INTRODUCTION: MINING & WATER

"Once a mine is in operation, water protection must remain the highest goal of the company, even if it means reduced mineral productivity. Adopting this common-sense ethic is the only way we can ensure that the golden dreams of mining do not turn into the nightmare of poisoned streams." – Carlos De Rosa & James Lyon, *Golden Dreams, Poisoned Streams*. Mineral Policy Center, Washington DC, 1997).

The Chamber of Mines of South Africa recognises that water is scarce and yet vital, as it makes life possible for plants, animals and humans. Given that mining practices impact on the environment, the Chamber encourages its members to minimise the harm caused and to ensure sustainability by improving its mining practices.

The Chamber supports all treatment and purification efforts to alleviate the impact of pollution on this precious element that connects all living beings.

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CHAMBER MEMBERS

FINANCIAL CORPORATIONS

ANGLO AMERICAN CORPORATION PLC.
RIO TINTO

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MVELAPHANDA RESOURCES
RICHARDS BAY MINERALS
VAMETCO MINERAL CORPORATION (PTY) LIMITED

CHROME MINING

SAMANCOR CHROME

COAL MINING

ANGLO OPERATIONS LIMITED, ANGLO COAL DIVISION
BHP BILLITON ENERGY COAL SOUTH AFRICA LIMITED
COAL OF AFRICA
EXXARO RESOURCES LIMITED
KANGRA GROUP (PTY) LIMITED
KUYASA MINING (PTY) LIMITED
OPTIMUM COAL
SASOL MINING (PTY) LIMITED
SIYANDA COAL (PTY) LIMITED (T/A KOORNFONTEIN MINES)
TOTAL COAL SOUTH AFRICA
TWEEWATERS FUEL (PTY) LIMITED
UMCEBO MINING (PTY) LIMITED
XSTRATA COAL SOUTH AFRICA

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MURRAY AND ROBERTS (CEMENTATION) (PTY) LIMITED
DEILMANN-HANIEL GMBH
SHAFT SINKERS (PTY) LIMITED

DIAMOND MINING

DE BEERS CONSOLIDATED MINES LIMITED
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GOLD FIELDS LIMITED
HARMONY GOLD MINING COMPANY LIMITED
JCI GOLD
RANDGOLD AND EXPLORATION LIMITED
RAND URANIUM

IRON ORE MINING

KUMBA IRON ORE LIMITED

MANGANESE

BHP BILLITON (SA) LIMITED
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IMPALA PLATINUM LIMITED
LONMIN PLATINUM LIMITED
NORTHAM PLATINUM
ROYAL BAFOKENG PLATINUM
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OTHER MEMBERS

AFRICAN RAINBOW MINERALS (GOLD) LIMITED
CONSOLIDATED MAIN REEF
COROBRICK (PTY) LIMITED

ASSOCIATIONS

AGGREGATE AND SAND PRODUCERS ASSOCIATION OF SOUTH AFRICA
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SOUTH AFRICAN MINING CONTRACTORS ASSOCIATION
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CHIEF EXECUTIVE'S REVIEW

Bheki Sibiya, Chief Executive

I joined the Chamber of Mines of South Africa as chief executive designate in the second half of 2010 and assumed the responsibilities of chief executive at the beginning of 2011. Taking the baton from a highly respected leader who, during his tenure at the Chamber, inspired confidence, respect and support among his staff and stakeholders, meant that I inherited exceptional levels of efficiency and competence that had to be matched and maintained. The former chief executive, Mzolisi Diliza, built, encouraged and led a strong team that shared his transformation vision for the industry. His positive contribution to the mining industry cannot be underestimated. He set the bar high, building the Chamber into a centre of excellence and leading it with distinction. For this we are indebted to him.

During the year under review, the industry has also bid farewell to the former director-general of the Department of Mineral Resources, Advocate Sandile Nogxina. His influence on the mining industry was also immense. As correctly stated by Mr Diliza in his tribute to Adv. Nogxina at the farewell function, hosted for him by the Chamber: "His contribution in the legislative and regulatory domain has been largely responsible for the creation of the existing favourable landscape in which the South African mining industry conducts its business". Sandile Nogxina served the mining industry with passion for more than 10 years. Fortunately, the industry has not lost him entirely as he continues to provide special advisory services to the minister of mineral resources Susan Shabangu.

My experience in this first year at the Chamber has been humbling and challenging. The recent developments that created uncertainty in the South African mining industry's operating environment have presented no opportunity to relax. This sector, which accounts for over seven per cent of the country's gross domestic product (GDP), provides employment to close to 500 000 workers and has mineral resources estimated at US$2.5-trillion – the largest in the world – is facing economic and other challenges that are likely to impede its growth if not managed properly.

The latest report (2009/10) by the Fraser Institute indicates that South Africa slipped in the rankings to 67 out of 79 mining jurisdictions assessed. This is a drop of six places compared to 61 out of 72 in the 2008/2009 survey. In response to the challenges and the changes in the sector, the Chamber held a two-day Executive Council strategic planning session in June 2011. The event, which was addressed by South Africa's deputy president Kgalema Motlanthe sought to identify a new strategic direction for the Chamber. Suggestions were received in the form of presentations from union leadership, economic analysts and academics. The core message that reverberated through these inputs was that the mining sector had to acknowledge the need for a new approach. In accomplishing this it was agreed that it was paramount that the industry work closely with government to address the challenges brought about by the so-called "evil triplets" of poverty, inequality and unemployment. The industry must recognise its responsibility and work towards changing the social landscape by putting South Africa first and contributing to the elimination of poverty, creating growth and providing employment.

The strategy session resolved that to address the country's crippling social ills, the mining industry had to grow. Growth means an improvement in performance that will, in turn, generate additional revenue to help overcome some of South Africa's social inequities. Currently, the sector continues to underperform compared to other top mining economies, which raises justifiable concerns about acceptable levels of sustainability in the future. However, some of the constraints to growth, which contributed to the low ranking by the Fraser Institute, such as poor infrastructure, an uncertain regulatory framework and skills shortages, had already been identified in the Chamber project that focused on a Strategy for the Sustainable Growth and Meaningful Transformation of South Africa's Mining Industry. These constraints were comprehensively considered in the Mining Industry Growth, Development and Employment Task Team (MIGDETT), which was established in 2008 by mining industry stakeholders to respond to the global financial crisis and adopt measures aimed at ensuring that the industry was properly positioned to take full advantage of the next commodities boom.

In March 2011, the leadership of business and labour of the South African mining industry accompanied the minister of mineral resources Susan Shabangu on an

"The co-operative commitments that have been so evident across the full range of challenges that currently confront the mining sector need to be energetically sustained so that the industry is able to continue to enhance the meaningful role that it plays in the development and upliftment of South Africa and all its citizens."

international road show to Canada and the United States. The inescapable investment concerns caused by uncertainty in the future of the South African mining industry were raised by international investment and business communities in Toronto, New York and Boston. In all of these cities investor communities were given assurances that most of their concerns had been identified and were being addressed in the MIGDETT process. Minister Shabangu also made it clear that government had identified mining as one of South Africa's top strategic sectors with evident potential to materially contribute to raising the country's economic growth rate as well as its employment levels.

Foreign investors also voiced their concerns about the call by the Youth League of the African National Congress to nationalise the mines. To mitigate the negative impact caused by the debate on nationalisation, the Chamber has formed a committee comprised of senior executives from its member companies to investigate nationalisation and develop proposals for alternative models. Led by the Chamber, this committee engages with stakeholders on their views on nationalisation and other industry debates. Through the Chamber, the committee was invited to make a submission to the African National Congress's research team on State Intervention in the Minerals Sector (SIMS), set up to investigate the matter. Let me state categorically that the Chamber is opposed to nationalisation. We believe that there are other, much more effective ways to deal with the reasons advanced by those calling for nationalisation. The Chamber is committed to working towards finding the best alternatives.

A major positive experience for me during the course of the year was to observe with keen interest the manner in which labour representatives and the Chamber handled the wage negotiation process. The year under review saw the expiry of the two-year wage agreements of 2009. Following several meetings and a one-week strike by the coal sector, a two-year wage agreement was signed on 1 August 2011. The gold sector also concluded a two-year wage agreement on 2 August 2011, albeit after the unions had embarked on a three-day strike.

During the year under review, environmental matters continued to feature prominently in the media. One of the most contentious issues is that of acid mine drainage (AMD). The Parliamentary Portfolio Committee on Mineral Resources conducted public hearings on AMD and the Chamber joined the debate and made presentations to government on this and other related environmental legacy problems. The Chamber again emphasised that it continues to be deeply committed to finding ways to manage AMD.

Of great concern is the unresolved matter of legislative duplication between the Mineral and Petroleum Resources Development Act (MPRDA) and the National Environmental Management Act (NEMA). The uncertainty about whether or not NEMA and its regulations apply to mining in addition to the MPRDA, has a negative effect on the operational activities of the industry. This matter has gone to the Cape High Court and the Supreme Court of Appeal in what is known as the MACCSAND case. Our hope is that it will be resolved speedily to avoid needless disruption of legitimate mining operations.

While there has been a decrease in mine fatalities, the Chamber is nevertheless disturbed by the workplace injuries and deaths that continue to be reported. There is nothing to celebrate when a life is lost and the Chamber sympathises with all the families that have lost loved ones. It is our conviction that if we all work together towards the common goal of "going home unharmed every day" we will save lives and inhibit injuries. This slogan and achievement of the objective it expresses are what inspires the Chamber and its executives to collaborate with organised labour and government to find successful interventions that will improve safety in the mines. It is additionally what encouraged the Chamber in an unprecedented show of solidarity to join representatives of government and labour in a safety march to demonstrate industry's willingness to work towards enhancing mining methods so that the safety of all employees is given top priority. This commitment also saw chief executives of Chamber member companies set aside several days in the last week of August to devote their undivided attention to the issue of safety on South Africa's mines

These initiatives form part of my primary executive objectives and they are aimed at continuously strengthening collaborative relations with major stakeholders for the benefit of the industry and the country. Co-operative engagements of this kind invariably produce favourable outcomes and nowhere is this better illustrated than in the MIGDETT process where industry stakeholders have abandoned their differences to concentrate on finding ways to improve the performance of the business of mining.

In conclusion, I extend my appreciation and thanks to the Chamber's members whose leadership and support have been of considerable assistance to me. Identical thanks go to members of the Chamber's staff and representatives of the industry's major stakeholders – government and organised labour. The co-operative commitments that have been so evident across the full range of challenges that currently confront the mining sector need to be energetically sustained so that the industry is able to continue to enhance the meaningful role that it plays in the development and upliftment of South Africa and all its citizens.

COMMUNICATIONS

Introduction

Communication spans a wide range of activities, from formal and informal internal communications to externally directed communications. The core of all successful stakeholder relationships is effective communication. During the year under review the Chamber's Communications Department engaged with its stakeholders using the following platforms.

Publications

The following publications were produced during the year under review.

Introduction to the Chamber

This is an annual publication that gives an overview of the Chamber and highlights the way in which the organisation is structured and functions. It is a useful publication for new members of the Executive Council, Gold Producers' Committee, Collieries Committee and other principal committees. It gives insight into the Chamber committees, highlights the benefits of Chamber membership and details current projects and looks at particular challenges facing the Chamber and its members.

Mining Journal

This quarterly publication is the Chamber's flagship publication. It is a high quality, informative publication that represents the best thinking on mining related issues. The publication targets selected local and international investment audiences comprising analysts, financiers, and policy and decision-makers in government and elsewhere.

It aims to promote greater global awareness of all facets of mining in South Africa. It covers a range of mining related issues and impartially analyses the state of the industry in South Africa.

Mining News

Recognising the information needs of the industry's workforce, the Chamber continues to produce an interactive monthly newspaper that targets this important stakeholder.

Mining News is still the most widely distributed publication in the industry as it focuses on engaging all levels of mine employees and their families. Miners are encouraged to contribute to the publication since their perspective is vital to the success and future of the industry.

The information contained in the newspaper empowers employees to become better informed and responsible partners in the economic prosperity of the mining sector in South Africa. The newspaper has also become a useful teaching tool in adult basic education and training (ABET) classes.

Website

The Chamber website (www.bullion.org.za or www.chamberofmines.org.za) is a highly informative, user-friendly communication tool. It also provides links to a host of other sources important to the mining industry. The Chamber continues to extend the range of the website to provide up-to-date information for investors, market analysts, researchers and other interested parties.

The Chamber website also serves as an educational tool with historic information, economic indicators and other relevant information. The information on the website is concise and well packaged; the pages are clearly differentiated and product focused.

Facts & Figures

This very useful book provides statistical mining sector data as well as presenting supporting information, comments and analyses. This annual publication highlights data that can be used to support decision-making by both government and the private sector. It is an invaluable source of mining data and statistics on the mining industry in South Africa, bringing together general mining

"Communication spans a wide range of activities, from formal and informal internal communications to externally directed communications. The core of all successful stakeholder relationships is effective communication."

industry information and product-specific data from a host of sources, including Statistics South Africa, the Minerals Bureau, the South African Reserve Bank, the mining houses and government departments.

Stakeholder engagement

Government and Parliament

Engagements with the Portfolio Committee of Mineral Resources continue. At the beginning of 2011, the Chamber, in partnership with Business Unity South Africa, hosted a lunch for this portfolio committee and chairpersons of other portfolio committees with which the mining industry interacts. Understanding that stakeholder engagement comprises both formal and informal ways of staying connected, the lunch was an opportunity to meet and engage informally with the portfolio committees.

The Chamber was then invited to present to the Portfolio Committee of Mineral Resources and to give an overview of the mining industry; the role of the Chamber; comment on the state owned mining company; and other important mining related issues.

Media

The Chamber's share of voice improved again during the year under review. The increase was mainly around the issues of health and safety; the debate on the nationalisation of mines and economic growth; environment; and labour relations (the union declared 2011 the year of war against the exploitation of miners) and wage negotiations. While most of the coverage had a negative slant, the Chamber was able to bring about a recovery of opinion with editorial, opinion pieces and television and radio interviews.

These issues also garnered a solid proportion of positive attention as the Chamber highlighted its efforts to improve safety, such as research on seismicity.

The calls by the Youth League of the African National Congress for the nationalisation of mines were arguably the most talked about issue relating to the mining industry during the year. In the past, it was Chamber policy to respond only to statements emanating from government officials or the leadership of organised labour as these were the forums of official engagement for the Chamber. Because of this, the Chamber was reluctant to respond to calls from the youth wing of the ruling party as senior government officials, including the minister of mineral resources, continued to maintain that nationalisation was not government policy. However, once a decision was taken to engage in the debate, the Chamber addressed this issue both in the media and in other forums. As part of the Mining Industry Associations of Southern Africa (MIASA), a researcher was commissioned to conduct a study on the merits and demerits of nationalisation as well as on options open for governments to participate in the mining industry. The findings of the study will be used as part of the Chamber's input in the study commissioned by the ruling party on nationalisation.

Issues related to health and safety continued to generate media interest during the year under review. Progress made towards the 2013 health and safety milestones prompted the Chamber to hold a media conference at the beginning of the calendar year to congratulate those who had devoted time and effort to achieving substantial progress on this front.

The media conference provided an opportunity for the Chamber to clarify its efforts in this regard, including the work being undertaken by the Chamber's Learning Hub. The outcome of the Chamber's court application for a declaratory on the powers of the compensation commissioner, as well as the ruling on a case by a former employee of a member company to appeal against the decision of the Supreme Court of Appeal that employees who qualify for benefits in respect of the Occupational Diseases in Mines and Works Act (ODMWA) may not, in addition, lodge civil claims against their employers in respect of their conditions, generated a lot of media interest, both locally and internationally.

Lack of clarity on government's position on the issue of acid mine drainage (AMD) as well as stories suggesting that rising mine water in the Central Basin mine void would soon flood basement structures in the central business district of Johannesburg, leading to increased seismic activity and possible contamination of ground water, raised media interest around AMD and its treatment. Media reports created an opportunity for the Chamber to clarify the distinction between AMD issues related to current mining activity and those related to mining legacy.

During the industry road show, which was led by the minister of mineral resources, Susan Shabangu to investor communities in Canada, New York and Boston at the beginning of 2011, the Chamber, together with the Department of Mineral Resources engaged the media through press statements and arranging interviews for the tripartite principals. With the message "The South African mining industry is open for business" the leadership and representatives of labour, business and government received a lot of coverage in the international media. While there were concerns by the investor community on South Africa as an investor destination, the coverage of the events and reporting of the message by the tripartite delegation was impressive.

This year's round of wages and other conditions of employment negotiations resulted in a strike at companies negotiating under the auspices of the Chamber by members of the National Union of Mineworkers, Solidarity and UASA. Owing to the number of strikes in the country, the strike in the mining industry did not generate an unduly high amount of media interest and the Chamber remained the primary source of media news.

MIASA & ICMM

The Chamber continued to maintain a focused participation in organisations that play a role in the international mining policy framework, advocacy and lobbying activities. Most of the Chamber's

engagements were through the International Council on Mining and Metals (ICMM) and MIASA. The Chamber is a member of both these organisations.

This membership provides the Chamber with first-hand information on global and regional policy-making mining discussions and is a source of information for the Chamber's lobbying and advocacy activities in South Africa. As part of MIASA, the Chamber drafted a submission to the United States Securities and Exchange Commission (SEC) in response to the far-reaching United States draft Conflict Mineral Act that would, inter alia, require the United States and foreign companies to report and make public the use of so-called "conflict minerals" from the Democratic Republic of the Congo (DRC) or adjoining countries.

MIASA's position was that while it supported the objectives of the Act to ensure that minerals are not financing or benefiting armed groups, and therefore contributing to human rights abuses, it would have the unintended adverse consequence of devastating the economies of the DRC and other African countries. In addition, as mining companies would have to commission a conflict minerals' report if the minerals originate from the DRC (or because they cannot establish the provenance of the minerals used), they were likely to refrain from sourcing such minerals from these countries to avoid the additional cost, effort and risk involved. Some Chamber members have operations in these countries.

Through its membership of the ICMM, the Chamber continues to participate in and draw on international experience on issues of sustainable development, environmental management, health and safety, mine closure, and relationships between large-scale and small-scale mining.

Participation in these international forums continues to give the Chamber an opportunity to influence debates and policy directions while learning from the experiences of other countries.

ECONOMIC OVERVIEW

Introduction

Global gross domestic product (GDP) recovered strongly by 5% in 2010 versus the 0.5% contraction in 2009. Similarly, world trade volumes rose by 12.4% in 2010 versus the 10.9% contraction of the previous year. However, the jump in economic growth and trade volumes in 2010 could not be sustained in 2011. Lingering concerns about the debt and banking crisis in Europe and the fiscal problems in the United States combined with continuing high rates of unemployment and low consumer expenditure contributed to a slowing growth rate in 2011.

With many advanced economies mired in debt and experiencing slow growth and weak consumer spending, economic growth in advanced economies is expected to perform below potential in 2011 and 2012. In its September 2011 World Economic Outlook (WEO), the International Monetary Fund (IMF) downgraded the growth prospects of all regions as a result of the continuing debt overhang and the introduction of fiscal austerity measures in most advanced economies. However, developing countries, led by China and India are acting as the global locomotive for growth, and therefore the IMF expects that the global economy will grow by 4% in 2011 led by a 6.4% growth rate in developing economies and a slow 1.6% growth rate in advanced economies and it estimates that the aggregate economic output of developing countries will comprise over half of global GDP by 2013.

The mining industry was hard hit by the global financial crisis, especially in the face of a rapid decline in commodity prices and the fall off in demand for many minerals, but recovered quickly in 2010. Most of the world's top mining companies responded to the crisis by cutting back on exploration expenditures, trimming uneconomic production, repairing balance sheets and by sustaining core investment projects.

