



**samda**

South African Mining Development Association

**SAMDA**

**PRESIDENT'S REPORT 2005**

**SAMDA OFFICES  
2<sup>ND</sup> FLOOR, PARKLANDS CENTRE  
7 & 9 KEYS AVE.  
ROSEBANK**

**Tel: (011) 447-0404**

**Fax: (011) 447-7608**

## **TABLE OF CONTENTS**

1. SAMDA 2004 AGM
2. Royalty Bill
3. Flow-through Shares
4. Taxation Issues
5. Prospecting Permits and Conversions
6. Enhancement of Technical Expertise
7. Richards Bay Coal Terminal and Phase 5
8. Conferences
9. Conclusion

## **SAMDA PRESIDENT’S REPORT 2005**

2004 has been a successful year for the development of the junior mining sector, and SAMDA played a prominent role in creating a sustainable mining economy.

In line with our vision, ‘to be the vehicle for the development of a vibrant and sustainable junior mining sector which contributes towards the growth and prosperity of the mining industry’, SAMDA is committed to creating an enabling environment for our members in promoting access to funding, skills development, environmental management and standards of good practice. SAMDA lobbies government, labour and other institutions continuously on issues effecting members, and works tirelessly to encourage investment, promote beneficiation, build African and global alliances and facilitate the transformation of the mining industry.

### **SAMDA 2004 AGM**

At the 2004 SAMDA AGM, the Minister’s message to members was on transformation issues. The DME’s primary focus was on the implementation of the Minerals and Petroleum Development Bill and associated Charter and Scorecard, as well as the need for mining houses to address the legislative requirements in partnership with the DME in pursuing the creation of a sustainable mining economy.

The chairperson of NUM reiterated the expectations of labour to the producers. His message was that the producers need to commit to implementing the transformed labour policy that focuses on the promotion of the rights of the worker and enhancement of skills.

This meeting also embraced the principles of NEPAD through the participation of members from the chambers of SADC countries, who were present as our guests of honour.

### **ROYALTY BILL**

Our focus as SAMDA has been on addressing the tax burden that is presently suffered by our members, and the potential royalty challenges that would arise through the implementation of royalty on gross revenue, as prescribed by the proposed Bill.

SAMDA held several meetings at the Ministry of Finance with the head of Treasury, Martin Grote, to address these concerns. Attached is a comprehensive document with all the details.

### **FLOW-THROUGH SHARES**

The introduction and creation of flow-through shares in the SA Stock Exchange is vital for our members, and this concept was strongly motivated to the Ministry of Finance. The flow-through shares policy will have a great impact on mining investors

ability to access funding, and hence develop exploration companies and a vibrant junior mining sector.

SAMDA continues to lobby for the implementation of flow-through shares policy and we appreciate the DME’s support in this regard. The attached documentation has been submitted to the Department of Finance and SARS and we hope that our presentations will have meaningful results.

### **TAXATION ISSUES**

SAMDA had successful meetings with the commissioner of tax, to address the taxation impediments in our industry. A workshop will take place between SAMDA and his office this year to address our concerns and possible legislative changes.

It’s important that the taxation laws are reviewed in the light of the transformation requirements, in order for the legislation to contribute to the transformation process in South Africa.

SAMDA has invited the commissioner to speak at our global mining conference on 19 September 2005. We hope that his presentation will provide a message on *“Taxation in a Transformed Mining Economy”*.

### **PROSPECTING PERMITS AND CONVERSIONS**

The Department of Minerals and Energy is presently adjudicating our applications for prospecting permits and conversions. This is critical and SAMDA had a workshop with the DME to address this thorny issue, as a follow-up to the very successful workshop that we had with the DME last year. Other participants at the workshop included the Chamber of Mines, the Foreign Investors Forum and labour. The host was the deputy Director General, Jacinto Rocha, who is in charge of the conversions and applications – and all the DME regional managers and their staff were present.

Our presentations were well received and there is a commitment from the DME to address our concerns. We propose a working committee between the DME and stakeholders to further pursue our discussions. Kindly consult the presentation document relating to this workshop for details.

