and Pricing	The funding will be a grant convertible into Equity or profit share upon discovery of an ore body.
Grant Fund Approval Committee (GFAC)	A Grant Fund Approval Committee (GFAC) has been 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.