During the second half of 2009 the fiscal stimulus programmes of many countries, together with the quantitative monetary easing in the United States contributed to a stabilisation in global economic output and a recovery in commodity demand and prices. However, substantial growth in demand from China and other emerging markets sustained and then buoyed commodity prices. While demand for commodities in emerging markets boomed, emerging limits in the supply side also supported rising prices. Mineral supply is increasingly bound by the remoteness of geographic locations, complex projects, equipment supply constraints, skills challenges, etc. The drive by downstream users to secure supply of raw materials also led to the development of a number of projects from non-tier one sources, which increased the cost of most minerals.

By the end of 2010, the market capitalisation of the world's top 40 mining countries had improved to pre-crisis levels and then exceeded them. According to the annual PricewaterhouseCoopers (PwC) report on mining entitled: *The game has changed while the outlook has improved*, the game has changed as mining companies navigate increased scrutiny by stakeholders and battle cost pressures. Despite prices for most minerals being higher than pre-crisis levels, gross profit rates for the world's top 40 mining companies are still not back to pre-crisis levels.

The reality is that despite the resumption of the global mining sector boom, the last decade will be remembered as one of lost opportunities for South African mining because, although it has the world's largest in situ mineral resource deposits by value (Citibank: US$2.5-trillion), the local mining sector continues to underperform the other top mining economies. Most of the constraints holding back the sector are local and include regulatory issues, infrastructure bottlenecks, *"With many advanced economies mired in debt and experiencing slow growth and weak consumer spending, economic growth in advanced economies is expected to perform below potential in 2011 and 2012."*

policy uncertainty, shortages of skills, and a volatile exchange rate. Notwithstanding the country's large mineral resource base, established minerals cluster and world-class companies, the sector was smaller in real GDP terms in 2010 than it was in 1994.

However, significant work by the tripartite Mining Industry Growth, Development and Employment Task Team (MIGDETT) during 2010 helped unpack the true economic growth and employment creation potential of the sector. The MIGDETT participants concluded that, provided the inhibitors could be resolved, the mining industry could conservatively grow by more than 3% a year and within 10 years create another 100 000 jobs. This is a conservative estimate and optimistically the job creation potential could be nearly double this figure. The MIGDETT Competitiveness Task Team not only unpacked the potential of the mining sector to enhance its already substantial contribution to the economy, but also completed a detailed analysis of the constraints holding back the sector. Following the signing of a declaration in June 2010, a sectoral growth strategy was developed by the task team and submitted to Cabinet late in that year. Mining was then again included on government's top five sector priority list, which has major implications for stakeholders to resolve the constraints holding back the sector.

Risks of a double-dip recession remain

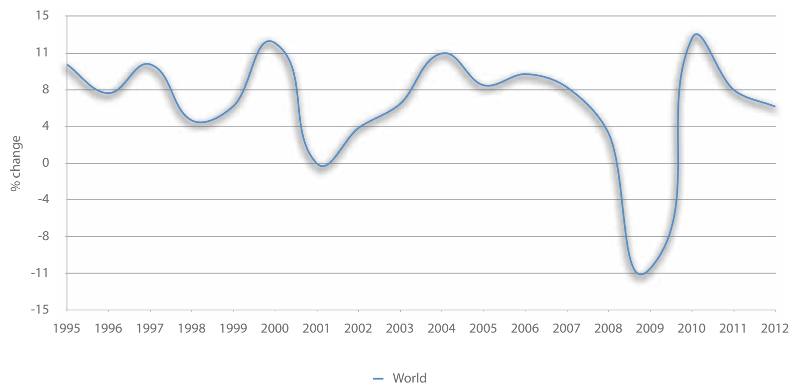
The weak United States economy, the high debt overhang and the debt crisis in Europe, mean that a risk still remains of a double-dip recession with widespread implications for commodity demand and prices. The proper implementation of effective measures to stabilise the European debt crisis remains a priority. Overall, developing countries, driven by China and India, will achieve high growth rates over the next two years while advanced economies recover, but with growth rates less than half those of developing countries.

At the global level there are a number of indicators that show that the pace of recovery has slowed and growth is unevenly distributed.

- According to the WEO the volume of world trade fell by 10.7% in 2009 as a result of the global economic crisis. As with the rebound in economic growth, global trade volumes increased by 12.8% in 2010. However, world trade growth is expected to moderate to a 7.5% level in 2011.

Global economic growth (source: WEO)

World trade volume index (source: WEO)

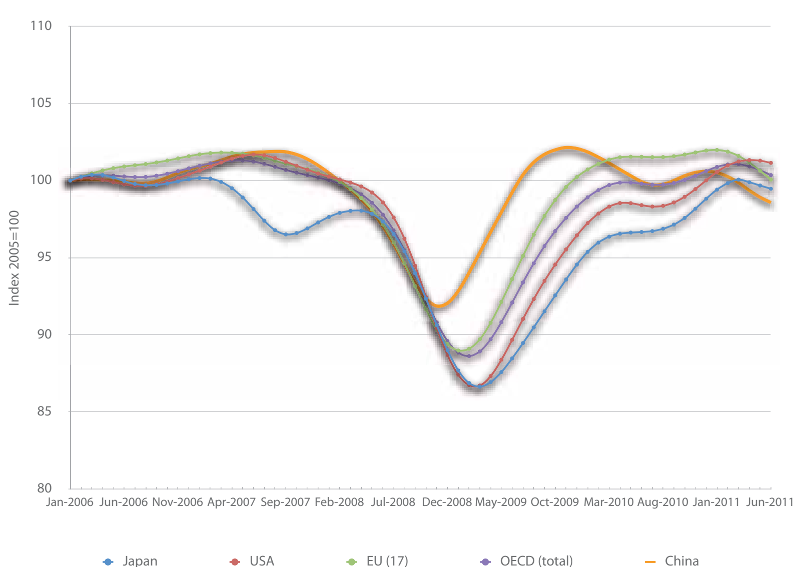


- Since 2009, the leading indicators have shown sideways movements around the 100 point level, which shows that the pace of recovery has slowed. Composite leading indicators provide indicators of turning points in an economy in relation to that country's potential economic growth rate (and so touch on output gaps) and provide an indication of prospects for economic growth. In the first half of 2011, the leading indicators of many of the advanced economies appeared to turn downwards, pointing to a possible double-dip recession. The slight downturn in the composite leading indicator for China shows a slow slide in that country's very high economic growth rate to a slightly lower level.
- The coincident leading indicators show a similar pattern. The global manufacturing purchasing managers index (PMI) recovered quickly to the so-called neutral point in July 2009. It hovered nicely above the neutral point for over a year before slowing towards the neutral point in June 2011.
- Global steel production, which provides a barometer of activity in the global economy, recovered to above pre-crisis levels and grew by 16.2% to 1.4 billion tons in 2010. In the first half of 2011, steel production stood at an annualised 1.5 billion tons, 8.9% higher than the level recorded in 2010 and is likely to be a record production year. Most of the recovery and growth in global steel production is attributable to China's phenomenal growth with non-Chinese production not yet recovering to pre-crisis levels. China is currently producing 46.5% of global steel, driven by its own substantial industrialisation and urbanisation requirements.
- Most metal and commodity prices recovered to pre-crisis levels, and then rose higher. Certain minerals such as iron ore have risen at a much faster pace than others. Average iron ore prices into China rose 187% between 2008 and 2011. Continued challenges in terms of bringing on stream new supply, rapidly escalating costs, increased production from higher cost non-tier one assets, and the structurally higher level of demand from China and other emerging markets have all contributed to the resumption of the structurally driven commodities boom.

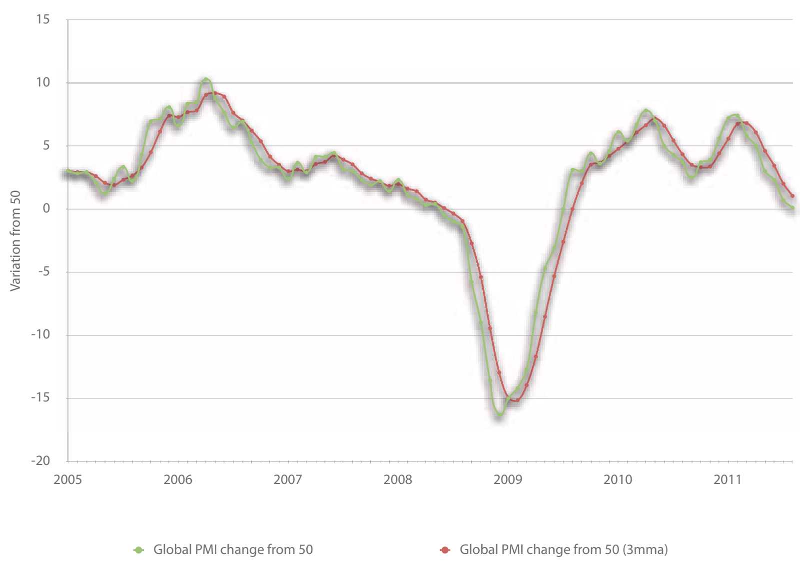
A set of risks that could result in a global double-dip recession late in 2011, include:

- The sovereign debt crisis in certain European countries.
- The concern that the fiscal stimulus and support provided by the advanced economies have led to high fiscal deficits and unsustainable debt levels. A key risk factor in the global recovery is the pace of withdrawal of fiscal support measures by advanced economies in the face of continued weak consumer confidence.
- Consumer confidence in most advanced economies remains weak and this is exacerbated by high levels of unemployment. This in turn is discouraging the

Composite leading indicator for leading economies (source: OECD)



Global manufacturing PMI, variation from neutral point (50)



corporate sector from investing and creating employment as they wait for consumer confidence to improve.

The continuation of the commodities boom

The impact of the continued materials intensive growth in China and other emerging economies has provided the impetus for a continued rise in commodity prices. Traditionally commodity prices remain in the doldrums at the end of a recession as the impact of over-investment in mine supply at the peak of the cycle and weak demand cap commodity prices. However, the current recovery in commodity cycles has not followed the traditional trend with commodity prices recovering fairly quickly from the lows of the global recession. The financial crisis slowdown was just a temporary blip on the structurally driven commodities boom.

Industrialisation and urbanisation in populous countries like China and India resulted in a structurally higher level of commodity demand. Supply constraints make it increasingly difficult and more complex to start new mining operations. For example, iron ore supply fell short of expectations, despite record production levels from the major suppliers. In addition, a number of downstream companies began investing in non-tier one assets to secure raw material inputs, which provided some extra supply but has also pushed up the cost of most minerals.

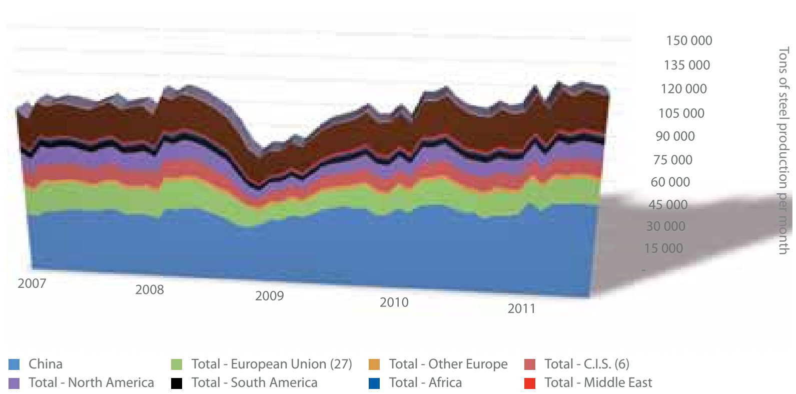
As China and India urbanise and as their GDP per capita grows, so does their demand for copper, steel, aluminium and energy. For every 1% rise in the urban population of a country, Goldman Sachs estimates that electricity consumption rises by 1.5%. At the global level another three billion people are expected to move to urban areas between 2010 and 2050, according to the United Nations. This has significant implications for the demand for industrial and steel making minerals such as iron ore, manganese, chrome, zinc, copper, aluminium and platinum group metals (pgms).

The McKinsey Institute states that China will have one billion urbanised people by 2025. The implications of this are significant. Over the next 15 to 20 years China will need to build another 86 mega cities, each hosting a population of over 10 million. India is deemed to follow China's urbanisation and industrialisation trajectory closely. Another 250 million people are expected to urbanise in India by 2030.

By 2013, emerging and developing economies will comprise over half of global GDP on a purchasing power parity basis.

Fixed investment rates in developing countries will increase over the next two decades to accommodate the building of cities and associated infrastructure. The IMF WEO expects that gross fixed capital formation rates in developing countries will remain above the 30% of GDP for the foreseeable future. Gross fixed capital formation rates in advanced economies are also expected to move to over 20% of GDP over the next five years.

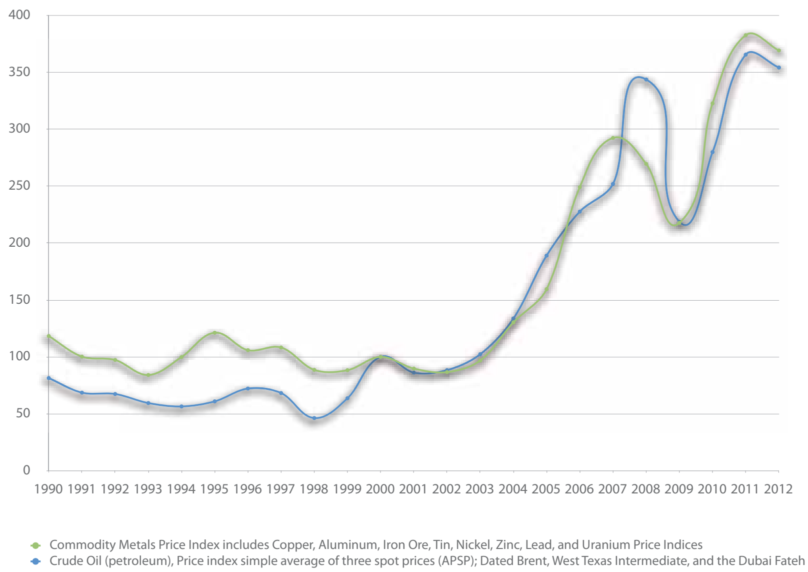
Global steel production has recovered to pre-crisis levels (source: IISI)



The global mining industry

The demand and supply fundamentals appear to support a growth scenario for the global mining industry and record prices and growing demand for minerals from large, populous, fast growing,

Commodity prices (source: WEO)



emerging economies paints a very positive picture of the industry. However, actual profitability of the top 40 mining companies in 2010, as listed in PwC's publication *Mine*, was lower in 2010 than 2006 pre-financial crisis levels. The industry faced substantial increases in input costs as energy, equipment and skills costs rose. These top 40 companies worked hard to restore their balance sheets, develop new projects and sustain investment in core projects during the financial crisis, but greater scrutiny by stakeholders, high cost pressures and changing regulatory frameworks all place pressure on the industry.

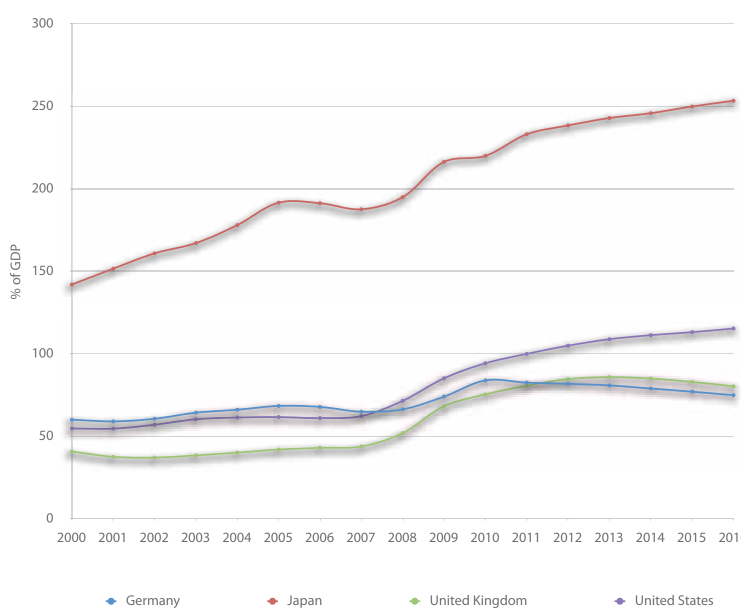
Mining companies are developing mines in more remote and geographically challenging environments. Civil society and government increasingly subject the industry to greater levels of scrutiny on sustainable development performance.

While the major mining companies sustained investment in exploration activities around their existing core assets, overall exploration expenditures plummeted in 2009 during the financial crisis. Global exploration expenditures recovered sharply in 2010 and according to the Metals Economics Group (MEG) global non-ferrous metals exploration, budgets grew by 44.9% to US$12-billion, when compared to US$8.4-billion spent in 2009. Grassroots exploration remained weak as the established mining companies concentrated on late stage and mine site spending away from the more risky grassroots spending. Grassroots exploration spending was about 32% of total spending compared to the recent high of 50% in 2001. Nevertheless, exploration expenditure by junior resource companies picked up in 2010 and accounted for 42% of exploration spending when compared with 38% for the major mining companies.

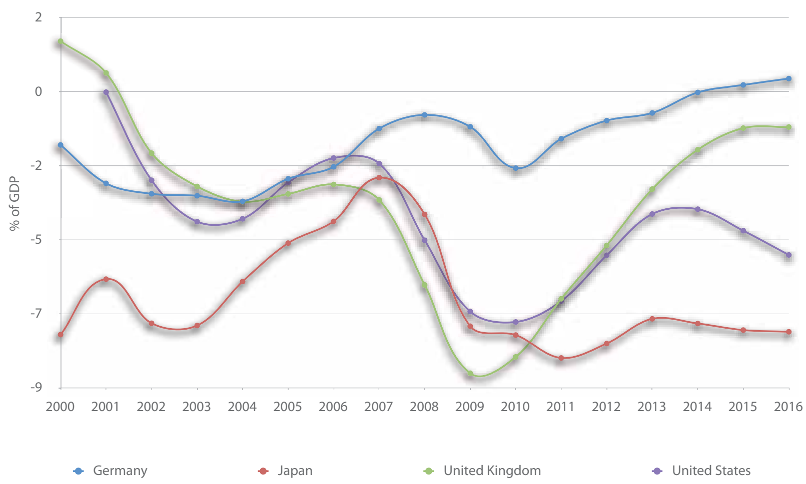
According to MEG, Latin America again attracted the lion's share of exploration spending with 26% of the total, followed by Canada with 19%, Africa with 13% and Australia with 12%. South Africa only accounted for about 1.4% of total global exploration expenditure. While South Africa accounted for 34% of Africa's exploration expenditure in 2003, this dropped to just 12% by 2010. This coincides with South Africa's decline down the Fraser Institute's rankings of the attractiveness of the countries' mineral policies to exploration managers. In 2005/06, South Africa was ranked 53rd out of 65 countries, but slipped down the rankings to a lowly 67th out of 79 mining jurisdictions in 2010/11. Policy uncertainty and the changing rules of the game are considered to be key to South Africa's fall down the global rankings and the reason the country is attracting an every-decreasing share of the African and global spend on exploration.

According to MEG, gold accounted for 51% of exploration expenditures followed by base metals at 33%,

Gross public debt as % of GDP



Government structural deficit as a % of GDP



diamonds 4% and platinum group metals at 2%.

The top 40 mining companies covered in the PwC report made substantial progress in reducing debt levels (gearing ratio down to 8% from 16%), stabilising their tax commitments (effective tax rate down to 26% from 35%), improving their return on capital employed (up to 22% from 11%) and improving their profit rates (net profit up to 25% from 9%). However, most did not get the industry back to pre-crisis levels. For example, the return on capital employed at 18% in 2010 was still lower than the 23% level achieved in 2006 and net profit rates are also not back to pre-crisis levels. In line with the improvement in earnings and rising EBITDA levels, the market capitalisation of the top 40 mining companies improved by 26% in 2010 to above pre-crisis levels.

According to PwC, the top 40 mining companies are committed to invest US$311-billion in capital projects over the next few years with US$120-billion scheduled to be spent in 2011. This is a huge increase in the US$67-billion committed for investment by the top 40 companies in 2010. The 2011 number is possibly overstated owing to the inclusion of sustaining capital expenditures, nevertheless, it does represent a substantial commitment by the top 40 mining companies to new tier-one investment projects.

