



LOMBARD

Guarantee

Mining  
Rehabilitation



# Intro

As the market leading Insurance Guarantee provider, Lombard can develop flexible, tailor-made solutions for your mining rehabilitation guarantee requirements.

Whether you are a junior mining company struggling to develop a resource or a major blue-chip miner with a history of sustainable mining, Lombard has a solution to your mine closure and rehabilitation challenge.





# The challenge: providing for premature mine closure

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A significant challenge faced by mining firms today is how to make provision for the mine closure and the associated rehabilitation costs without locking up significant amounts of cash or eating into valuable credit facilities.

## The solution: the Lombard response

The Lombard Mine Rehabilitation Guarantee Product has been developed to assist mining firms overcome this challenge by providing rehabilitation guarantees to the Department of Mineral Resources (DMR) on their behalf.

### It enables mining companies to:

- Comply with current legislation
- Free up expensive credit lines
- Improve their cash flow and working capital to allow for growth and investment opportunities

By utilising mining professionals that understand the business of mining, and who underwrite the quality of the resource asset as well as the financial position of a prospective client, Lombard is able to better understand the risk of premature closure and hence offer a solution to junior miners with good resource assets.



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# Why Lombard

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## Established track record of providing rehabilitation guarantees to the DMR

Lombard has a track record of issuing rehabilitation guarantees to the DMR in all regions of South Africa. This track record has been established over a number of years and is based on our relationship with the DMR.

## Experience providing mining rehabilitation guarantees in different international mining jurisdictions

Lombard, through our international partners, is the only provider of mining rehabilitation guarantees able to offer the solution across different international jurisdictions and has the ability to offer client solutions to clients who operate across both SA and Australasia.

## Ability to understand and cater for the differing requirements of juniors, mid-tier and major clients

The technical focus of the Lombard underwriting allows us to recognise good risks where others may not, while the flexibility of the Lombard product enables us to adapt our product to the needs of our clients. This has allowed us to provide significant capacities to clients ranging from junior pre-development to major blue-chip mining companies.

## Significant capacities backed by highly rated, primarily European re-insurers

Lombard further secures its risk via the conservative utilisation of highly rated international re-insurers. We are backed by some of the world's largest re-insurance companies, all of which are rated A- and above. We are one of the few, if not the only provider of mining rehabilitation guarantees with international re-insurance backing.

## Market positioning

Lombard is a market leader in providing guarantees in a number of markets in South Africa with:

- Excellent capital adequacy cover
- Excellent claims-paying ability
- Excellent salvaging

## Quality underwriting by mining experts

We're backed by a highly skilled, professional team of underwriters specialised in geology, mining, legal and financial expertise.

## Appetite for credit risk

On the back of our stringent underwriting criteria, Lombard has an appetite for premature closure risk. Lombard issues a guarantee for the full mine closure liability on behalf of the client while assisting the client to build up its rehabilitation funding over the life of the mine.

## Flexible structures

Apart from the fact we require that sound risk management principles are followed regarding the structure of the securities, Lombard is flexible in terms of the structure of the collateral security we take cession over.

## Responsive to evolving requirements

Lombard focuses on forming close relationships with our clients that allow us to be responsive to the changing environment within which our clients operate. Depending on the risk rating and the financial and technical standing of the client, Lombard will work with the client to manage the collateral security requirements depending on the structure of the collateral securities and the legislative requirements that apply.

## Competitive pricing

Lombard believes that we provide lower total cost-to-company guarantees than our competitors as a result of our ability to assist the client manage their cash flows and credit facilities.

