ABSTRACT

Global exploration expenditure has been on the increase over the last decade. Although the increase bodes well for the exploration sub-industry, exploration budgets are still off the levels experienced during the first decade of this century. Exploration expenditure cycles are like mining cycles and are largely influenced by metals demand, but the increase in exploration expenditure has not been in line with commodity price increases. Exploration and evaluation costs are the first to be cut when prices decline but are not necessarily the first budget allocations to be reinstated. The lack of exploration and new mining development could be detrimental in the future as the pipeline dries up. With ever-increasing demand, resources are being depleted faster than they can be replaced. Many countries are neither exploring the development of new projects nor concentrating on the development of projects for the exploitation of resources that will satisfy the increase in demand in the future. The South African mining industry contributes approximately 8 percent to the country's gross domestic product (GDP) but exploration expenditure, which underpins the industry growth has been on the decline over the past decade. Major mining companies have cut greenfield exploration budgets significantly and are rather concentrating on the sustainability of existing projects and re-assessing projects that require less capital investment. Investment in new projects is also impacted by political, legislative, policy and operational uncertainty. This research seeks to establish if South African exploration expenditure is in line with the global trend and to determine the factors that influence investment in the sub-industry. The research analyses current publications on the sub-industry both from a global and local perspective and analyses the current perceptions of major stakeholders and role-players in the South African exploration sub-industry. The intention is to strategically inform role-players on the outlook for the South African exploration sub-industry and to lend insight

into the reforms required to ensure the sustainability of the mining industry as a whole.