Many of the top 40 mining companies sustained their investment activities in core tier-one projects during the financial crisis mainly in coal, copper, iron ore and gold. These companies have now escalated capital investment with big increases in iron ore (US$11.6-billion in 2010 vs US$9-billion in 2009), coal (US$11.5-billion in 2010 vs US$8.7-billion in 2009) and iron ore (US$10.2-billion in 2010 vs US$8.5-billion in 2009).

Impact of the global economy on South Africa

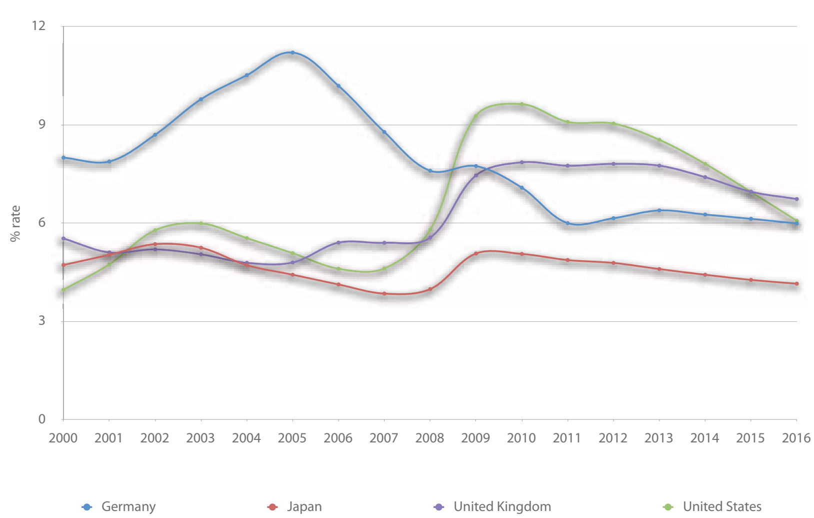
South Africa's economy grew by 2.8% in 2010 after contracting by 1.7% in 2009. The mining sector played a key part of the recovery and grew by 5.8% in 2010.

The global financial crisis highlighted a number of the structural weaknesses in South Africa's economy, which shrank by 1.7% compared with the global contraction of 0.5%. South Africa's traditional credit fuelled, consumer driven, import intensive model did not handle the impact of the global crisis in the same manner as the supply side investment driven economies of Asia. Large structural weaknesses such as infrastructure constraints, a poorly educated and poorly skilled workforce, weak capacity of government to implement policies, and a proliferation of red tape and continued distrust of the private sector served to inhibit the country's growth potential.

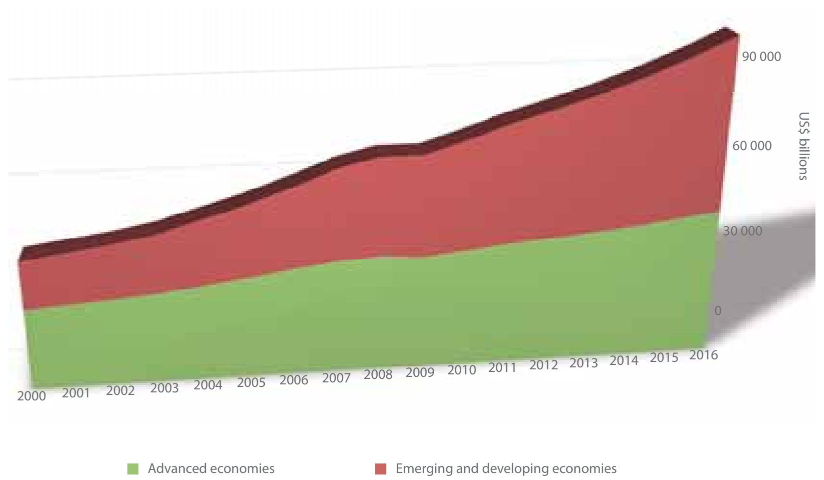
While the New Growth Path policy of government correctly identifies the need for growth in investment in the country's tradable export sectors, the actual options being explored such as artificially depreciating the rand exchange rate, introducing a new type of incomes and pricing policy and the development of a social pact may not achieve the government's objectives.

South Africa's mining sector's GDP grew by 5.8% in 2010, after declines of 5.6% and 4.2% in 2008 and 2009 respectively. This was the best growth

Unemployment rate in certain advanced economies



World GDP on a PPP basis



rate of any sector of the economy. In the first half of 2011, mining was again the best performer and achieved a 6.1% economic growth rate.

The mining sector's real GDP in 2010 was 2.8% smaller than the mining GDP recorded in 1993 and mining was the worst performing sector of the whole economy in the past 17 years. South Africa has also disappointed at the global level with an average decline in real mining GDP in dollar terms of 1% per annum between 2001 and 2008 compared with an average 5% growth rate for mining GDPs of the top 20 mining economies.

Contribution of mining to the economy

In 2010, the mining sector contributed:

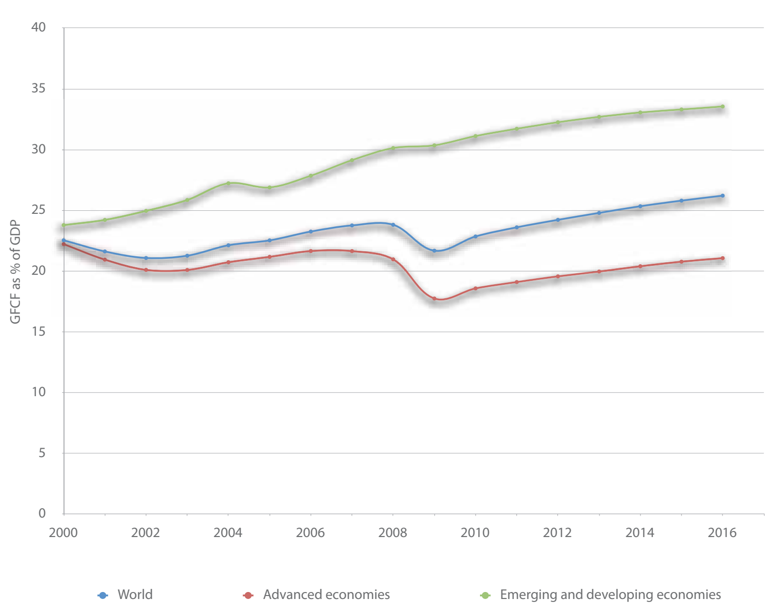
- about 19% of GDP (8.6% directly)
- over 50% of merchandise exports (if secondary beneficiated mineral exports are added)
- about one million jobs (about 500 000 jobs directly)
- about 20% of gross investment (12% directly)
- approximately 30% of capital inflows into the economy via the financial account of the balance of payments
- 42% or R1.9-trillion of the market capitalisation of the JSE
- 94% of the country's electricity generating capacity
- about 30% of the country's liquid fuel supply
- substantially, as the largest contributor by value to black economic empowerment (in terms of the value of BEE transactions completed)
- about 13% of direct corporate tax receipts (R17.1-billion in 2010).

The mining sector and the cluster of industries that either supply it or use mining outputs are a major component of the South African economy. This cluster of industries includes: energy, financial services, water services, engineering services, specialist seismic, geological and metallurgical services, power generation, the chemicals sector, the steel manufacturing sector, and the construction sector. This cluster of industries has gone on to service other parts of the economy and provides a significant export base to service the global mining industry. This in itself should be recognised as a beneficiation contribution to South Africa by the mining sector.

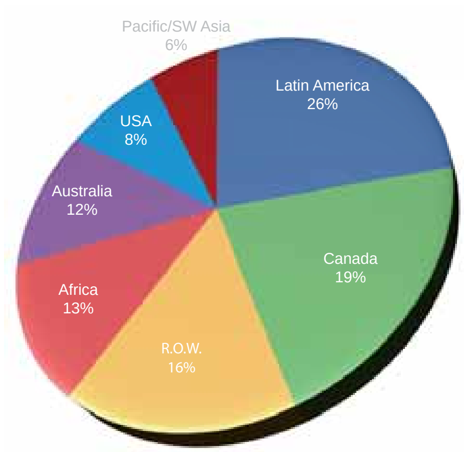
Research into the multiplier and induced effects of the mining sector indicate that while mining accounts for 8.6% of GDP directly the backward linkage to side stream beneficiation adds another 2.3 percentage points to GDP. With the downstream linkages, another 2.2% is added, as is another 5% to 6% for induced effects, resulting in the overall contribution of the minerals cluster being closer to 19% of GDP. Add in the contribution of over 50% of merchandise exports and 500 000 jobs and the overall impact of mining on the economy is substantial.

Not only does the mining sector use considerable services and inputs from the domestic economy,

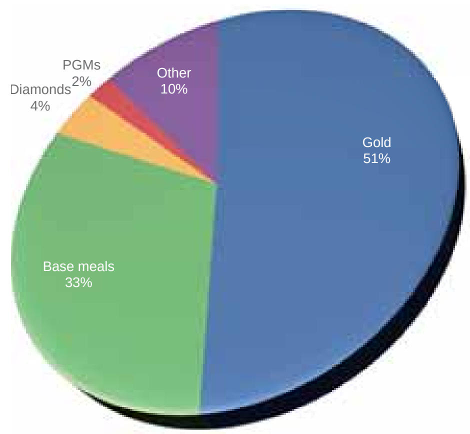
IMF WEO fixed investment rates



Worldwide exploration expenditure by region, 2010 (source: MEG)



Worldwide nonferrous exploration budgets by target, 2010 (source: MEG)



it also supplies many associated industries with mining products. It is important to dispel the myth that all mined products are exported in raw form with very little downstream beneficiation taking place locally. Nearly 100% of South Africa's cement and building aggregates are made locally from locally mined products; 80% of the country's steel is made locally from locally mined iron ore, chrome, manganese, coking coal and, via furnaces that are 95% powered by electricity from coal fired power stations (the 20% imported steel is speciality steel products not made locally). Over 30% of the country's liquid fuels are made locally from locally mined coal; 95% of the country's electricity comes from power plants that use locally mined coal. Most of South Africa's domestic chemicals, fertilisers, waxes, polymers and plastics are fabricated using locally mined minerals and coal and 20% of the world's platinum catalytic converters are made in South Africa.

The Chamber estimates that another R200-billion in sales value and 150 000 jobs are from the downstream beneficiation sectors in South Africa. All of the country's gold and pgms are refined locally and more than 50% of the diamonds by value are sold locally into the downstream diamond cutting and polishing industry. This demonstrates that where commercial opportunities exist, further downstream beneficiation is taking place and downstream minerals' beneficiation is much larger than most commentators would believe.

The benefits of mining

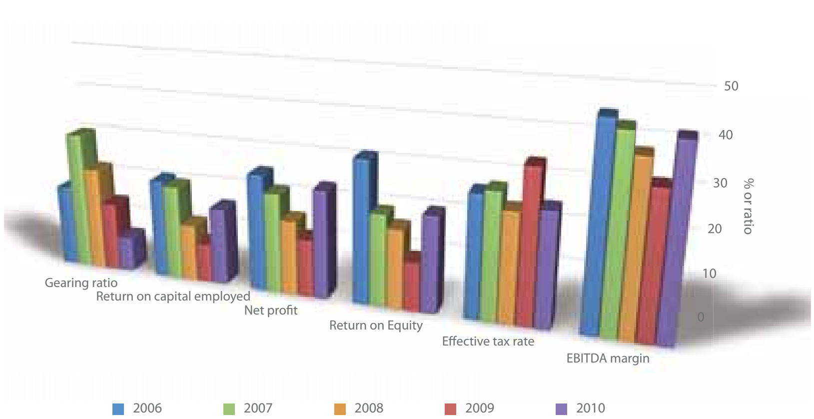
In 2010, the local mining industry's total income was R424-billion while expenditure was R441-billion. R228.4-billion was spent on purchases and operating costs, R78.4-billion went on salaries and wages, R49-billion on capex, R17.1-billion in tax, R16.2-billion in dividends, R38-billion on depreciation and impairments and R13-billion on interest. The Chamber estimates that only about R34-billion or 8% of the total expenditure moves offshore. That means that 92% of the value of the mining expenditures are effectively captured in South Africa.

This serves to confirm the important role that mining plays in the South African economy and the fact that the industry provides significant multiplier and induced effects into the economy.

Contribution to investment and GDP

In 2010, real fixed investment in the South African mining industry fell by 4.7% to R42.6-billion. A combination of factors contributed to this decline, including the impact of the global economic crisis, domestic regulatory

Unemployment rate in certain advanced economies



issues, infrastructure constraints and policy uncertainty caused by the nationalisation debate.

Mining production increased by 6.3% in 2010. Key reasons for the increase include a 5.9% increase in pgm production to 287 tons, a 45% increase in diamond production to 8.8 million carats, a 6.1% increase in iron ore production to 58.7 million tons, a 56.6% increase in manganese ore production to 7.2 million tons and a 1.6% increase in coal production to 254.5 million tons.

Mining accounted for 12% of total fixed investment and around 20% of total private sector fixed investment.

Mineral sales and exports

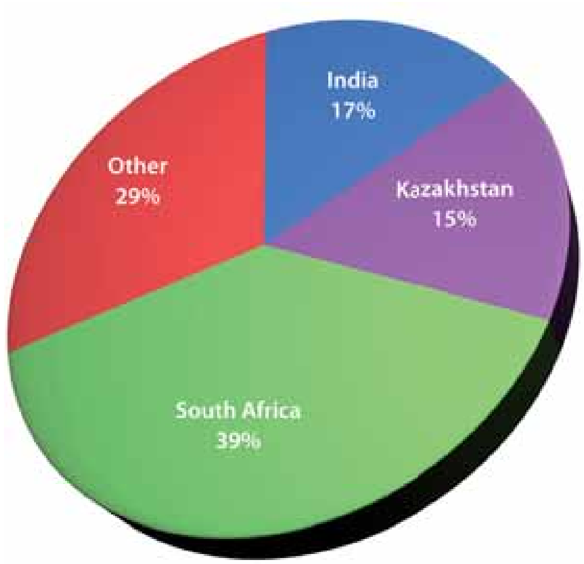
The value of South Africa's mineral sales in 2010 rose by 24.9% to R302.2-billion. The rebound in commodity prices exceeded the 13.2% appreciation in the rand exchange rate to R7.32/US$. Domestic mineral sales rose by 19.7% while export sales increased by 26.8% to R224.2-billion.

The rise in mineral sales was driven by a 27.7% increase in pgm sales to R73.8-billion, a 9% increase in gold sales to R53.1-billion, a substantial 90.8% rise in manganese sales to R10.7-billion, a 60% increase in iron ore sales to R43.4-billion and an 11.8% improvement in coal sales to R73.2-billion. The top three minerals accounted for 66.3% of South Africa's total mineral sales in 2010.

Employment and wages

In 2010, the South African mining sector employed 498 141 people compared to 491 922 in 2009, a rise of 1.3%. Mining accounted for 6.5% of total non-agricultural formal employment in the economy and 8.4% of total private sector non-agricultural employment. If the indirect and induced effects of mining are included then another 500 000 jobs are estimated to exist. According to the DMR, mine employees were paid R74.2-billion in salaries and wages in 2010. This contributed substantially to the economy and to the purchasing power of workers.

World chrome production, 2010



Chrome

The demand for chrome rose in 2010 as market conditions improved and driven by Chinese and Asian demand. South Africa is a leading producer of chrome and accounts for the majority of the world's production. Local chrome

production reached new levels of 10.8 million tons (Mt) in 2010.

Global chrome production increased as stainless steel production hit record levels in 2010. World stainless steel production increased by 24.8% to 31 Mt.

World reserves and production

According to the USGS (2010), world chrome resources are estimated to be greater than 12 billion tons. Ninety-five per cent of the world's chromium resources are concentrated in Kazakhstan and South Africa. Kazakhstan holds 51% of the world chrome reserves followed by South Africa with 37% and India with 13%.

World production of chrome increased in 2010 by 14% to 22 Mt up from19.3 Mt in 2009. South Africa accounted for 39% of the total world production while India accounted for 17% and Kazakhstan 15% of the total world chrome production.

Stainless steel and ferrochrome production

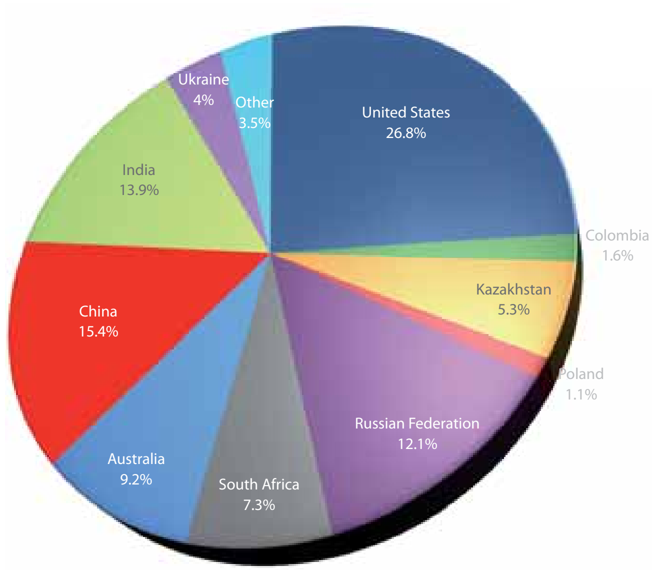
World stainless steel production is one of the key drivers of the chrome market. In 2010, a new record was set with world stainless steel production, which increased by 24.8% to 31 Mt. The new level of stainless steel production was influenced by the global economic recovery, strong end-use demand, restocking and refilling of supplies. China is the largest producer of stainless steel and accounts for 36% of world production, while western Europe and Africa account for 25% of world crude stainless steel production followed by the United States at 8.4%. In the first quarter of 2011, world stainless steel production increased by 8.6% compared to the same quarter in the previous year.

Global ferrochrome production reached 8.3 Mt in 2010, a growth of 37% year-on-year from 2009. But in the first half of 2011, ferrochrome production volumes decreased by 4% compared to the same period in 2009 owing to increased production costs. The European benchmark price for ferrochrome increased by 46% to 124.25US¢ per pound in 2010.

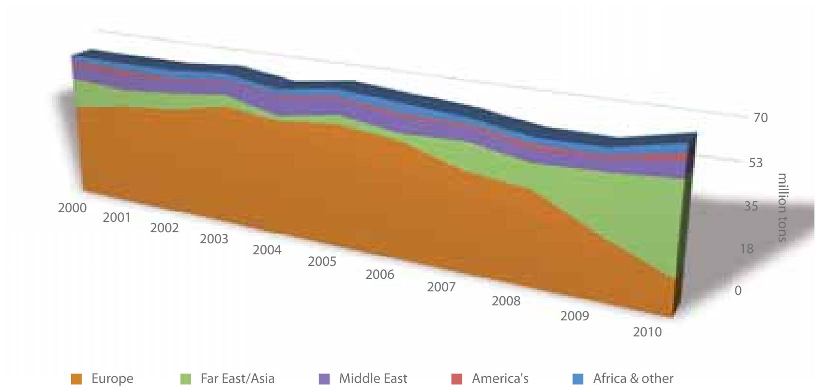
South African production and sales

South Africa is the leading producer of chrome and accounts for the majority of the world's production. In 2010, chrome production increased by 44% to 10.8 Mt accounting for an 81% increase in total sales. The majority of the chrome produced was sold locally and only 18% was exported. Local chrome sales increased by 100% in 2010 to R4.1-billion from R2-billion in 2009 and export sales

Global hard coal reserves, 2010



South African thermal coal exports by destination (source: SACR)



increased by 57% to R2.4-billion from R1.5-billion in 2009. Total chrome sales for 2010 amounted to R6.6-billion.

The chrome industry employed 13 971 people and paid R2-billion in wages and salaries, and contributed 0.4% to South Africa's merchandise exports in 2010.