## Range of products

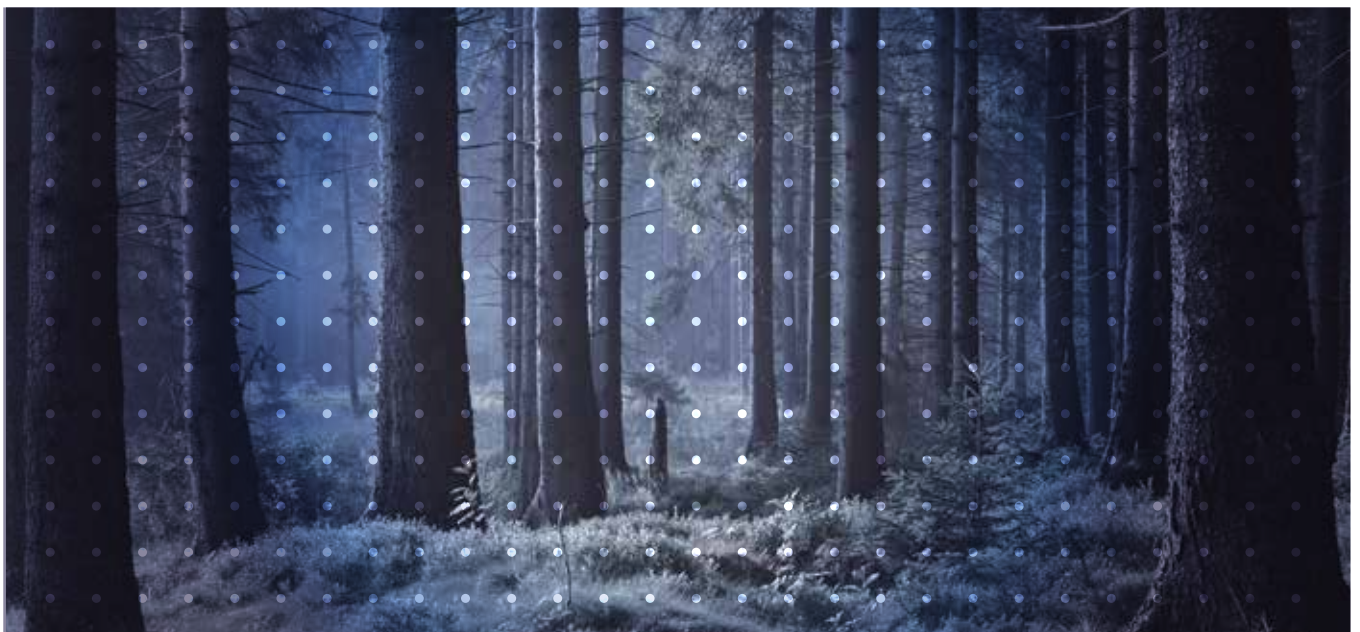
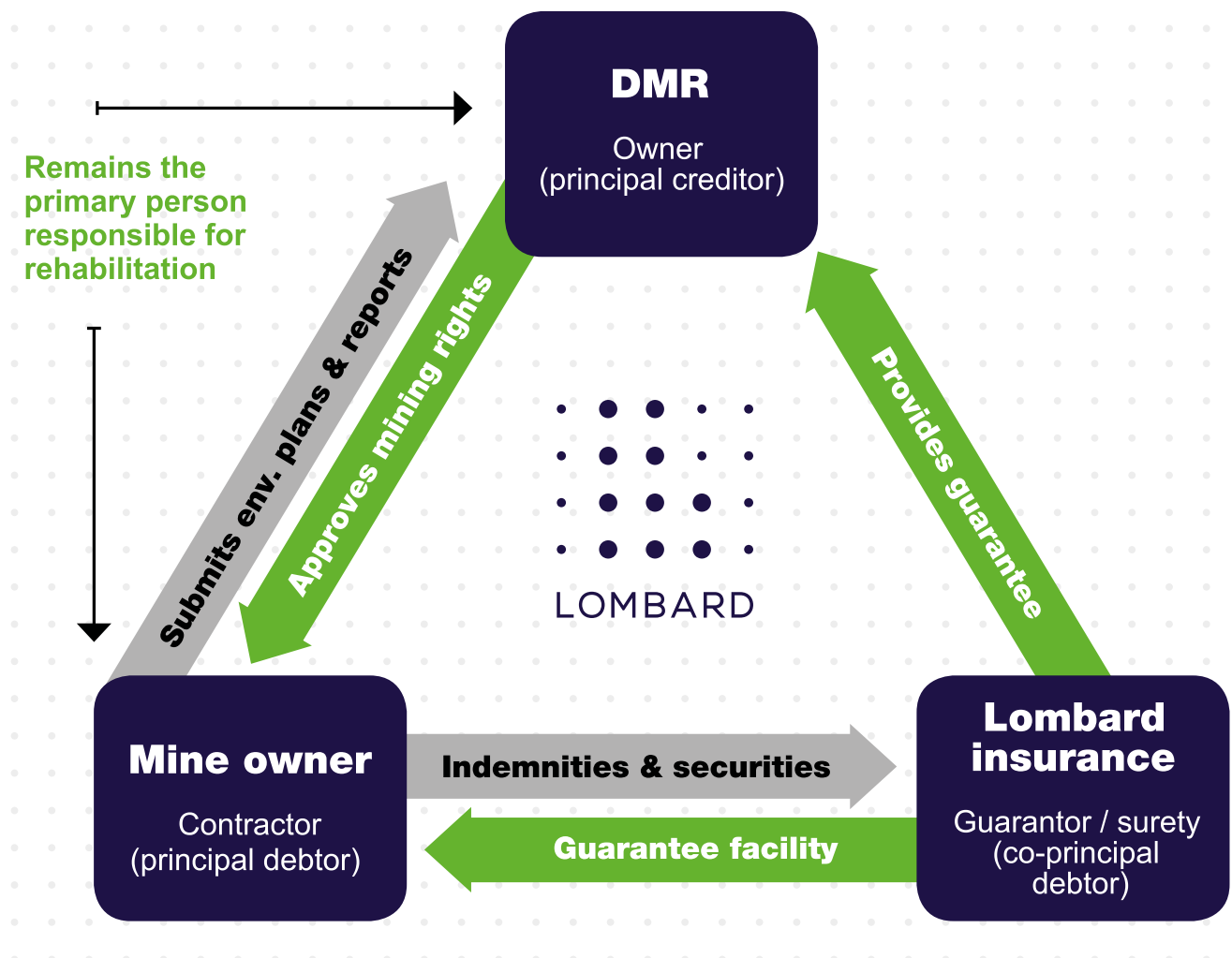
Lombard is in a position to offer a suite of mining products including:

