A Conceptual Framework for Understanding the Risk Profile of Junior Miners in the South African Context

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ABSTRACT

For decades, the South African mining industry was characterised by major miners. The existence of junior miners was largely ignored until 1994 when South Africa obtained its democracy. In an effort to redress historic imbalances, the new government formally acknowledged the socio-economic impact of junior miners through the Reconstruction and Development Programme. As part of the commitment to transformation, a study was conducted in 1998 with the objective of providing context on small-scale mining activities. Almost three decades since the attainment of democracy, the structural challenges faced by junior miners in South Africa remain unabated, including the lack of a clear and agreed upon definition of junior mining which this study sought to investigate.

A poor understanding of the junior mining sector has contributed to the peripheral position which has been assigned to it at international, regional and local policy level. This has led to the generalisation of the sector's activities despite the varying complexities of mining projects. This paper reflects critically on previous models that have attempted to distinguish the different levels of junior mining specifically from the perspective of revenue, employment and to a lesser extent, production output. The evidence presented by literature within this regard suggests the current definitions of junior mining lack the acknowledgement and appreciation of mining risks. This is a critical gap given that each mining operation has a unique context which dictates specific risk exposures. It was the aim of this research to bridge this definitional gap by developing a risk-adjusted conceptual framework for understanding the various risk profiles of junior miners in South Africa.

The conceptual framework was tested against data collected from a series of audio recorded semi-structured interviews with 13 mining professionals. The data was transcribed, narrated, and presented as a modified risk-adjusted framework. It was found that the main risk types to be considered when classifying a junior miner were mining asset risk, market risk, corporate risk, legal risk, financial risk, and infrastructure. Notably, the challenges faced by junior miners overlapped with the risks identified and thus formed the basis of the proposed framework. Given the universality of mining risks, this framework can be applied to understand the risk profile of any junior miner in any jurisdiction.

The exploratory investigation concluded that while the junior mining sector is yet to make a mark on the economic agenda, host governments should prioritise regulatory support structures and partnerships aimed at driving the development and growth of the sector given its prominent socio-economic feature as a poverty alleviation strategy.