Coal

In 2010, the world seaborne steam coal market grew by about 6.3% to 771 million tons (Mt) on the back of strong growth in imports of coal into China and India, combined with a stabilisation in import demand by countries such as Japan. Over the next five years to 2016, the world seaborne steam coal market is expected to grow by about 4% per annum to about 960 Mt reflecting growing energy demand in fast growing, populous countries like China and India.

In 2010, South African coal exports rose by 9.7% to 66.3 Mt, but this was off a very low base in 2009 and remains considerably lower than the 71 Mt record achieved in 2005. Current coal exports through Richards Bay Coal Terminal (RBCT), at about 63 Mt per annum, remain well below the 74 Mt capacity of the Coalink line while the capacity of RBCT is greater than 90 Mt. Even during the floods in Queensland Australia, in the first quarter of 2011, that materially affected production in one of the key exporting regions, South Africa was unable to take advantage of higher demand and prices mostly because of inadequate rail capacity.

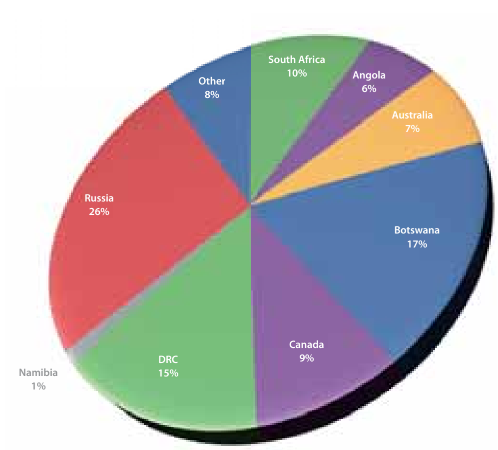
The total value of coal sales rose by 11.8% to R73.2-billion in 2010, which is still not back to the record of R74-billion achieved in 2008. This sales value entrenches the coal mining sector as the second largest component of the South African mining industry after pgms. In 2010, South African saleable coal production increased by 1.6% to 254.5 Mt; domestic coal sales increased by 1.9% to 188.1 Mt and exports grew by 9.7% to 66.3 Mt.

The number of people employed in the local coal mining industry increased to 73 817 in 2010. Employees earned R14.1-billion in salaries and wages in that year. Employment is at its highest level since 1992. The industry accounted for about 1.2% of GDP directly (and 3% if the indirect multiplier and induced effects are added). The coal sector contributed 5.9% to merchandise exports in 2010.

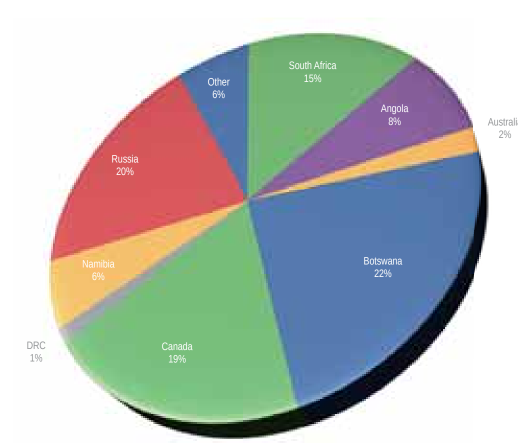
Global primary energy

Total global primary energy consumption grew by 27% between 2001 and 2010 from 9 465.6 million tons of oil equivalent (Mtoe) to 12 002.4 Mtoe. The growth in the demand for

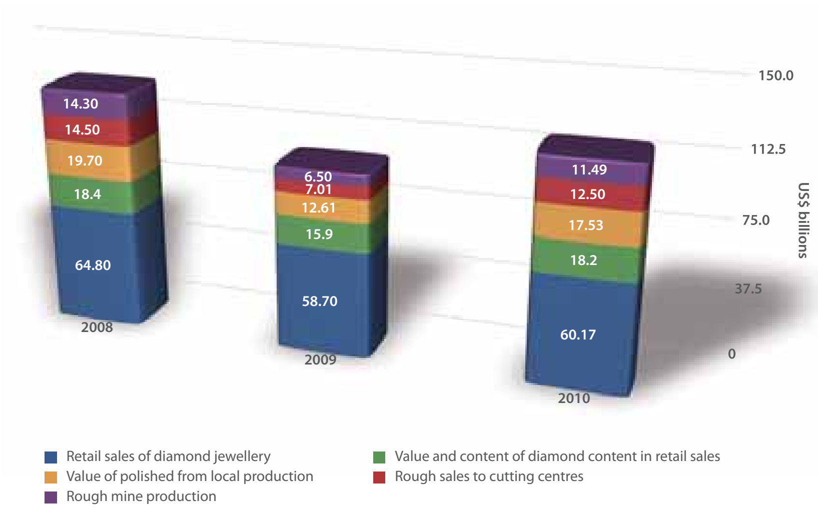
Global diamond production for 2010, per country, by volume (total carats 133 million)



Global diamond production for 2010, per country, by value in US$ (total value US$12-billion)



The diamond pipeline (US$ billions)



primary energy was mainly because of the growth in global electricity generation. Electricity generation grew by 36% to 21 325 terawatt hours spurred by electricity demand and production China and India. In 2010, China's electricity production was almost as large as that of the United States, with China generating 4 206.5 terawatt hours of electricity against the 4 325.9 terawatt hours of the United States. Over the next few years China is expected to overtake the United States as the world's largest producer of electricity. India is also growing electricity production rapidly and was the world's fifth largest producer of electricity in 2010, growing its electricity production by 6% to 922.2 terawatt hours. (source: BP statistical review of world energy).

Given the coal intensity of electricity production in many fast developing Asian economies it is not surprising that world hard coal consumption growth remains strong. In 2010, China's consumption grew by 10.1% and India's consumption of hard coal grew by 10.8%.

World hard coal reserves and production

Total world hard coal reserves were estimated to have fallen by 1.6% in 2010 to 404 762 Mt. The United States accounts for the majority of the proved world hard coal reserves with 26.8% of the total followed by China's 15.4% and India's 13.9%. South Africa is ranked as the sixth largest reserve holder with a 7.3% share.

In 2010, total world hard coal production grew by 6.3% to 3.7 billion tons of oil equivalent. China grew its production by 9% and accounted for 48% of the total global production. The United States is the second largest contributor to world hard coal production followed by Australia and Indonesia.

World seaborne coal market

Strong growth in demand for energy in the fast developing Asian economies, particularly in China and India, resulted in a 6.3% growth in the world steam coal trade to 771 Mt in 2010. The world seaborne steam coal trade is expected to grow by 4% per annum to 960 Mt by 2016 on the back of strong import growth from India and a stabilisation in demand by countries such as Japan. Nominal steam coal export prices averaged about US$100 per ton in 2010, rising to US$135 per ton in the first quarter of 2011, in response to tighter supply conditions.

Indonesia and Australia are expected to provide the majority of the increased supply by 2016.

Local production and sales

South African coal production increased by 1.6% to 254 Mt in 2010 and domestic coal sales increased in volume from 184 Mt in 2009 to 188 Mt. The value of domestic coal sales increased by 5.8% to R36-billion. The increase in local sales was as a result of Eskom building stockpiles for its power stations. Export coal sales volumes increased by 9.8% to 66.4 Mt. Income received from coal sales to the international market increased by 18.8% from R31-billion in 2009 to R36.7-billion in 2010 owing to an 8% increase in rand coal prices and higher export volumes. Total South African coal sales increased by 12% to R73.2-billion.

Coal exports

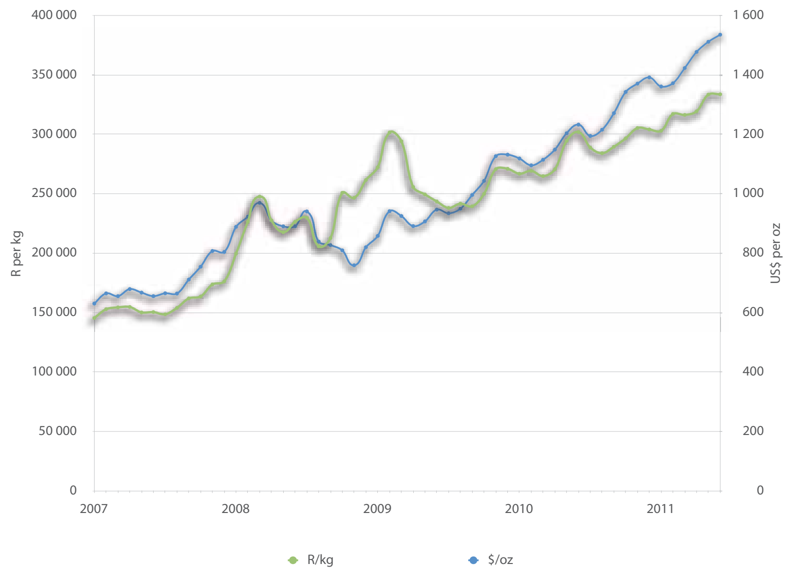
In 2010, South Africa's coal exports grew by 9.8% to 66.4 Mt. A combination of factors was responsible for this increase, including favourable spot prices during the year under review, slight improvements in the efficiency of the Coalink line, average monthly throughput at RBCT increasing, and strong growth in demand at the global level.

Coal exports to the Far East and Asia increased by 54% with India and China importing the majority (54.5%) of South Africa's export coal. Coal exports to Europe slowed considerably in the aftermath of the global economic crisis. As a result exports to Europe fell by 42%. South African exports to the

The diamond pipeline (US$ billions)(source: IDEX 2011)

	2008	2009	2010	2008/2009 y/y%	2009/2010 y/y %
Retail sales of diamond jewelry	64.8	58.70	60.17	-9.41	2.5
Value and content of diamond content in retail sales	18.4	15.90	18.20	-13.59	14.5
Value of polished from local production	19.7	12.61	17.53	-35.99	39.0
Rough sales to cutting centers	14.5	7.01	12.50	-51.66	78.3
Rough mine production	14.3	6.50	11.49	-54.55	76.8

The gold price in rand and US dollar terms



Middle East and Africa increased by 32% and 20% respectively while coal exports to the Americas jumped by147%, but off a low base.

However, a 13.2% appreciation in the rand/US$ exchange rate to R7.32/US$ in 2010 eroded much of the improvement in the dollar price.

Coal prices

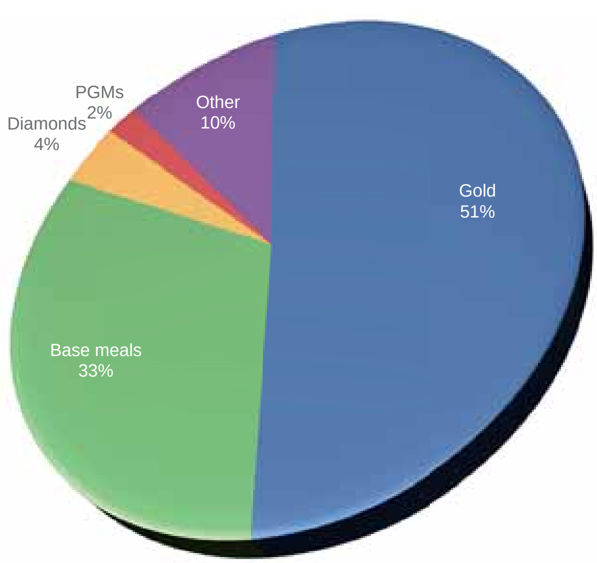
In 2010, domestic coal prices rose by only 3.7% on average to R194 a ton free on rail (FOR), while coal export prices averaged R553 ton free on board (FOB) up 8% on the 2009 average price.

Export facilities

RBCT phase V expansion was completed in 2010. It has a total export capacity of 91 Mt a year. But in 2010, total exports from the RBCT did not match up to its full export capacity as 30% of the terminals were underutilised. The main reason for the underutilisation is because of limits imposed on producers by Transnet Freight Rail's Coalink line, which was operating more than 10 Mt below its installed capacity.

Coal exports through the Durban Bulk Connection Terminal decreased from 870 Mt in 2009 to 855 Mt in 2010. Exports through the Motola Coal Terminal in Mozambique also decreased from 1.27 Mt in 2009 to 1.25 Mt in 2010.

Worldwide nonferrous exploration budgets by target, 2010 (source: MEG)



Diamonds

2010 can be defined as a year of recovery as the diamond mining sector recovered from the worst recession to hit the industry in more than half a century. The entire diamond value chain was severely affected by the global financial crisis and economic slowdown in 2008/2009. The mining sector was particularly hard hit as the curtailment in demand for cut diamonds, when combined with the high levels of stocks of diamonds in the overall diamond pipeline, resulted in a double hit on diamond mining companies, which were not only faced with a fall in consumer demand but also a virtual collapse in demand for rough diamonds as the downstream sectors tried to reduce their inventory overhang.

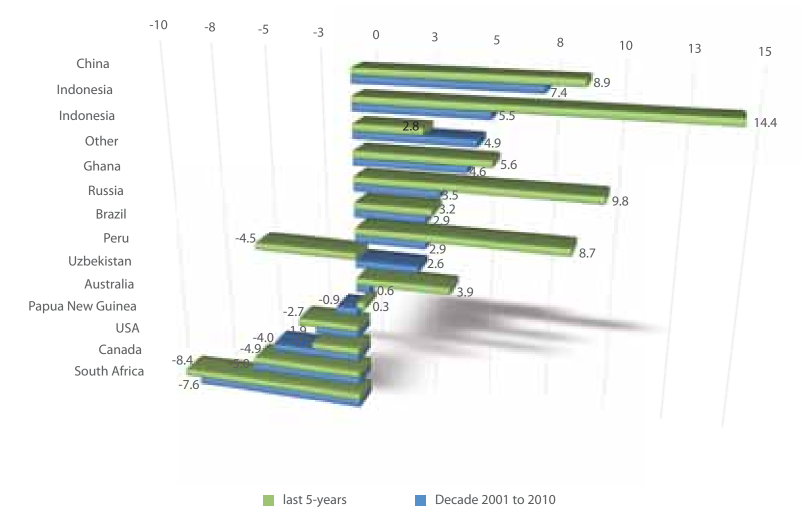
With almost 75% of cut diamonds normally destined for the developed markets of North America, Japan and Europe, the emergence of these economies from the 2009 global financial crisis, when combined with higher levels of demand in emerging markets like China and India, helped the diamond value chain stage a remarkable recovery during 2010. In 2010, global diamond retail sales rose by 2.5% to US$60-billion, global jewellery sales rose by 7% to US$150-billion and polished diamond prices improved by about 6%.

According to the DMR, South Africa's diamond mine production recovered by 45.1% to 8.9 million carats in 2010 in line with the recoveries in other major diamond producing nations, however, the number of employees in the sector fell to an average of 11 143 in 2010, earning R1.9-billion in salaries and wages.

Global diamond production

In 2010, global diamond production is estimated by the Kimberley Process Certification Scheme (KPCS) to have

Annual rate of growth (decline) in gold production from key countries (source: GFMS)



increased by 11% to 133 million carats, with the value of rough diamonds produced rising strongly by 45% to approximately US$12-billion.

Based on the KPCS numbers, South Africa contributed 10.3% of total global production by volume and 15% of global production by value in 2010. Russia at 26% of the total was the largest producer of diamonds by volume in 2010 followed by Botswana (17%) and the DRC (15%), while Botswana was the largest producer by value with a 22% share followed by Russia (20%) and Canada (19%). South Africa is the world's fourth largest producer by volume and value.

Global pipeline and demand

An analysis of the 2010 diamonds pipeline focuses on several key issues. These included the replenishment of stocks, intense speculation in the rough diamond market and, for the first time, the recycling of diamonds into the system by cash-strapped consumers. Research by the International Diamond Exchange (IDEX) concludes that the economic indicator with the most significant correlation to diamond sales is not consumer confidence but economic growth. The bounce back into positive global growth, and in particular in the traditional developed markets of the United States, Europe and Japan spurred the recovery across all components of the value chain.

Sales of rough diamonds to the cutting centres increased in line with production, growing by 78% to US$12.5-billion from US$7-billion in 2009. The value of polished diamonds escalated by 39% to US$17.5-billion, while the retail sales of diamond jewellery rose 2.5% to US$60.2-billion. IDEX estimates total jewellery sales increased by 7% to US$150-billion in 2010. The United States in particular experienced a remarkable recovery in demand with jewellery sales rising 7.7% to US$63.4-billion, which was far ahead of most analysts' predictions.

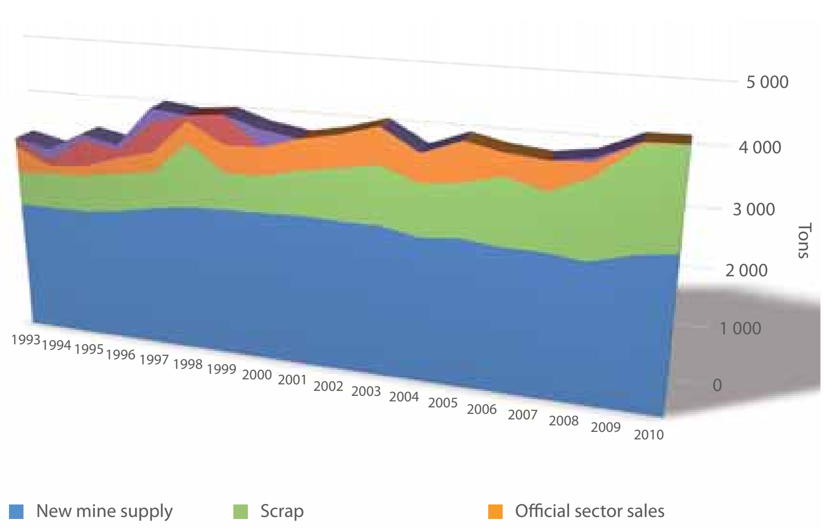
Global economic growth and strong retail confidence is expected to underpin positive consumer demand growth for diamond jewellery in 2011. Risks to global demand include global political and economic shocks, consumer price inflation, financial system fragility, and exchange rate volatility. Long-term supply/demand dynamics remain attractive.

Polished diamond prices

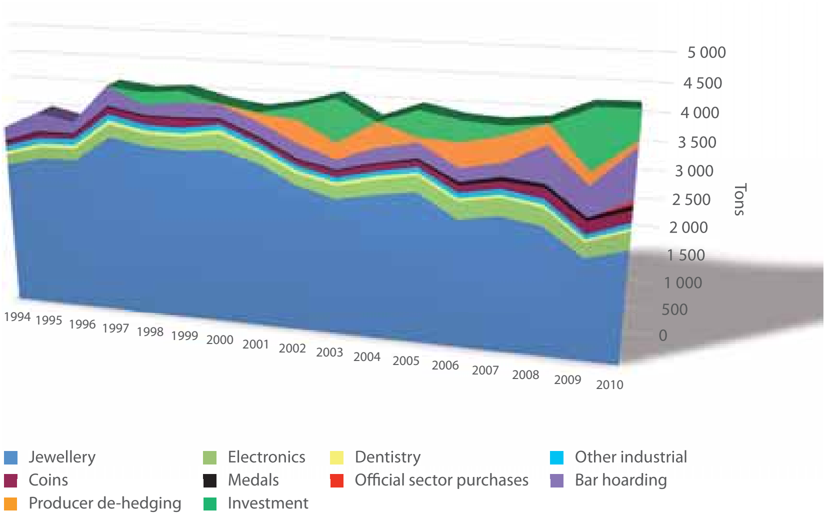
Global polished diamond prices recovered strongly in 2010. The IDEX Online Polished Price Index averaged 118.6 in December 2010, up 8.6% from December 2009 and 0.6% higher than November 2010. Polished diamond prices have historically shown an annual single digit price increase of around 2% to 3%. However, in 2008 prices rose 9%, only to fall by 13% in 2009. Polished diamond prices were up 21.9% for the first seven months of 2011.

As long as rough diamond prices continue to rise, and as long as consumer demand remains strong, diamond prices are headed higher. The diamond market is forecast to stay strong, led by the maintenance of high growth in the East, viz. China and India and a further pick-up in the United States market.

