

## CHAMBER OF MINES MEDIA STATEMENT ON THE RELEASE OF THE THIRD DRAFT OF THE MINERAL AND PETROLEUM RESOURCES ROYALTY BILL

The Chamber of Mines welcomes the release by National Treasury of the third draft of the Mineral and Petroleum Resources Royalty Bill. Following a substantive four year period of consultations between the mining industry, royalty experts and Treasury, including intensive discussions over the past year, the latest version of the bill goes some way towards creating a royalty regime characterised by stability, certainty and competitiveness. It is these characteristics that are vital to enabling the mining sector to plan investment and growth over the long term.

In particular, the proposed formula system captures the realities faced by the industry. These realities include the uncertain nature of commodity cycles, the need for relief during start-up and marginal periods and managing cost pressures.

Secondly, the draft Bill changes the base against which the royalty formula will be applied. Instead of gross revenue a more “net base” system is proposed. Treasury has recognised that the royalty should not be charged on the extra value adding activities of the mining companies but rather on the value of the mineral as close to the extraction value as possible. This will ensure that mining companies are not penalised for adding value in the areas of smelting, refining, sorting and so on.

Other areas of progress include the strengthening of the fiscal stability provisions with the option for companies to enter into a binding agreement with Treasury and tax relief for small scale miners. Small miners, with a maximum turnover of R10 million per annum, will be entitled to receive a credit of R100 000 per annum as an offset against the royalty payable.

While further detailed analysis is required the one major outstanding issue is that the third draft Royalty Bill does not tackle the problematic area of double royalties. The combined effect of the Mineral and Petroleum Resources Development Act and the Royalty Bill is that those mining companies obliged to pay royalties to communities will remain liable to do so despite having additional royalties to pay in compliance with the proposed new royalties legislation. The Chamber will be taking this issue up with DME and Treasury.

In conclusion, the Chamber in conjunction with member company experts will be doing further detailed analysis of the third draft Bill with the aim of submitting comments to treasury by the 29 February 2008 deadline.

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