



Nchakha Moloji

Green shoots in mining

The South African Mining Development Association (SAMDA) may be just on a decade old, but already it has become a meaningful presence in the mining industry.

SAMDA was launched officially in 2001 after a group of junior mining companies joined forces to make a submission to the draft Minerals Bill in 2000. Since then it has sought to facilitate the transformation of the ownership profile of the mining industry, and represent the interests of the junior and BEE mining sector, beginning with the creation of key legislation in the transformation period.

Although SAMDA's portfolio has become broader over the years, its functions still involve cornerstone tasks from its early days, such as helping SAMDA members in the process of applying for mining licences, helping them understand the law, apply for funding and engaging government for the successful application of policies. SAMDA continues to act as a lobbying organisation, and its other key activities concern mining policy and creating funding for junior

mining companies. SAMDA is active in conferences and workshops and aims to develop a number of papers on transformation in South Africa.

In July 2009 a new board was elected, which will be in place for the next two years. Nchakha Moloji was elected as the new chairman of SAMDA. "The board has been significantly strengthened with the addition of new members," says Moloji. "These are people who are excited about mining and its future. They bring with them new skills and ideas that will benefit SAMDA and its members."

The new board will have a significant role to play in a number of major issues that face the mining industry. Not least among them, the mining charter is due for review, and the Minerals and Petroleum Royalty Act, which has been discussed, debated and drafted over the past six years – and with which



SAMDA was intimately involved – will come into effect on 1 March 2010.

"The review of the mining charter is a big issue at the moment," says Moloji. "It will have an impact on how SAMDA gains access to resources, and SAMDA has been deeply involved in the debates leading up to the review." So far, he says, the debates have been two-pronged: part backward looking to assess the five-year-old charter, and part forward looking to figure out what to do in the future. "The review needs to take into account how far we have come," says Moloji. "Have we made significant progress in transformation? If our progress has been good, then we can leave things as they are, and the charter can tick along and continue to achieve our objectives. However, if progress has not been good, we may need to reassess it and introduce other measures."

SAMDA has found itself acting as a sought-after mediator in the debates about the charter. The discussions have involved major stakeholders including the Chamber of Mines, organised labour and government, in the form of the Department of Minerals and Resources. "The different parties want to engage SAMDA because they see it as more objective," explains Moloji. "Government and the Chamber of Mines have a long history, whereas SAMDA is new. It is defined by its times and context, and simply has less historical baggage."

Also high on the policy agenda have been the debates about housing standards for mine employees. The codes of good practice for the mining industry, which were gazetted last year, have stimulated debate among stakeholders about upgrading and converting the housing to acceptable accommodation, providing healthcare, and generally setting industry standards.

At the same time, SAMDA has been pursuing its other key function. "SAMDA has been considering a number of initiatives for creatively funding junior mining companies in South Africa," says Moloji.

For the past two years, SAMDA has been lobbying for the creation of a dedicated resource fund for junior mining companies funded by, possibly, among others, royalties that mining firms will pay under the

Royalty Bill, which will be implemented in March 2010. "SAMDA believes the industry needs a dedicated fund championing mining," says Moloji. "It would be similar to the Land Bank, which is resourced and managed by people who understand farming." He believes that having mining experts involved in funding in this way would be most effective.

Other initiatives have proved effective, but not all are big enough, or dedicated exclusively to mining. He points out that the Industrial Development Corporation (IDC) and Development Bank of South Africa (DBSA) already fund mining projects, but that their portfolio is broad. Junior Mining companies need something more specific.

SAMDA has had a measure of success with venture capital funds, which have proved to be an effective way of financing small companies around the world. The New Africa Mining Fund (NAMF) was established in 2003, with approximately R564 million of capital, focussing on venture capital



Continued on page 22



Continued from page 20

for exploration, which is always a challenge for junior companies. NAMF's investors include private entities such as Absa, Harmony, BHP Billiton, Sanlam and Goldfields. "It has funded some successful junior resources, such as Petmin and Jubilee Platinum, among others," says Moloi. As of 28 February 2009 NAMF was closed for new investments, but fundraising has begun for a follow-on fund, NAMF II. He emphasises that the proposed resource fund would be something quite different, and on a much larger scale.

"SAMDA sees itself as the vibrant new kid on the block, contributing meaningfully to the future of mining"

SAMDA also had some success with their lobby for flow-through shares, similar to the concept as it exists on the Canadian stock exchange. He explains, "There, tax payers could buy risk funds in junior companies, and would be liable to a tax rebate from the treasury. Although flow-through shares were not taken up in South Africa in the form we proposed, the Minister of Finance introduced an amendment to the act to allow a tax write-off for junior companies."

Government introduced new legislation that offers a 50% payback on investments in junior mining exploration companies, which aims to boost the exploration sector. The decision not to introduce them wholesale was understandable, because flow-through shares require a sophisticated administrative system, from both government and the stock exchange. At the moment, there exists potential for abuse.

In general, Moloi remains optimistic about the future of mining and junior mining especially in South Africa. Although areas of mining were hard hit over the past year or two, especially by low commodity prices, he believes even junior companies have been fairly sheltered from the worst

of the crisis. "Although there has been no in-depth study to date," he says, "it seems companies were affected differently depending on the commodities they were involved in. For example, platinum was affected in a big way by a combination of the credit crunch and its price decreasing. Coal, however, was relatively unscathed because of the continued demand from Eskom. Infrastructural minerals, such as sand concrete and stone, were also still in demand because of the demand for new roads, the Gautrain, football stadia, and so on. These developments are ongoing, so this part of the industry was not affected as badly as precious metals and stones."

Moloi concedes, "The majority of projects continued, but perhaps at a slower pace than they would have otherwise." As commentators predict "green shoots" in the economy, SAMDA's role is sure to become even more important. "SAMDA sees itself as the vibrant new kid of the block, contributing meaningfully to the future of mining," says Moloi. ●

Profile: Nchakha Moloi

Nchakha Moloi started his career in research at the Wits University Geology Department and Anglo American Research Laboratories. He then joined De Beers in diamond exploration followed by an appointment as mine geologist/engineering geology at RTZ's Palabora Mine. He left to join the Wits Economics Department/ANC Department of Economic Planning to start his work in minerals and energy policy research and development. Following employment as a business analyst at the Industrial Development Corporation, Moloi joined the Department of Minerals and Energy where he played a key role in the development of South African mining sector reforms and the implementation mechanisms thereof. He is an experienced leader having been the CEO of the National Nuclear Regular and the National Empowerment fund. He also led and served as the chairman of Alexkor and Mintek, as well as director of a number of companies. He is currently the executive chairman and shareholder in Motjoli Resources, a junior resources company that has established a significant footprint in the South African Mining Landscape.