World gold supply by main source (source: GFMS)



Gold demand by application



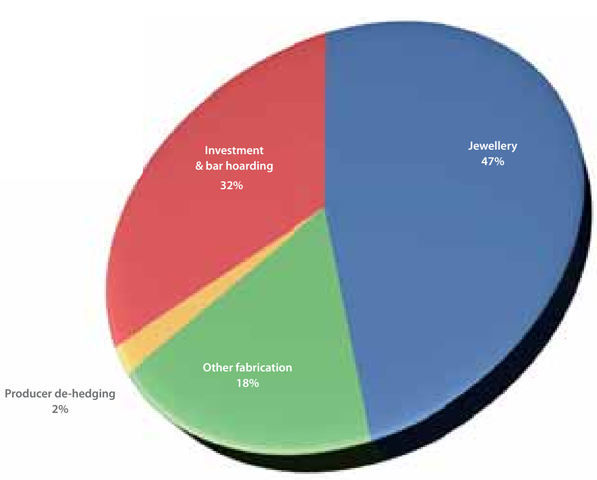
Gold

In 2010, the gold price rose to a record US$1 225 an ounce on the back of increased global uncertainty, growing demand for fabrication and physical investment and the first net central bank buying of gold since 1990. The continued fragility of the global economy combined with debt overhangs in advanced economies and vulnerable housing and equity markets continue to force policy makers in advanced economies to be cautious, which will continue to support rising gold prices.

Continued high prices and the benefits of strong gold exploration expenditure in the preceding five years have fed through into higher production in most producing countries. China reaffirmed its status as the world's largest producer with an increase in production of 8.3% to 350.9 tons, while Australia grew production by 17.1% to 260.9 tons and the United States increased production by 6.7% to 233.9 tons. South Africa's production declined by 7.5% to 203.3 tons in 2010, which means that South Africa has slipped to fifth position on global gold production annual rankings. The GFMS number for South Africa at 203.3 tons is slightly more than the 191.4 tons recorded by the Chamber as the GFMS number includes an estimate for the production of illicit gold from the country.

However, the gold mining sector remained a key contributor to the South African economy in 2010 and accounted for R53.1-billion in foreign currency earnings or 8.5% of total merchandise exports and about 2% of GDP (if the multipliers and induced effect are included). The gold sector employs 32% (or 157 019) earning R19.9-billion) of the labour employed in the mining sector and remains a key generator of employment and export earnings. The industry invested R11.1-billion in capital expenditure in the country, paid an estimated R271-million in direct taxation and R562-million in dividends.

Structure of gold demand, 4261 tons, 2010 (source: GFMS)



Prices

While implied investment demand fell by 52% to 499 tons in 2010, physical purchases of gold for bar hoarding grew by 65.7% to 880 tons and coin fabrication grew by 49.2% to 88 tons. Total investment demand for gold was 1 674 tons or 38.6% of total demand in 2010. Total fabrication demand for gold grew by 10.7% to 2 779 tons on the back of a 11.3% rise in jewellery fabrication demand and a 65.7% rise in bar hoarding to 880 tons.

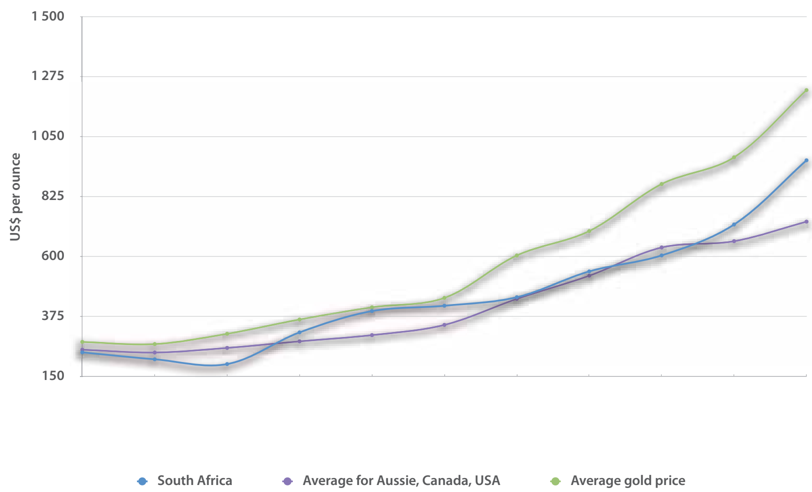
On the supply side, mine production grew by 3.9% to 2 689 tons, while scrap declined by 2.9% to 1 645 tons. With central banks becoming net buyers of gold and mining companies continuing to buy back gold to close out hedge positions, the fundamentals for the gold market continued to improve throughout 2010 and into the first half of 2011. By June 2011 the price had risen to a record US$1 535 an ounce.

In 2010, the rand gold price increased by only 9.9% to R286 403 per kilogram as the strengthening rand exchange rate eroded much of the gains in dollar prices. The rand appreciated by 13.2% to R7.32/US$. In the first half of 2011, the rand appreciated by 9.9% on a year-on-year basis to R6.79/US$, which meant that the rand price of gold rose more modestly by 13.9% to R329 192 per kilogram.

Global reserves and production

The world has an estimated known reserve of about 51 000 tons (USGS) of gold, of which Australia is the largest

Gold production total cost trends for South Africa, the average of Australia, Canada and the USA and other producers versus the gold price



holder with a 14.3% share followed very closely by South Africa and Russia with shares of 11.8% and 9.8% respectively. Globally, gold attracted the lion's share of investment in exploration and accounted for 51% of the global total of US$12-billion (MEG) in 2010.

Total world gold production increased by 7.5% to 2 689 tons in 2010, as many countries grew production in response to higher prices. Large production increases were recorded in China (up 8.3%), Australia (up 17.1%), and the United States (up 6.7%). South Africa's production continued to shrink and declined by 7.5% in 2010 (GFMS).

The global gold market

Over the past five years, total supply to the gold market has increased by an average of 1.1% a year, driven by a rise in mine supply and an increase in gold scrap. In 2010, mine supply grew by 3.9% or 62% of total gold supply. Central bank sales, which in the five years up to 2009 had contributed an average annual 356.1 tons of gold to supply was reduced to zero in 2010 as central banks turned net buyers of gold.

In 2010, demand for gold rose by 0.4% to 4 334 tons on the back of a 11.3% recovery in jewellery fabrication demand, which rose to 2 017 tons, and a 9.3% rise in other fabrication demand to 762 tons. Total fabrication demand for gold grew by 10.7% to 2 779 tons. At the global level there was a strong recovery in jewellery demand as global jewellery sales (including diamonds, pgms and gold) rose to US$150-billion, just short of the 2007 peak of US$151-billion (source IDEX).

In 2010, central banks emerged as net buyers of gold as confidence in paper currencies waned. This was the first time in 20 years that central banks were overall net buyers of gold as a reserve asset. Estimates suggest that if the Asian economies normalise gold holdings to just 15% of their total reserves, that an additional 15 000 tons of gold would be required.

Continued high levels of investment demand and a modest recovery in jewellery and other fabrication areas should provide a further collar to the gold market. This will offset the likely decline in gold demand from mining companies that have reduced their hedge positions over the past number of years.

Costs of production

In 2010, the global gold mining industry continued to face rapidly rising cost pressures as higher energy, wage and input cost inflation hit the industry. In 2010, total production costs for Australia, South Africa, Canada and the USA increased by 17% to an average US$788 per ounce. This compares to the 7% increase in costs experienced by these countries in 2009. In 2010, South Africa's average production costs in dollar terms rose by 33.5% to US$961 per ounce, which is much higher than the other mature gold mining countries.

South African production

South African gold production as recorded by the Chamber fell by 6.6% to 191.4 tons in 2010. Unfortunately, the rate of decline in South African production accelerated in 2010 when compared to the 5.8% decline in 2009. In the past decade, the country's gold production has declined by an average of 7.7% a year, which means that production more than halved in the period 2001 to 2010.

In 2010, Chamber member gold production declined by 5.7% to 160.6 tons. This production decline was mostly attributable to the 7.6% decline in the average grade processed through the mills, which fell to 3.04 grams per ton.

Revenues and costs

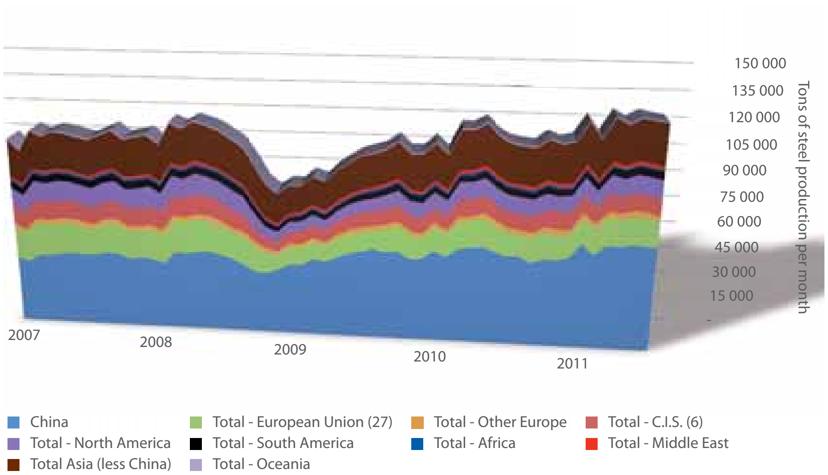
A 24.5% rise in the US dollar gold price in 2010, combined with the 13.2% appreciation in the rand exchange rate meant that the rand gold price increased by 9.9% to an average of R286 403 per kg in that year. The 6.6% decline in overall gold production combined with the 9.9% rise in the price meant that total revenue for the gold mining sector rose by about 9% to R53.1-billion.

For Chamber members, total revenue was R45.9-billion in 2010, an increase of 8.8% year-on-year. Most of the benefits of the marginally higher price were eroded by the combination of lower production and higher inputs costs, which resulted in total production costs before capital expenditure rising by 11.6% to R37-billion. The high increase in electricity costs was a major source of concern for the industry. Chamber member gold companies spent R11.1-billion on capital expenditure, which meant that total production costs including capital expenditure rose to R48.1-billion, before taxation and dividends.

Iron ore

The interconnectedness of the iron ore and steel value chain was again evident during 2010, as the recovery in the global economy fed through into growth in steel and iron ore production. The global economy recovered from a 0.5% decline in output in 2009 to record a 5.1% growth rate in 2010. Global

Global steel production has recovered to pre-crisis levels (source: IISI)



steel production grew by 16.2% to 1.4 billion tons, while the trade in global iron ore increased by 9.3% to just over one billion tons in 2010. The growth in steel production and iron ore demand is centred in the fast growing Asian economies of China and India, while non-Chinese steel production has still not quite recovered to pre-financial crisis levels. In 2010, benchmark iron ore prices moved away from the traditional annual price setting system to a new quarterly basis of determination.

Production, export and employment

South Africa's iron ore production grew steadily during the last decade in response to growing global demand and within the limits of domestic rail capacity limitations. In 2010, South Africa produced 58.7 Mt of iron ore, which was a 6.1% increase on the previous year's total. Domestic sales grew by 26.2% to 10.6 Mt while export sales grew by 6.6% to 47.5 Mt. Local sales were valued at R3.2-billion while export sales realised R40.1-billion. Total iron ore sales grew by 60% overall to R43.4-billion making iron ore the fourth largest component of the South African mining industry by sales value.

The international seaborne trade in iron ore grew by 9.3% in 2010 to just over one billion tons. Australia is the largest exporter of iron ore with a 39% share, followed by Brazil with 30% and India with an 8.6% share. South Africa's iron ore exports grew by 6.6% to 47.5 Mt and with the planned rail capacity expansions should rise to close to 60 Mt by the end of 2012. South Africa ranks fourth in the world in terms of iron ore exports, behind Australia, Brazil and India.

In 2010, the sector employed 18 216 people and paid R3-billion in wages.

Iron ore reserves and production

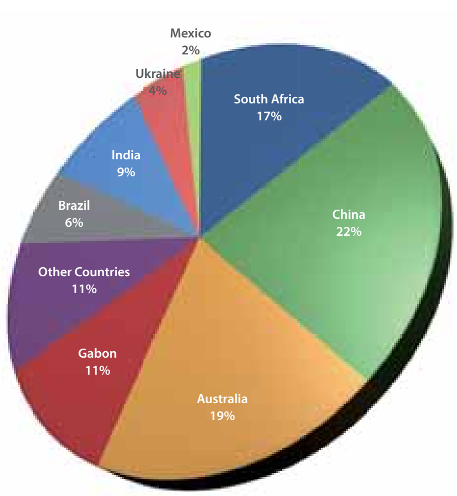
Global iron ore reserves are estimated to be 180 billion tons of crude ore with an iron ore content of about 87 billion tons (source USGS). In terms of iron content adjusted reserves, Brazil has the largest with an 18.4% share, Australia is second with 17.2% and Russia is the third largest with a 16.1% share. South Africa has a 0.7% share of iron content adjusted global reserves.

Between 2005 and 2010, world iron ore production grew by about 82% to 2.4 billion tons on a non-Fe content adjusted basis. In 2010, world iron ore production grew by about 7.1% with the bulk of the total share of production coming from China (on a non-Fe adjusted basis). While China constituted 37.5% of the total share of total non-Fe content adjusted production, its usable ore volume was close to 200 Mt (USGS), which necessitated imports of about 623 Mt in 2010 to supplement local iron ore production for steel making. Further increases in production came from Brazil, up 23% (from 300 Mt to 370 Mt); Australia up 6.6% (from 394 Mt to 420 Mt) and India 6.1% (from 245 Mt to 260 Mt). South Africa is ranked seventh in world iron ore production with a global share of 2.3%. South Africa's iron ore production increased by 6.1% to 58.7 Mt in the year under review.

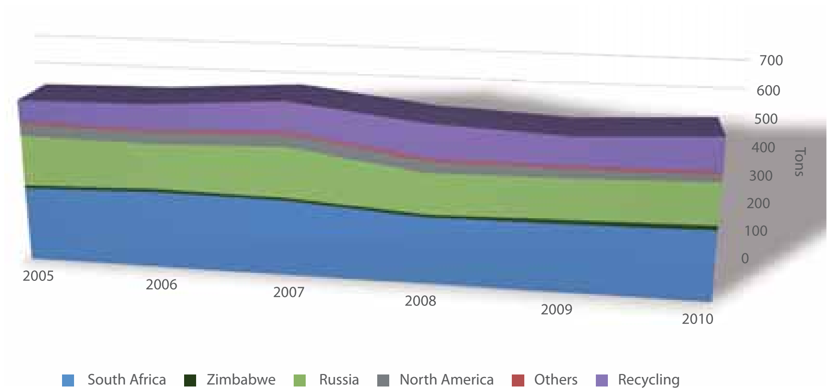
Global steel market

The key driver of rising iron ore production was the growth in world crude steel production. In 2010, global steel production increased by 16.2% year-on-year to 1 393 Mt from 1 199 Mt

Structure of gold demand, 4 261 tons, 2010 (source: GFMS)



Global pgm supply by region (platinum, palladium and rhodium)(source: Johnson Matthey 2011)



in 2009. China is the world's leader in steel production because of its domestic industrialisation and urbanisation processes and constitutes over 44% of total global steel production. Total global steel production has recovered to its pre-financial crisis high.

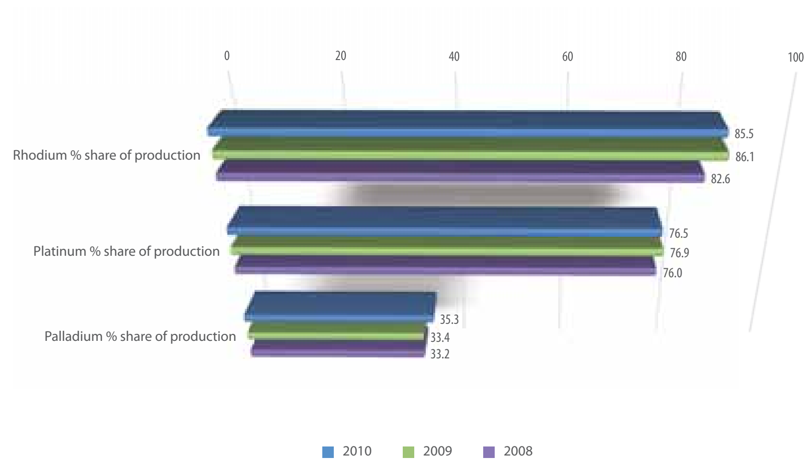
Global non-China steel production has not returned to the pre-financial crisis peak. China's steel production increased by 10.1% year-on-year to 624 Mt in 2010 and its steel production is 60% higher than its pre-financial crisis peak.

Other large steel fabricators have also increased production including Japan up 25%, India up 18%, Korea up 18% and the United States increased production by 40% in 2010.

Iron ore prices

China and India are key drivers of the global iron ore price because of their dominant position in the seaborne iron ore trade. But 2010 marked the end of the traditional annual pricing of iron ore supply contracts in favour of shorter-term pricing based on the spot market. The new price system uses quarterly contracts, and the price is set against an average of the spot market level instead of through negotiations. In 2010, the annual average contract price increased by 82.4% year-on-year to US$145.9 per dry metric ton (/dmt) while quarterly prices varied. In the second quarter of 2010, contract prices increased by 22% and fell by 14% in the third quarter of that year. But in the last quarter of 2010, contract prices rose by 13.5%. In the first quarter of 2011, contract prices were US$178.6/dmt, a 36% increase from US$131/dmt in the first quarter of 2010.

South Africa's share of pgm reserves & production (source: Johnson Matthey 2011)



Manganese

Global manganese recovered with production up by 20.4% to 13 million tons in 2010 in line with the recovery in global steel production, which rose by 16.2% to 1.4 billion tons,.

In 2010, South African manganese ore production rebounded by 56.6% rising to 7.2 million tons. Total sales rose by 90.8% to R10.7-billion on the back of higher production and prices.

South African manganese mines employed 5 879 people and paid R946-million in wages and salaries in 2010. The manganese industry also contributed 1.5% to the country's total merchandise exports.

Global reserves and production

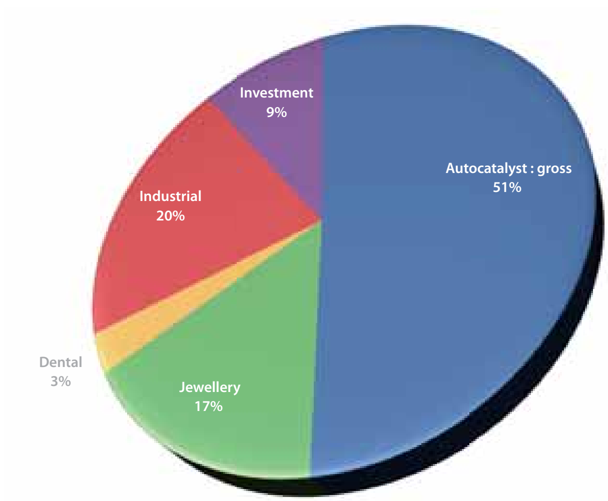
The global reserve base of economically mineable manganese is estimated to be 630 Mt of which the Ukraine has a 22% mineable share, South Africa has a 19% share and Brazil has a 17.5% share. In 2010, manganese ore production revived in line with the recovery in global steel production. Total global manganese ore production increased by 20% to 13 Mt in 2010 from 10.8 Mt in 2009. South Africa accounted for 17% of world production, while China was the largest producer accounting for 22% of the global total. At the same time Gabon increased its productions by 59% while India and Australia also increased their production levels by 12% each.

Alloy and steel production

Manganese is used as an alloying element in steel and more than 90% of manganese ore is used in ferroalloy production. Thus the performance of the manganese alloy industry is a key determinant of ore demand. Ferro manganese production is driven by global steel production, which recovered strongly in 2010. Global steel production increased by 16.2% to 1.4 billion tons in 2010.