- Mining rehabilitation guarantees
- Fuel guarantees
- Transnet Freight Rail guarantees
- Eskom guarantees





# The principles of a mining rehabilitation guarantee



# Current legislative requirements

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## The National Environment Management Act (Act 107 of 1998) and The Mineral and Petroleum Resource Development Act (Act 28 of 2002) state that:

- Environmental rehabilitation is the responsibility of the mining right or permit holder i.e. the polluter pays; and
- In accordance with the Financial Provisioning Regulations 2015, the polluter must make financial provision for:
  - any environmental rehabilitation that must occur during the life of the mine
  - the remediation or management of any latent or residual environmental impacts which may become known in the future.

In the mining world, where the Life of Mine may stretch for decades, it is often the case that mine closure and the associated rehabilitation is a responsibility to be addressed at some time in the future.

However, current legislation requires that companies need to plan and make financial provision for mine closure and rehabilitation from day one.

In most instances this is potentially onerous from a financial perspective and may affect the economic feasibility of a project. In order to assist companies to comply with legislation in a manner that mitigates the risk of early closure while at the same time allowing the company to optimise its cash management strategy, Lombard has developed a product that:

- Transfers the risk of premature closure from the mining company to Lombard
- Complies with current legislation
- Is readily accepted by the DMR
- Is a cost-efficient alternative to other options
- Provides the mining company with flexibility
- Provides potential access to surplus funds



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