### **ENHANCEMENT OF TECHNICAL EXPERTISE**

We recognise that the future of our industry lies in the breeding, mentorship and supply of technical expertise, particularly through degreed mining personnel.

Once more, SAMDA has engaged the Ministry of Education as well as Wits University and the University of the North in discussions to address the skills shortages in the mining industry. This has resulted in the University of the North serving as an incubator of first-year students for the Faculty of Mines at Wits University.

Our commitment to skills upliftment encourages us to continue to interact with NUM and we have had various meetings with both NUM and the MQA to address the skills

shortages and Charter compliancy requirements. A stakeholder workshop is being planned with MQA to address the skills problem.

### **RICHARDS BAY COAL TERMINAL AND PHASE 5**

SAMDA’s efforts to liberate the coal industry enabled us to successfully acquire the lease of 4 million tons Richards Bay entitlement for BEE companies and common users. This is historic, as Richards Bay has always been a monopoly of the majors. We continue to fight for entitlement for SAMDA members in Phase 5.

SAMDA is conducting a second research study on the coal industry and RBCT have requested that they be part of this process. This research will seek to address the issue of tonnage guarantees that are required by Spoornet from the producers. The study will also identify new BEE players and common users. In addition, we are looking at the possibility of acquiring shares for junior companies at RBCT, in line with the new legislation and the Marine Charter. All members will be fully briefed on the outcomes of the research and the results of our negotiations with RBCT, Transnet and Phase 5.

SAMDA has also engaged Eskom in discussions pertaining to the participation of junior mining companies in Eskom’s proposed future power generating expansion plans. Members will be kept fully briefed on progress in this regard.

### **CONFERENCES**

SAMDA has participated in various conferences as a spokesperson for the industry, highlighting the shortcomings and motivating change, as well as addressing the sustainability issues.

**SAMDA is hosting a Global Mining Conference on 19 and 20 September at the Sheraton Arabella in Cape Town, and registration for this should be done through the SAMDA offices.** We are offering this conference at a special reduced price and would like to remind members that their conference fees contribute to funding that assists with our administration costs and allows us to continue with our lobbying efforts and assisting our members with the conversion process, access to funding, technical skills, mentorship and promotion.

**Please note that SAMDA head office is handling this conference and Terrapinn are no longer involved in the organising. Kindly register for SAMDA’s conference and deposit registration fees into the following account:**

Absa Bank  
Account holder: SAMDA  
Branch code: 630242  
Account number: 4058583751

**Please inform the SAMDA office of registration and fax or e-mail proof of payment to:** Fax: (011) 395-2085 E-mail: [arkid@worldonline.co.za](mailto:arkid@worldonline.co.za)

**Kindly note that this account, e-mail and fax number are only for conferences and membership fees.**

## **CONCLUSION**

In conclusion, I would like to thank the board for their continued support. Without them, we would not have achieved all our objectives and made the strides we have this past year. Due to a shortage of funds for salaries, board members have also contributed their time to serve as part of the SAMDA Secretariat and head office staff, and I am truly grateful for this.

On behalf of the directors of SAMDA, I would like to thank our members for their valued support and contributions through membership fees, which has enabled us to continue working for the benefit of the junior mining industry. Due to the input of members, we were able to produce professional documents with excellent factual content for the lobbying we did to various stakeholders - without paying high consultancy fees.

I would like to thank our tax consultant, Marius van Blerck, for selflessly donating his time and expertise to SAMDA in our attempts to lobby government on the Royalty Bill and taxation issues.

I would also like to thank Grant Mitchell, SAMDA policy consultant, and the SAMDA office staff.

Our membership has grown and we have also spread our network beyond South Africa by maintaining closer relationships with PDAC in Canada and Diggers and Dealers in Australia.

SAMDA will be represented at the Mining Indaba in February as well as the PDAC conference in Canada.

We wish our members every success in the coming year, and I trust they will give the new chairperson the same high level of support that I have enjoyed throughout my term.