In response to rising steel production and increased demand for ferroalloy production, alloy smelters boosted production in 2010. Ferroalloy production surpassed 14 Mt in 2010 after falling to below 12 Mt in 2009, a rise of 25% year-

Pgm demand by application, 2010 (source: Johnson Matthey 2011)



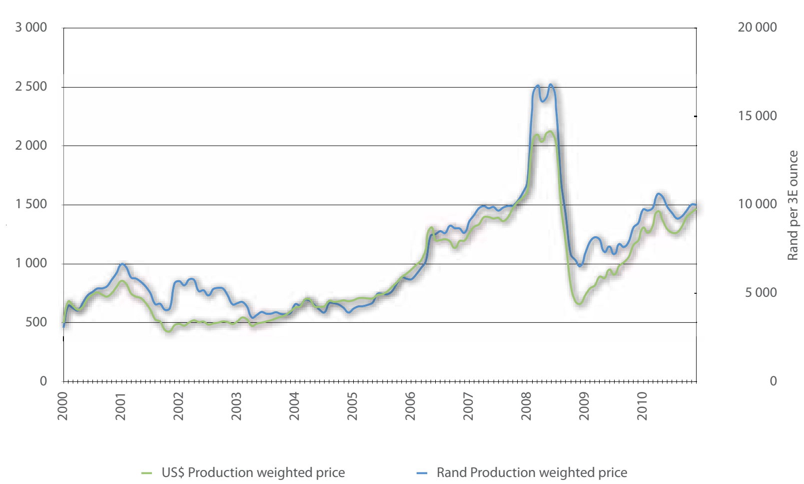
on-year. Production of all three types of manganese alloys grew strongly in 2010: HC FeMn production rose by 33% to 4.4 Mt after dropping to 3.3 Mt in 2009, Ref FeMn production increased by 50% to 1.5 million tons and SiMn rose by 18% to 8.7 Mt in 2010.

Prices

In 2009, the global manganese market was negatively affected by the economic crisis and the decline in global steel production. However, improving global fundamentals and higher demand led to a recovery in prices in 2010. The cost, insurance and freight (CIF) price of manganese ore for the first quarter of 2010 was US$6.5 per Mn 1% and that for the third quarter rose to a level of US$8.7 per Mn 1% CIF, but the price for the fourth quarter returned to US$6.5 CIF.

South Africa manganese ore export prices rose by 24% in rand terms as the appreciation in the rand/dollar exchange rate eroded the benefits of higher dollar prices.

3E production weighted pgm price for South Africa, 2000-2010 (source: Johnson Matthey 2011)



South African Production

Primary manganese ore production increased by 57% in 2010 to 7.1 million tons coinciding with the global economic recovery. Of the total production, 5.9 million tons was exported while 17% of the total production was consumed locally. Total sales amounted to R10.6-billion. Export sales accounted for majority of the total sales figure amounting to R9.3-billion (2009: R5-billion) while local sales amounted to R1.3-billion (2009: R580-million). Export sales and local sales increased by 90.8% and 126% from 2009 respectively. The average unit value of manganese exported amounts to R1 560 per ton up by 24% from R1 258 per ton in 2009.

Infrastructure

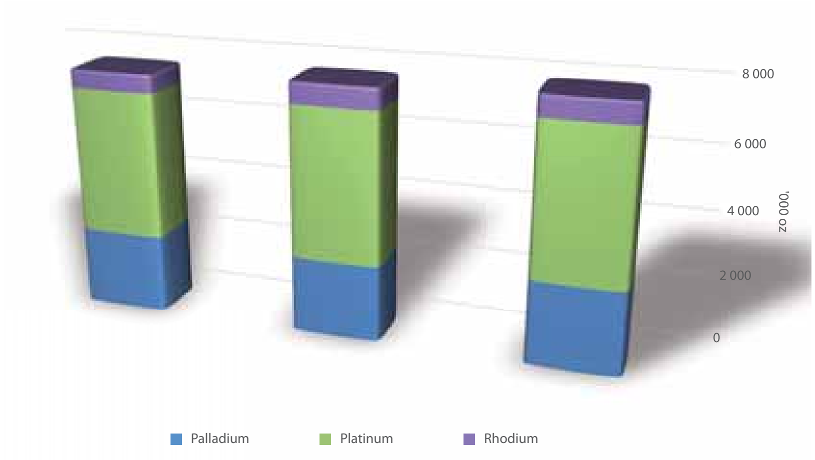
The reliance of the manganese industry on shipping export product by road speaks volumes about the industry's rail infrastructure constraints. However, Transnet is now moving to improve and to reinforce the capacity of the Northern Cape to Port Elizabeth railway line, which should help improve the volume of manganese exported by rail. Currently the ports at Durban and Port Elizabeth cope with 0.5 Mt and 4.2 Mt of manganese a year. However exports at these ports are expected to increase to six million tons a year for Port Elizabeth and three million tons for Durban by 2012/13.

Platinum group metals

Platinum group metals (pgms) have a wide range of industrial and high technology applications. Demand for platinum is driven primarily by its use in autocatalysts and in jewellery, though palladium is also becoming a favoured metal in these areas. Platinum has many other applications, predominantly in the chemical, electrical, medical, glass and petroleum industries.

The pgm market did well in 2010, with a significant recovery in demand from the autocatalyst and industrial markets, growing demand from the jewellery sector and increasing investor interest in the platinum and palladium markets, primarily through exchange traded funds (ETFs). Whilst growth in the major advanced economies remained restrained, the recovery in large emerging economies such as China and India helped lift commodity prices.

South Africa's pgm Production (source: Johnson Matthey 2011)



However, the South African economy failed to benefit from this robust global demand for commodities and higher prices as domestic constraints held back large increases in production.

The recovery of the global economy in 2010 helped push the gross demand for platinum upwards by 16% to 245.1 tons from 211.5 tons in 2009. Supply in the market also increased and, as a result, the platinum and palladium markets remained balanced. The rhodium market experienced a reduced surplus owing to improved autocatalyst demand.

Supplies from mining operations remained relatively flat at 188.5 tons while open loop recycling of platinum increased to 57.2 tons. The platinum market tightened in 2010 and ended the year very close to balance, with a 0.6 tons surplus. Platinum's average price for 2010 was an all-time high in dollar terms, of US$1 611 an ounce.

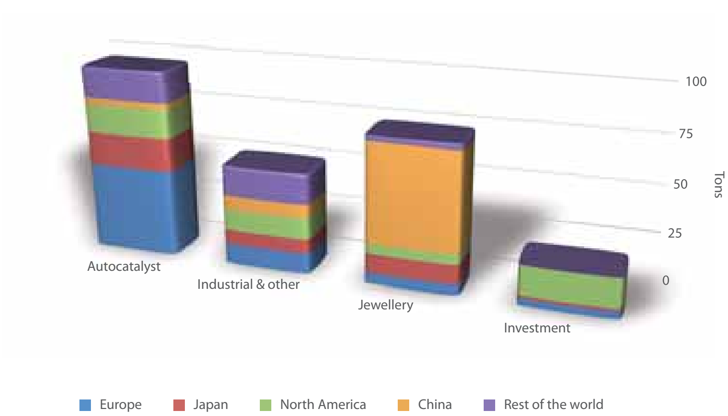
Global pgm reserves and production

Global pgm supplies including scrap, totalled 547.7 tons in 2010. This was 4% higher than the 2009 level. South Africa was the largest contributor to this global total and accounted for approximately 244 tons, followed by Russia at 143.5 tons.

Platinum supplies from mining operations increased by one ton to reach 188.5 tons in 2010. Production from South Africa remained flat at 144.3 tons while increases in supply from Russia and Zimbabwe were largely offset by decreases in North America and elsewhere. The total supply of platinum from Russia increased by 1.2 tons in 2010, while production in North America fell by 1.5 tons. Zimbabwean platinum supplies grew by 1.5 tons.

In 2010, South Africa accounted for 85.5% of primary rhodium production, 76.5% of primary platinum production and 35.03% of primary palladium production.

Platinum demand by application and country/region, 2010 (source: Johnson Matthey 2011)



Global demand for pgms

Global pgm demand grew by 20% from 493.8 tons in 2009 to 590 tons in 2010. The bulk of this growth was because of developments in the autocatalyst market.

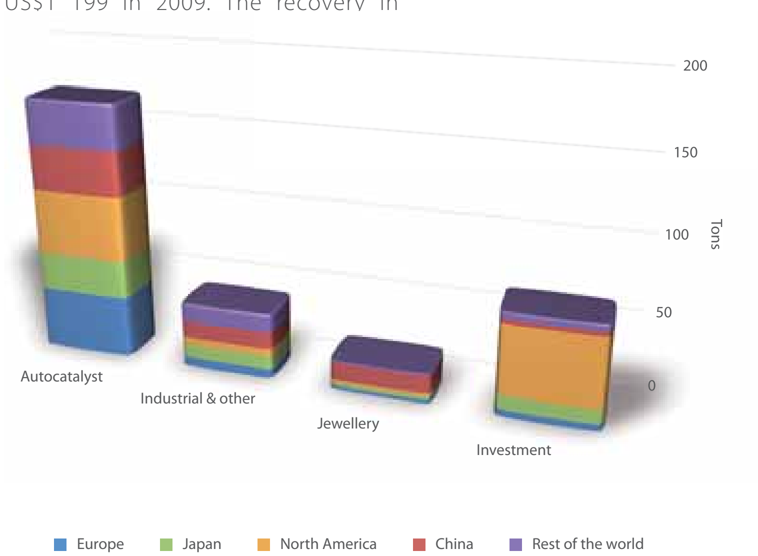
A rise in vehicle production across all regions in 2010 helped drive up demand for platinum in autocatalysts. With an improved global economic outlook in 2010, vehicle manufacturing increased worldwide and reached 78 million units, an increase of almost 16 million compared with 2009. This movement was the driver behind the 43% growth in gross platinum demand in the autocatalyst sector to 97.4 tons. The biggest demand for platinum for the purposes of diesel autocatalysts came from the European region – a growth of 51% to 45.7 tons. The increased production of heavy duty diesels worldwide accelerated platinum demand as did more stringent heavy duty diesel emissions regulations in the United States, which resulted in an increase in platinum catalyst loadings. Although the use of platinum in autocatalysts has fallen from its peak in 2007 as partial substitution with palladium occurred, platinum remains the dominant component of diesel emissions control systems.

Prices

The average dollar price achieved for platinum was US$1 611/oz for the year; a 34% increase compared with

Palladium demand by application and country/region, 2010 (source: Johnson Matthey 2011)

US$1 199 in 2009. The recovery in



industrial and automotive demand in the early part of 2010, as well as the increased demand for platinum-backed ETF's pushed prices up to US$1 700/oz in the early part of the year. The sustained demand for investment platinum in the latter part of the year pushed prices to an all-time high of US$1 786 in November 2010. The production weighted rand basket price for pgms rose by 28.4% from 2009 to R316 181.8 per 3E kilogram of pgms produced.

South Africa's contribution to global production

South Africa's pgm production increased marginally by 0.1% from 238.3 tons to 244.2 tons in 2010.

The pgm sector employed 181 969 workers and paid approximately R26.7-billion in salaries and wages in 2010.

The proper management of risk is essential for the sustainability of the industry. The risks facing the domestic industry include foreign exchange exposure with a fixed domestic cost base. Furthermore, the implementation of new mining legislation and the possibility of further taxes could deter investment in the industry. Also, the possibility of power outages and the unavailability of infrastructure could impact output levels and therefore foreign exchange earnings.

Platinum

The global platinum market was almost in perfect balance, with a surplus of just 0.6 tons in 2010. Supplies from mining operations remained relatively flat at 188.5 tons, while gross demand increased by 16% to 245.1 tons. Platinum recycling increased by almost a third to approximately 57.2 tons in 2010. Gross demand for platinum in autocatalysts increased by 43% to 97.4 tons in 2010 as the global automotive sector bounced back from poor levels in 2009. Increased vehicle production in Europe in particular benefited platinum demand. Gross industrial demand for platinum increased by 48% to 52.6 tons in 2010, led by growth in the glass and chemical sectors. Resurgent demand for platinum from the electrical, chemical and glass sectors came as a result of economic recovery in traditional markets such as Europe and North America, and substantial new demand as manufacturing capacity increased in China and other parts of Asia. Gross demand for platinum from the jewellery sector fell by 14% to 75.3 tons in 2010 mainly because of lower Chinese demand. Demand from the Chinese jewellery was at 51.3 tons. This represented a fall of 21% compared with 2009 when lower platinum prices encouraged exceptional levels of stock building and sales.

A key feature of 2010, was the size of the investment market for platinum. Over the past three years, growth in investment has increasingly influenced the metal's price, while the price has in turn influenced investment levels. The total cumulative volume of platinum allocated in various physically-backed ETFs around the world exceeded 37.3 tons in December 2010. Open loop recycling of platinum contributed 57.2 tons to the market in 2010. With the resurgence in the automotive sector, the level of platinum recovery from end-of-life vehicles increased to 33.9 tons. This was boosted by the returns from car scrappage schemes that increased the volume of platinum from older vehicles processed through the recycling system. The high metal price in 2010 also helped incentivise recycling in the jewellery sector, lifting the total jewellery scrap figure to 23.2 tons.

Palladium

The palladium market experienced a deficit of 15.2 tons in 2010. Supplies of palladium increased by 3% year-on-year to 226.7 tons, while gross demand increased by 23% year-on-year to 299.5 tons, its highest ever level. Open loop recycling of palladium increased by 29% to 57.5 tons. A strongly performing automotive sector in all regions pushed up gross demand for palladium in autocatalysts by 35% to 169.5 tons in 2010. The demand for palladium ETFs increased by 74% and gross industrial demand for palladium increased by 2.2 tons to 76.8 tons in 2010. Palladium jewellery demand softened by 20% to 19.3 tons in 2010.

Consumer purchases of palladium jewellery continued to grow in Europe and North America, however, demand declined in China, reducing by around a third to 11.8 tons, as high prices and high manufacturer stock levels affected new purchases. Investment demand for palladium grew by 74% compared with 2009, the highest rate of growth in any of the demand sectors. Investors dug deep into ETFs as the palladium price climbed rapidly at the end of 2010; between the end of November and the end of December, palladium's price increased by around US$100/oz, and total ETF holdings increased by 6.2 tons. A feature of investor sentiment for palladium in 2010 was the anticipation of potential future supply shortfalls. This, together with strong demand throughout the year, underpinned the dynamics of the palladium market and accounted for much investor interest and also partly explained the price performance. The recycling of palladium from the open loop sources of automotive, electrical and jewellery sectors totalled 57.5 tons in 2010, approximately one third higher than in 2009. The majority of this metal, 41.4 tons, came from scrapped autocatalysts. This sector witnessed a substantial increase in the amount of palladium recycled in 2010 as higher numbers of end-of-life vehicles were returned for recycling. Recycling of electrical components also increased as did recycling of old and unsold palladium jewellery, largely driven by higher prices.

Rhodium

The rhodium market tightened in 2010, and ended on a surplus of 3.5 tons. Higher levels of purchasing by the global automotive sector underpinned a rise in gross demand for rhodium. The largest share of demand came from use of rhodium in gasoline three-way catalysts. All markets apart from Europe saw an increase in demand for rhodium in autocatalysts. Increased capacity utilisation and construction of new plants in the chemical and glass sectors further stimulated rhodium purchases. Gross purchasing strengthened by 17% to reach 22.5 tons in 2010. Industrial demand for rhodium increased with better economic conditions worldwide in 2010. The glass industry increased purchases by 200% compared with 2009 as new demand for glass in electronic goods and for glass fibre in the construction industry prompted the building of new and replacement manufacturing capacity.

Demand for rhodium from the chemical sector increased by 25% to 2.1 tons as plants were run at higher capacity and new oxo-alcohol plants were constructed. Recycling of rhodium in the autocatalyst sector increased by 26% to 7.3 tons driven by higher metal prices that encouraged greater recovery from scrap. Levels of recycling were also boosted by end-of-life vehicles from car scrappage schemes that worked their way through the recycling chain during 2010. With strong recovery in the automotive sector, the rhodium price traded on average 54% higher than in 2009, at US$2 458 supported by good physical purchasing in early 2010.

Outlook

Pgm demand is likely to remain strong, given the current growth trends in China and India in particular. It is important to note that excessively high commodity prices and domestic inflationary pressures may impact future prospects in these countries. Currently, the economic growth across the world is driving demand for platinum in industrial uses. Palladium demand is driven by the use of the metal in electronics manufacturing and in emissions control catalysts for gasoline vehicles, particularly in China. The jewellery sector will continue to be an important area of demand for platinum but will be less so for palladium. The growth of activity in the investment market as evidenced by significant buying during the period of rising prices at the end of 2010, suggests that ETFs are likely to be a significant part of overall platinum demand in the future.

ECONOMIC POLICY

Introduction

As a small open trading economy that accounts for 0.6% of global GDP, South Africa was clearly going to move in synchronisation with the changing fortunes of the global economy. In 2009, the local economy recorded a 1.7% decline; similarly, it recovered by 2.8% in 2010. However, the changing fortunes of the global economy have highlighted a number of structural weaknesses in the South African economy that were perhaps exacerbated by the global crisis.

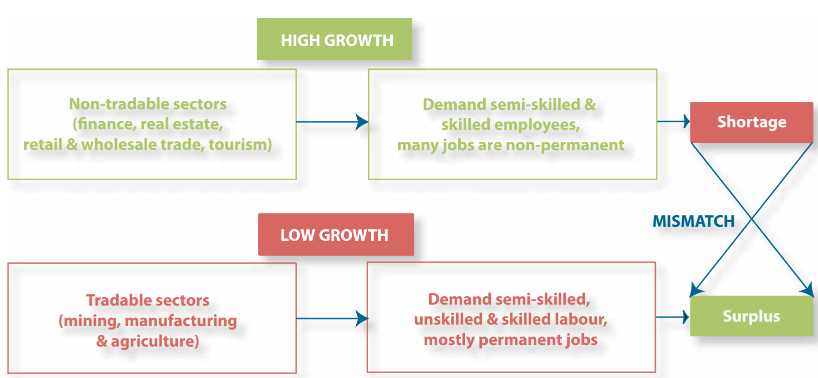
South Africa has tended to follow the prospects of the advanced economies from an economic growth perspective rather than following the growth trends of the fast growing developing economies. The reason for this is that South Africa's economy is very similar to the advanced economies. Services and consumer demand make up about two thirds of the economy, with industry making up the balance. South Africa has a low domestic savings rate and tends to rely on foreign capital to fund fixed investment, which is similar to the low savings rates of many of the advanced economies. Fixed investment at just over 20% of GDP is almost exactly the advanced country average. With a world-class banking and financial system, South Africa's consumers have access to readily available credit and much of the country's growth rate over the past decade has been driven by credit fuelled consumer purchases and high import volumes. Much of South Africa's economic activity is demand driven while most developing economies tend to be driven by investment in the supply-side and an export focus.

The economy is structurally geared not to create employment

A significant challenge for the country is that the economic structure and the growth that comes predominantly from the demand side of the economy are insufficient to create meaningful employment. The unemployment situation is exacerbated by the fact that the growing demand side traditionally employs semi-skilled and skilled workers while providing little opportunity for unskilled workers. The tradable export sectors traditionally used to provide employment for the unskilled, semi-skilled and some skilled workers, yet it is these sectors that have not grown in the past decade. The country's skewed growth favouring the demand side of the economy is exacerbating the structural mismatch in the labour market resulting in persistent high levels of unemployment.

The non-tradable, mostly service sectors of the economy have grown by an average of 4.1% per annum over the past decade, against a much more modest 1.1% growth rate for the country's tradable export sectors in the same period.

The differentiated growth profile between the non-tradable and tradable sectors has created a structural mismatch in the labour market



"Government recognises the critical importance of improving the growth rate of the country's tradable export sectors as this should contribute to a lowering of unemployment in the unskilled and semi-skilled labour categories."

The two central challenges of demand side economic growth are that it creates imbalances in the labour market and leads to external imbalances as consumer driven growth is very import intensive. Low savings rates and rising imports also exacerbated external imbalances with the current account of the balance of payments ballooning out to 7% of GDP in 2008.

Increasing the growth performance of the tradable export sectors would also raise the country's overall economic growth rate and increase labour absorption capacity. Achieving a higher, more balanced and more labour intensive economic growth rate would reduce the country's high unemployment and poverty rates. The growth has to be higher, balanced (between the tradable and non-tradable sectors) and more labour absorptive to mitigate the country's social and economic problems.

The New Growth Path

The tradable sectors should be provided with an enabling environment to achieve growth rates similar to the non-tradable sectors. This is reflected in the New Growth Path (NGP) document released by the Department of Economic Development in November 2010, where the government recognises the critical importance of improving the growth rate of the country's tradable export sectors as this should contribute to a lowering of unemployment in the unskilled and semi-skilled labour categories, where most of South Africa's unemployed youth are located. The NGP places employment creation at the centre of economic policy making and plans:

- to create five million jobs in the next 10 years
- to increase the labour intensity of the economy to absorb more labour
- to raise the country's economic growth rate to 4% to 7% per annum
- to target the sectors that can provide employment and economic growth (including the mining and beneficiation sectors). This is akin to promoting a more balanced economic growth rate
- to improve the level of social dialogue between business, government and labour to plan for the future.

The NGP recognises that the private sector is the key driver of economic growth and employment creation. The NGP proposes a two-tier approach to the strategies for creating the growth and jobs

At the macro-economic policy level:

- The South African Reserve Bank (SARB) will pursue a more active monetary policy (lower interest rate), which will still target low inflation but do more to support a weaker exchange rate and reduce the costs of investment
- Weaken the exchange rate to a more competitive and stable level (proposals include a sovereign wealth fund to neutralise capital inflows and aggressive buying of dollars by SARB)
- Pursue a more constrained fiscal policy stance and to use counter-cyclical fiscal policy to support achieving lower inflation.

At the micro-economic policy level:

- Targeted measures to control inflation. Measures include a more active competition policy, the development of a social pact where social partners limit salary and cost increases and agree to improve savings rates. The NGP is recommending the adoption of a "Prices and Incomes" policy
- An active industrial policy through the Industrial Policy Action Plan, which aligns policies across government departments, improves the role of development frinance institutions (DFIs) in funding development, promotes innovation and productivity, helps with skills development, improves infrastructure and improves the efficiency of the state
- A more active competition policy to increase competition and reduce monopolistic practices. The NGP proposes forced divestiture as a remedy, plus possible competition law exemptions for mergers that create high employment
- Increased investment in public infrastructure (energy,

transport, water, housing and communications)

- A stronger rural development policy
- Improving education and skills. The NGP targets an extra 30 000 engineers by 2014 and 50 000 artisans by 2015. It targets 1.2 million workers for on-the-job skills improvement programmes by 2013, and one million enrolments in further education and training colleges by 2014
- To promote enterprise development, the NGP focuses on Small, Medium and Micro Enterprises (SMMEs) and includes the principles of payment to SMMEs within 30 days, to reduce red tape and improve access to microfinance.
- To incentivise job creation within the Broad Based Black Economic Empowerment (BBBEE) codes.
- To enhance productivity via labour policies. This includes the development of a national productivity accord supplemented by workplace agreements
- To promote research and development spending in the economy with a target of 1.5% of GDP by 2014
- To leverage trade policy for greater trade within Africa.

The macro-economic policies that the government has adopted since 1994 have been pragmatic and have earned South Africa accolades for being prudent and sensible. Artificially trying to tweak macro-economic policies will result in unintended economic outcomes down the road. Inflation will rise, interest rates will become more volatile and the investment planning horizons will become shorter, which will all deter investment and growth.

The implementation of an active industrial policy may appear to be constructive, however, the Department of Trade and Industry's IPAP2 is mainly focused on a wish list of potential outcomes with some government interventions. IPAP2 does not address the fundamental constraints facing business. These fundamentals include the protection of property rights, the lowering of the cost of doing business, red-tape, infrastructure and so on. Very little detail is provided in IPAP2 on how constraints will actually be dealt with. Every piece of government policy and legislation should be subject to proper regulatory impact analysis to determine the real costs and benefits of the proposals. This would help reduce red tape and encourage growth and transformation.

The best way to unblock South Africa's infrastructure is through greater private sector participation in areas such as heavy haul railway lines and electricity generation. The private sector has an excellent track record of investment and operational efficiency and will be able to secure appropriate funding for such investment.

Perhaps one of the biggest issues around the NGP is the concept of the development of a social pact between governments, business and labour to create a unified agreement that depreciates the exchange rate, caps price and wage inflation, promotes developmental investment and helps increase the economic growth rate and employment creation growth rate. While there is no argument against the need for greater cohesion between government, business and labour, the prescriptions for growth in the NGP proposed social pact are in many areas problematic and could exacerbate the creation of breaking points in the economy.

Growth and job creation

The primary objective of any effective growth strategy should be to focus on ways of creating an enabling environment for the business sector to thrive and grow. The business sector can only grow if it is provided with an enabling environment that is globally competitive, predictable and stable.

A shared understanding of the fundamental issues affecting South Africa's competitiveness needs to be developed by government, business and labour for the whole economy. The country has a number of competitiveness strengths that can be built on. These include being a constitutional democracy, with the rule of law and a working legal system where rights can be protected, good infrastructure (but not enough of it), a world-class private sector, good research and development capabilities, excellent investor protection, good business sophistication, good macro-economic policies and macro-economic stability, well developed financial markets and services and efficient supply of goods.

Micro-economic reform is the key to higher growth

South Africa has a number of competitiveness weaknesses that need to be addressed to enable higher investment and growth. These include:

- a poorly performing education system
- a preponderance of red tape
- an inefficient civil service
- high levels of crime and corruption
- challenges in the labour market
- poor infrastructure delivery mechanisms
- policy instability, over 3 000 pieces of legislation have been changed in South Africa over the past 16 years
- poor public health services and outcomes.

Government needs to develop a road-map to resolve each of these issues and to address the fundamental constraints affecting investment, growth and employment creation.

Inputs on economic policy

During the course of the review period, the Chamber continued to participate in the Standing Committee on Economic Policy in BUSA and via BUSA provided input into NEDLAC, it also participated in the BUSA meetings with the President and Cabinet. The Chamber also led the business input in the presentation on the national budget to the NEDLAC Executive Council. The Chamber has provided input to the process dealing with the development of the New Growth Path, including presenting the mining industry case at the Department of Economic Development's conference on the NGP.

The significant work completed during the MIGDETT process has not only helped elevate mining onto government's radar, but has facilitated more engagement between the Chamber and other departments on the key constraints. For example, meetings with the Department of Public Enterprises furthered the discussions on what to do about the rail limitations holding back the mining sector.

The Mineral Royalty Act

At the beginning of May 2010, the Mineral and Petroleum Royalty Act was implemented by government. The Chamber facilitated a number of discussions on the interpretation of the Royalty Act for the iron ore and coal sectors. In the case of iron ore, the Chamber, together with its members, helped develop a comprehensive interpretation note on iron ore that was then discussed with South Africa Revenue Service (SARS).

Beneficiation

In June 2010, the DMR produced the final Beneficiation Strategy for South Africa, which provides a high-level strategy for the promotion of beneficiation in South Africa. In essence, the strategy proposes the establishment of task-teams for each of the top 10 minerals to undertake detailed investigation into the beneficiation potential of minerals. The Chamber provided substantial inputs to government during the development of the strategy and will play a key facilitating role in terms of the commodity discussions.

The Chamber has been involved in the Chamber Diamonds Task Team, which is a team of member companies dealing with the challenges facing the diamond sector brought about by the Diamonds Amendment Act and Diamonds Export Levy Act as well as the State Diamond Trader and Precious Metals and Diamonds Regulator. The Chamber facilitated many meetings of the task team, developed a comprehensive document detailing the issues affecting the diamond sector and participated in a number of meetings with government on these matters.

Carbon taxes

In response to the discussion document on carbon taxes released by National Treasury in late 2010, the Chamber's economics team developed a detailed submission for Treasury that was approved by the Executive Council in early 2011. The mining industry accepts the precautionary principle about acting against climate change, but suggests that a carbon tax is merely one of a suite of measures that could be implemented over time to insure against climate change. The Chamber's submission focused on the critical need to retain export competitiveness in

the carbon intensive export sectors, the development of appropriate incentives to promote energy efficiency and offsets against the carbon tax. Treasury is expected to produce a detailed second discussion document in late 2011. The Chamber also participated in a series of round-table discussions organised by the National Planning Commission that highlighted the industry's point of view.

Road transport

Currently more than 70 Mt of mineral products are transported annually by road in South Africa. The major portion of this is sand and aggregate transported over relatively short distances throughout the country. In Mpumalanga, large tonnages of coal are transported by road over varying distances in a relatively small area of the province to Eskom power stations.

During the past year, 30.5 Mt of coal was delivered to power stations and several million tons was transported by road to other users.

This excessive use of road transport resulted in severe damage to roads, traffic problems and road accidents involving trucks. While Eskom has plans to reduce its dependence on road transport it is unlikely that large-scale road transport of coal will be eliminated or reduced to insignificant quantities in the foreseeable future.

While the major visible impact of the excessive road transport is the damage to public roads, the large numbers of heavy trucks also cause traffic congestion and are a major road safety hazard. There are also less visible impacts, including environmental damage caused by coal spillage and pollution caused by some hauliers maintaining their vehicles on agricultural or residential land.

The coal mining industry has undertaken a number of initiatives to mitigate the negative impacts of coal transport by road. The most important of these is the development and promotion of the Road Transport Management System. The implementation of the system was delegated to the South African Colliery Managers Association (SACMA) that established the SACMA Road Maintenance Stakeholders Forum to deal with road transport issues. The forum comprises representatives from Chamber members and Eskom, coal producers that are not Chamber members and hauliers. The forum interacts with the provincial government on road transport matters and co-ordinates the financing of road repairs and rehabilitation by Eskom and mining companies.

Lately coal producers also co-operated with Eskom refusing to load or offload trucks belonging to hauliers that permit unsafe driving or driving in misty conditions.

Rail transport

The Freight and Logistics News Service, *IFW*, reported during July 2011 that Transnet Freight Rail (TFR) had missed most of its efficiency and productivity targets in the 2010/11 financial year.

Efficiency and productivity are measured by the number of trains making on-time departures and arrivals and the average number of minutes they are delayed. TFR witnessed an increase of 90.2% in delayed departures during the year, with the average delay in departures being 350 minutes – up from 160 minutes the previous year and missing the set target of 184 minutes. On-time arrivals for the general freight business were missed by 82.4%, with average delays of 434 minutes, up from 265 minutes the previous year. The company failed 14 of its 19 efficiency targets, prompting it to return to its model of offering scheduled services, which was abandoned in 2008 when the recession brought a drop in customer demand. The general poor performance was also reflected in the performance of the Richards Bay coal line, where in the first six months of 2011, only 28 933 826 tons was delivered to the RBCT.

TFR management advised the Chamber that a maintenance shutdown during May and June 2011 had been completed successfully and that the remaining challenges, involving drivers and work procedures, were being addressed.

TFR management was comfortable that the coal line could deliver 74 Mt during 2011

Coal deliveries at RBCT since the completion of the maintenance shutdown indicate that there was an improvement in tonnages railed after the resumption of operations.

If the performance recorded during July 2011 can be sustained for the remainder of the year, deliveries for 2011 may exceed 64 Mt.

The Chamber continues to interact with TFR to improve the co-operation and mutual understanding between TFR and the coal mining industry.

Coaltech research association

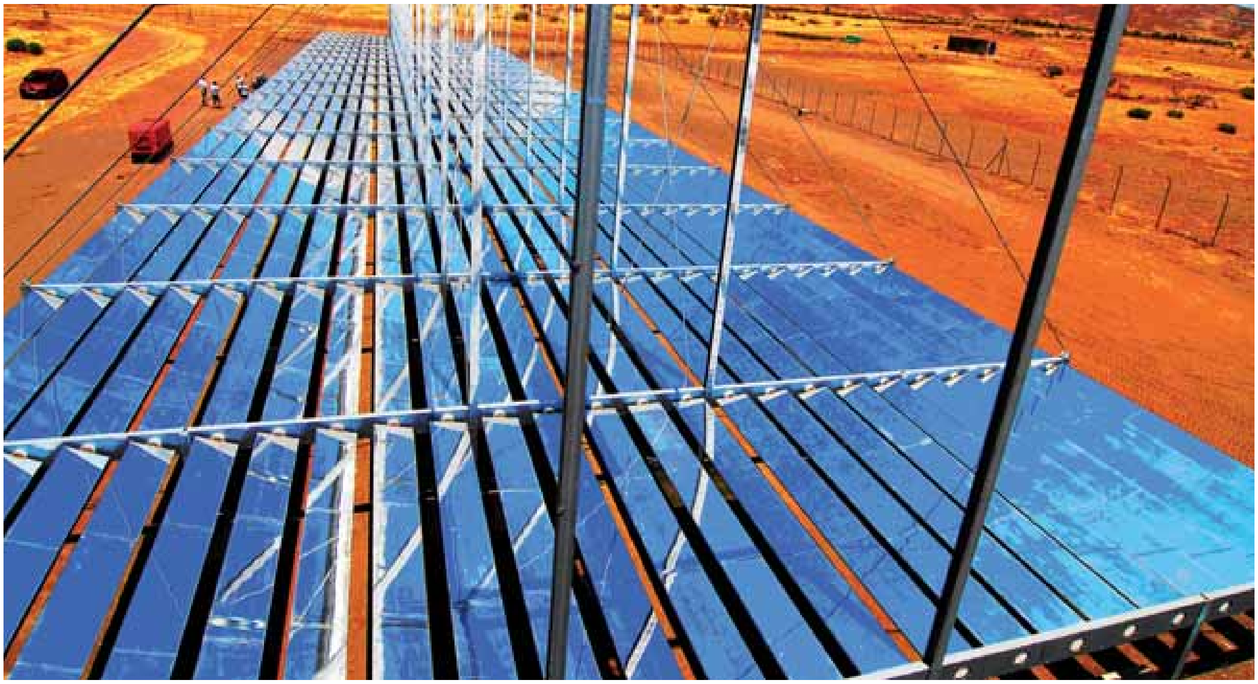
Research through the year focused on broad programmes such as the Waterberg coalfield, dry beneficiation of coal, improved utilisation of coal resources, energy savings and efficiency and various environmental issues as previously agreed upon by shareholders. Some of the highlights for the year under review include:

- To respond to the national drive for improving energy efficiency, Coaltech is undertaking a project to record leading practices for energy savings in the coal mining industry. It will assist collieries to achieve the savings targets envisaged by the National Energy Efficiency Strategy
- Development of best practice guidelines for the prevention and control of spontaneous combustion in collaboration with the University of the Witwatersrand
- Dry beneficiation of coal through the FGX air jig as well as X-ray sorting machines with the support of various Coaltech shareholder companies
- Measurement of greenhouse gases at various underground, surface and even abandoned mines. A major breakthrough in this regard was the fact that Coaltech's data for fugitive emissions from South African coal mines was internationally accredited by the Intergovernmental Panel on Climate Change. One implication of this is that the 40 Mt of CO_2e fugitive emissions from the South African coal mining industry as quoted in government's draft green paper should be reduced to CO_2e equivalent of only 3.40 Mt for all the greenhouse gases from underground and surface mines (interim results). The measurements for abandoned mines are continuing
- Finalisation of a proposal supported by South African National Biodiversity Institute and the CSIR to repair partially damaged wetlands and to rebuild damaged wetlands
- Development of guidelines for the use of the Floxal fire inertisation unit during fire or other emergencies with the assistance of Mines Rescue Services
- Investigating the possibility of building artificial wetlands to treat contaminated mine water in collaboration with MineWaterTech from Germany.

To stay abreast of new developments and to address the challenges of the South African coal industry, Coaltech recently revisited its strategy to ensure better alignment with its shareholders' needs. It was agreed to allocate and optimise available resources to the following major focus areas: energy saving and efficiency, wetlands, strata control, brine treatment, maximum utilisation of coal reserves (from geology, mining and beneficiation perspectives specifically), and rehabilitation and mine closure. Attention will also be given to certain education and training gaps. Other initiatives include acquiring more acknowledgement from government for guidelines produced by Coaltech, branding, and attracting and retaining younger and more diverse talent in Coaltech activities.

Funding these initiatives remains a major challenge and creative thinking is required.

Collaboration with participating universities and other tertiary institutions remained high for the year under review. The development of high-level skills for the mining industry continued through the involvement



of post-graduate students in research and development projects wherever possible. Since the inception of Coaltech in 1999, 83 students obtained post-graduate qualifications of which 16 are doctorates and 49 Master of Science degrees. Currently, there are 24 post-graduate students working on Coaltech projects at universities and other tertiary institutions countrywide

There was a marked growth in Coaltech's membership base mainly because of the introduction of associate membership. This opened the door for smaller players in the industry to share in specific outcomes through participation in activities of steering committees of their choice. The organisation consists of 11 full members with full representation on the board and steering committees and nine associate members with representation on specific sub-committees only.

Integrated resource plan

The Electricity Regulations on New Generation Capacity, August 2009, promulgated in terms of the Electricity Regulation Act, 2006 (Act No. 4 of 2006) provides that the minister of energy shall approve an integrated resource plan for electricity generation and publish it in the *Government Gazette* for implementation. The National Energy Regulator must issue generation licenses in accordance with the integrated resource plan for electricity generation.

Following broad consultations on input parameters for the draft Integrated Resource Plan (IRP) during June 2010, the Department of Energy spent four months conducting the requisite modelling and scenario analyses to develop a draft IRP2010, which was published during October 2010 for public comment.

In commenting on the draft IRP2010, the Chamber pointed out that the South African mining industry was a significant consumer of electricity and used about 15% of electricity sold, as well as the largest supplier to the electricity generation sector, namely 120 Mt of coal a year. Electricity is not only an energy source for production equipment but it is vital for the health and safety of the workforce in underground mines. In deep-level underground gold mines around 60% of the electricity consumed is used for ventilation, air cooling, pumping and hoisting purposes. A secure, consistent supply of electricity is, therefore, vital to the mining industry.

The Chamber also commented on the draft generation plan. The mere availability of generation capacity does not necessarily mean that the capacity will be available for dispatch. The Chamber recommended that the consideration given to this aspect of IRP2010 be outlined in the final plan.

The plan proposed the addition of 3 800 MW of wind generation between 2014 and 2019. This capacity was included in the system capacity despite an acknowledgement that the indicated reserve margin, based on an assumption of a capacity credit of 33%, may be overstated. The Chamber recommended that consideration be given to backing-up wind generation with dispatchable generation capacity.

The Chamber believes that the nuclear generation option of 6 400 MW between 2023 and 2026 is extremely ambitious and recommended that this option be revised.

While the Chamber recognises the need to introduce renewables and alternatives into the generation mix, it believes that coal should only begin to be phased out once renewables and alternatives can supply sufficient energy in a secure, reliable and affordable manner.

The Chamber noted with disappointment that there was no allowance for co-generation and own-built plants from 2015 onwards. The Chamber is aware of a proposed private sector project for 1 200 MW of fluidised bed, coal-fired generation capacity to be commissioned in 2016. A number of energy intensive users are already committed to take electricity from this project should it materialise. The private sector is considering other proposals of a similar nature. The Chamber accordingly recommended that the plan be amended to provide for such private generation from 2015 onwards.

During May 2011, the final version of IRP2010 was published in the *Government Gazette*. It provides for the total generation capacity in 2030 as shown in the table below.

The Chamber is concerned about the high percentage of wind power in the generation mix. This technology provides intermittent power and has a relatively low availability.

The IRP is scheduled for review in 2012 at which time the Chamber will again voice its concerns.

South African Coal Roadmap

During the last decade, public attitudes to the mining and use of coal became increasingly unfavourable. It became clear that coal producers and users need to develop strategies that are cognisance of global environmental and societal concerns.

In this environment, given the extent of South Africa's coal resources and the current and potential future role of coal in the country's economy, it became critical to revisit all aspects of coal production and its by-products, if these were to have a long-term sustainable future.

Consequently, a number of senior executives from the South African coal industry met during 2006 and agreed that South Africa needs an all-encompassing strategic developmental plan for coal, with various options and scenarios. Such a plan, called a coal roadmap, would maximise the sustainable economic opportunities for coal and provide appropriate technological pathways, products, markets and societal and business objectives for coal based industries.

The Fossil Fuel Foundation, as a neutral body, was appointed to develop a structure and scope for the initiative.

The process was finalised early in 2010 with the acceptance of a charter and protocol as well as the appointment of a board and steering committee. The Chamber is represented on the steering committee. A consultancy, The Green House, was appointed as the project manager.

Work on the initiative commenced in 2010 and by June 2011 Phase 1 of the South African Coal Roadmap was completed and a draft report submitted to the steering committee. The draft report presents a status quo assessment of the South African coal value chain with the aim of examining all the elements of the value chain in detail and on the basis of this, providing analysis and insights that could guide the coal industry towards a sustainable future. The views expressed were obtained through interaction with people involved in the South African coal industry.

In conclusion, a scenario approach was used to map out the futures that could emerge. The scenario analysis provides an indication of the development of the coal value chain based on a particular set of external drivers. It also outlines the implications of that particular development path or trajectory for the coal industry, the environment and the broader economy. The analysis serves to highlight potential bottlenecks and when they might arise and also pinpoints critical decision points that arise in the different trajectories being followed.

Electricity supply

During the year under review, the supply of electricity from Eskom remained constrained. Although no load shedding took place, other demand reduction options such as demand market participation and voluntary interruptions were regularly used. In addition, Eskom often used its open cycle gas turbine generators to meet the daily peak demand during the winter.

The constrained supply situation was exacerbated during February 2011 when a 600 MW generating unit at Eskom's Duvha power station was damaged substantially during a routine turbine test. The damaged unit is expected to be out of service for more than a year.

The construction of the two new coal fired power stations: Medupi and Kusile was delayed because of a number of labour strikes. During June 2011, work at Medupi was reported to be 35% behind schedule. Eskom is however still committed to bringing the first 794 MW unit into operation by the end of 2012.

Since 2005, Chamber members have embarked on a number of energy saving initiatives that reduced the

Tchnology	Capacity (MW)	%
Coal	41 074	48.2
OCGT*	9 170	10.8
CCGT**	189	2.2
Pumped storage	2 912	3.4
Nuclear	11 400	13.4
Hydro	5 499	6.5
Wind	11 800	13.8
CSP***	600	0.7
Other	890	1.0
Total	85 241	

**open cycle gas turbines*
***combined cycle gas turbines*
****concentrating solar power*

total electricity demand significantly. At this stage most of the "low hanging fruit" has been picked and further demand reductions in the mining industry will require substantial investment.

The Chamber continues to liaise closely with Eskom to ensure a reliable supply of electricity to its members.

Electricity supply to key customers

Historically, municipalities had, in terms of the Electricity Act, the right to supply electricity to all consumers within their boundaries at municipal tariffs. Most large mining operations, however, obtained electricity directly from Eskom at Eskom tariffs without municipal involvement. This situation came about as mines were mostly situated outside municipal boundaries.

The right of municipalities to supply electricity was reinforced by the 1996 Constitution of the Republic of South Africa, which grants municipalities executive authority and the right to administer electricity regulation. The Constitution also provides that the whole country be covered by municipalities. As a result all mines are now situated inside municipal boundaries.

During 1998, the government made a policy decision to create regional electricity distributors to eliminate the inefficiencies inherent in municipal distribution businesses. In consultations on the restructuring of the electricity supply industry, the Chamber supported the concept of regional distributors on condition that large consumers of electricity, including large mines, should have the right to choose their supplier of electricity. The aim was to ensure that these consumers could continue to obtain electricity from Eskom.

The right of certain consumers to choose an electricity supplier was eventually recognised in the 2001 Blueprint Report on the Restructuring of the Electricity Supply Industry. This document, which was eventually adopted by Cabinet, provides that consumers using 100 GWh or more on a single site, or contiguous sites, were allowed a choice of supplier.

Consequently, Eskom established its Key Sales and Customer Services Division (KSACS) to serve these key customers.

Over the years, mines and other key customers have established mutually beneficial relations with Eskom. This relationship manifested in the establishment of the Tariff Working Group that provides input on proposed tariff changes and, since 2008, the Industry Energy Forum that considers matters concerning electricity supply to key customers.

During December 2010, Cabinet decided to terminate the electricity distribution industry restructuring and to discontinue the process of creating regional electricity distributors with immediate effect. This decision called into question the other recommendations contained in the Blueprint Report, including the provision for consumers using 100 GWh or more to have a choice of supplier. Besides the Blueprint Report there was no legal provision for certain consumers to have a choice of supplier.

The Chamber engaged with Eskom and the National Energy Regulator of South Africa on this matter and was assured that the key customers would continue to be supplied directly by Eskom.

Rescue drill

Since the mid-1960s, the coal producing members of the Chamber have maintained a large drill and ancillary equipment to drill rescue holes for the evacuation of personnel from underground collieries. The rescue drill, with its equipment (the Rescue Drilling Unit) is housed at the Collieries Training College (CTC) in eMalahleni and is operated and maintained by personnel from the CTC.

The Rescue Drilling Unit comprises:

- An Ingersoll Rand T5 self-propelled mobile rig with pneumatic down-hole hammers that can drill 580mm, 635mm and 690mm holes to a depth of 300m
- An Ingersoll Rand T4 self-propelled mobile rig with pneumatic down-hole hammers that can drill 220mm and 165mm pilot holes to a depth of 300m
- Ancillary equipment comprising a 30 ton crane for rod handling, a compressor unit, rod and casing trailers, various trucks, a workshop trailer and a first-aid trailer
- Other rescue equipment includes a mobile rescue winder and rescue capsules for evacuating personnel trapped underground.

During 2010, the industry became concerned about the condition of the drills and the other equipment, which were designed and commissioned 35 years ago. An investigation was undertaken to determine modifications and upgrades required to ensure the safe and reliable operation of the rescue drill and equipment.

The investigation revealed serious shortcomings in the rescue drill that impacted negatively on the safe operation of the drill. In addition the reliability of the equipment for rescue operations appeared extremely doubtful. Consequently the coal producing members of the Chamber agreed in principle to replace the existing equipment.

To date funding has been provided for the design and construction of a new truck-mounted rescue winder complying with all safety and legal requirements and the design and manufacture of rescue capsules equipped with a communication systems, escape facilities and retractable dolly wheels for use in inclined rescue holes. A number of options for the replacement of the drill are being evaluated.

The CSIR Explosion Testing and Fire Management Facility

The CSIR Explosion Testing and Fire Management Facility (Kloppersbos) experienced financial problems during 2010 and although the coal mining industry recognised the need for the facility and the need to finance it, the services offered were not used sufficiently to provide the revenue required to maintain and operate it. The major revenue earning service provided by the facility is the methane/coal dust explosion demonstration. Intermittent requests for fire testing could not be relied on to provide a significant income stream.

The Chamber's Collieries Committee agreed to provide funding for a study into the potential future utilisation of the CSIR explosion and fire testing facility to determine if there was still a need for the facility and to formulate recommendations for its continued use. The CSIR also agreed to contribute to the funding of the study.

Mindset Coal Consultancy Services was contracted to carry out the study and delivered its report during March 2011.

The study revealed that Kloppersbos was viewed as an essential facility of great importance to the mining and related mining supply industries, as well as academic institutions. The continued existence of Kloppersbos was therefore regarded as imperative. The study confirmed that the facility was used mainly for gas and coal dust explosion demonstrations while very little research, for which the facility was originally built, had been carried out over the past few years. The facility was in a state of neglect with low staff morale, no doubt owing to a shortage in funding, but probably also because of the absence of proactive management input.

Mindset identified the management structure and the funding model as major factors negatively impacting on the sustainability of Kloppersbos. The distance between the facility and the centre from which it was managed was also a problem, but given the location of the facility that will remain the case for any management team.

The Mindset Report concluded that Kloppersbos, if properly managed and with the correct input from the mining sector and equipment suppliers, could become a centre of excellence where world-class best practices could be tested for implementation. It accordingly proposed the development of a business plan comprising:

- a management plan for the Kloppersbos testing facility
- a financial management model
- a marketing plan for the facility
- other training and/or tests that could be offered at the facility.

The coal producing members of the Chamber established a task team to prepare a business plan as recommended. This work is in progress.

Coal supply

On several occasions during the year under review, the media referred to the alleged poor quality of coal supplied to Eskom and the fact that coal of a lower quality than that required for export to Europe, was being exported to India and the far East thus depriving Eskom of coal. These statements created an erroneous perception that South African coal producers were plundering a limited resource in pursuit of profits without any regard for the national interest and thereby placing the generation of electricity at risk. The Chamber engaged with Eskom with a view to averting conflict between Eskom and the coal mining industry.

While Eskom is currently obtaining sufficient supplies of coal for its power stations it may experience coal supply problems in future, especially when existing power stations are operated beyond their design lives as the planned lives of tied collieries generally coincide with those of the power stations. This problem can be resolved by constructing the necessary transport infrastructure to make coal from the Waterberg Coal Field available for electricity generation in Mpumalanga.in 2010.

ENVIRONMENT POLICY

Introduction

The mining industry was once again caught up in a legal dilemma; the intra-government negotiations and agreement that sought to bring an end to the legislative duplication between the Mineral and Petroleum Resources and Development Act (MPRDA) and the National Environmental Management Act (NEMA) around environmental regulations never materialised. Thus the uncertainty around the environmental management regulations, which negatively impact on the operational activities of the mining industry are still unresolved. The matter even went to the Cape High Court in respect of the MACCSAND case, in which the judge found that the environmental authorisations under NEMA are applicable for mining despite the mines having obtained the necessary authorisation in terms of the MPRDA. This court decision has since been appealed in the supreme court of appeal. The Chamber was admitted as *amicus curiae* in the appeal and was granted leave to submit written heads of argument and present oral argument at the hearing held in August 2011.

The Chamber recognises that using legal means to resolve this issue is not necessarily a progressive way of addressing technical issues. However, in this instance it was necessary to explore avenues that could set a precedent in fostering a clear and concise way forward for environmental management for the mining industry.

There was a sustained increase in environmental awareness campaigns and pressure on the industry around issues of legislative compliance, in particular issues of mining and biodiversity during the period under review. The environmental, safety and health hazards associated with ownerless and derelict mines and acid mine drainage (AMD) continued to dominate the media, and public hearings on AMD were held in an attempt to develop an informed plan to mitigate the problem.

On the international front, the Chamber participated in the 19th session of United Nations Commission on Sustainable Development (UNCSD-19) focusing on chemicals, sustainable production and consumption, transport, waste and mining issues. The negotiations highlighted the fact that individual nations needed to develop their own policies rather than these being dictated by international agendas. Furthermore, the hosting of the United Nations Framework Convention on Climate Change's 17th session of the Conference of Parties (COP-17) in Durban towards the end of 2011 will once again provide the mining industry with an opportunity to showcase its efforts to reduce the impacts of global climate change.

The environmental department participated in most environmental initiatives and issues of concern to the mining industry and provided expert and specialist input to many legislative and policy programmes undertaken during 2010/11. The Chamber's Environmental Policy Committee (EPC) continued to be the main vehicle for interaction and the development of mandates for the mining industry. The EPC consists of environmental specialists from Chamber members and represents the single most senior environmental management grouping in the mining industry in South Africa.

In addition to engaging government on environmental management policy and water issues, the Chamber continues to liaise with a wide range of stakeholders from community organisations concerned about the environmental impacts of mining, to specialist groups undertaking studies into various aspects of environmental management.

Policy and legislative development

Environmental impact assessment (EIA) and management strategy

The review on efficiency and effectiveness culminated in the Ten Years of EIA in South Africa Conference. Conference delegates agreed that the current system giving effect to the objectives of environmental impact management (EIM) as indicated in Section 23 of NEMA is inadequate, thus an Environmental Impact Assessment and Management Strategy (EIAMS)

"The Stakeholders' Declaration on Strategy for the Sustainable Growth and Meaningful Transformation of South Africa's Mining Industry recognises that a competitive regulatory framework is key to promoting sustainable growth and meaningful transformation in the industry."

should be formulated for South Africa. In response to these concerns, the Department of Environmental Affairs (DEA) embarked on a process to review the efficiency and effectiveness of EIAs as a tool for environmental management.

The Ten Years of EIA Conference was considered to be the first major stakeholder engagement in the development of a national EIM strategy and action plan. The strategy focuses on system issues, skills and capacity constraints in the effective implementation of the current EIA system as well as on new developments and development patterns.

The department established project management teams to work on three broad themes of the proposed strategy: capacity, skills and transformation; governance and administration; and impacts and instruments. Each broad theme has several sub-themes and specific objectives. The Chamber is participating in the structures that oversee the process. Draft reports were presented to stakeholders at the workshops held from 28 March – 1 April 2011. The Chamber submitted comments and recommendations for consideration.

Implementation of the National Environmental Management: Air Quality Act

The National Environmental Management: Air Quality Act, NEM: AQA No. 39 of 2004 became law on 1 April 2010. This legislation mandates municipalities to carry out the licensing provisions in NEM:AQA, including monitoring of compliance within the jurisdiction of that municipality. During October 2010, the minister of environmental affairs published a notice in the *Government Gazette* on her intention to declare the Waterberg area a priority area in terms of Section 18(1) of NEM:AQA. This area is seen as the next eMalahleni especially for coal mining and the department is exercising precautionary principles to avoid pollution as is the case in the eMalahleni area.

Furthermore, albeit mining is not a listed activity under the Act, the recent publication of national regulations for control of dust imply that operational activities that necessitate the formation and spread of dust must be managed in terms of NEM:AQA to mitigate the impact of dust.

The DEA also published regulations for comment on ozone depleting substances. South Africa is a party to both the Vienna Convention for the Protection of the Ozone Layer and the Montreal Protocol on substances that deplete the ozone layer, which sets out a mandatory timetable for phasing out of ozone depleting substances. This timetable has since being revised to accelerate the phase-out in accordance with new scientific knowledge and advances in technologies. According to the protocol control measures, developed countries were supposed to phase out chlorofluorocarbons (CFCs) by end of 1995 with total phase-out by developing countries by 2010 except where exemptions are allowed under the protocol. To accelerate the actual implementation of the Montreal Protocol, the DEA was obliged to draft regulations to facilitate the phase out and management of the ozone depleting substances in accordance with the protocol schedule. Some Chamber members may still have stocks of ozone depleting substances, in particular CFCs, which are used in large refrigeration units in deep-level mining operations. The Chamber consulted with its members and made a submission to the DEA on the industry's position on the proposed regulations, including recommendations that the regulations should provide an indication on the actual programme that government envisages on feasible alternatives to the regulated ozone depleting substances.

Development of the National Climate Change Policy

South Africa, as a party to the United Nations Framework Convention on Climate Change (UNFCCC), is required to participate in and undertake some of the responsibilities of the convention. The UNFCCC meeting in Cancun, Mexico discussed the implementation of the Copenhagen Agreement and a possible two-stream mechanism post Kyoto (post-2012). These pronouncements include:

- the development of a monitoring, reporting and verification process to assess the viability of national mitigation plans intended to reduce greenhouse

gas emissions

- a second compliance tool to the Kyoto Protocol to cater for countries that have not ratified the Kyoto Protocol such as the United States.

The Chamber was involved in co-ordinating and facilitating the submission of the mining industry greenhouse emissions data required by the DEA to review and update the national greenhouse gas inventory. The review was necessitated by South Africa's emissions reduction commitments during the Copenhagen climate change conference in 2009.

The DEA's green paper on the National Policy on Climate Change was published for comment as was National Treasury's discussion document on a carbon tax.

Following which, the Chamber engaged its members to solicit comments and, through BUSA, consulted with government highlighting the impacts of the climate change policy and carbon tax on the mining industry. The impacts include increased operational costs to reduce greenhouse gas emissions, which could result in job losses, and the possibility of trade difficulties with international partners. The discussions with National Treasury around a carbon tax are on-going. A white paper is expected to be published in October 2011.

Implementation of National Environmental Management: Waste Act

The National Environmental Management: Waste Act, 2008, No. 59 of 2008 was published in the *Government Gazette* on 10 March 2008 and came into force on 1 July 2009, with the exception of Section 28(7) (a), Sections 35 to 41 and Section 46.

The DEA recently published enabling regulations to support the implementation of the Act for comment, which include:

- draft national norms and standards for the storage of waste
- draft waste classification and management regulations
- draft national standards for disposal of waste to landfill.

The Chamber is participating in the development of this Act via submissions and recommendations to the department on the mining industry's stance on the way in which the regulations will affect the industry.

Revision of the National Water Resource Strategy

The Chamber is reviewing the National Water Resources Strategy (NWRS) initiated by the Department of Water Affairs (DWA). In terms of Section 59(4) (b) of the National Water Act, No. 36 of 1998 (NWA), the NWRS must be reviewed every five years. The NWRS provides a framework for the protection, use, development, conservation, management and control of water resources for the entire country.

The departmental review will focus on:

- the contents of the NWRS as defined in Sections 6 (1) and 6 (2) of the NWA
- existing strategies, frameworks and studies, including the climate change strategy, water for growth and development framework, the AMD strategy and the national ground water strategy
- the development of thematic issues around water resource management such as water conservation and demand management, water allocation reform, augmentation and infrastructure and protection of water resources. It is envisaged that the thematic issues would be supported through enabling strategies that consider disaster management, institutional arrangements, investing in people, information and monitoring, research and innovation, and finance

The Chamber and its members participated in workshops on water resource thematic issues with internal and external experts to identify the issues and enhance the content of the working papers.

No draft strategy has yet been published by government for broader external stakeholder comment.

The Mining Charter and reporting template

The DMR, labour and the mining Industry, through MIGDETT process assessed the progress of transformation of the industry against the objectives the Mining Charter. The findings of the assessment led to amendments to the charter in September 2010 in an effort to streamline and expedite its objectives. Compliance with environmental requirements were included in the charter, which now have to be reported in terms of the scorecard for the charter. The charter also seeks to ensure sustainable transformation and growth of the mining industry.

The reporting template on environmental issues is based on the following principles:

- the requirements in terms of Regulation 55 of the MPRDA, which states that a monitoring and performance assessment of the EMP must be conducted to ensure compliance and progress with the implementation of the EMP and to assess continued appropriateness and adequacy during the life of the mine
- an assessment of performance towards achieving the objectives, targets and actions of the EMP
- measuring progress towards the implementation of a closure plan and towards implementation of concurrent rehabilitation, in cases where it is possible to do so
- an annual review of the financial provision for rehabilitation.

Sustainable growth and meaningful transformation of the mining industry

The Stakeholders' Declaration on Strategy for the Sustainable Growth and Meaningful Transformation of South Africa's Mining Industry recognises that a competitive regulatory framework is key to promoting sustainable growth and meaningful transformation in the industry. It also recognises that negative perceptions about the regulatory framework have an adverse impact on the promotion of foreign investment. Therefore, in an attempt to implement the commitments in the declaration, the DMR, together with the tripartite partners, including the Chamber, initiated a process to identify key regulatory issues that would promote and enhance the competitiveness of the mining industry in South Africa.

The MIGDETT Regulatory Framework Workshop held on 22 September 2010 debated the MPRDA review process "in an effort to improve its efficiency and effectiveness, as a key instrument to promote sustainable growth and meaningful transformation of the mining industry." The DMR consolidated the stakeholder input to determine the need for an amendment bill.

Environmental legacies

During the year under review, the state took the lead in managing mining environmental legacy issues including AMD. The Chamber welcomed the intervention by Cabinet to appoint an inter-ministerial committee to address AMD. Subsequently, a panel of experts was appointed to compile a report on the risks of AMD, reappraise the situation and ultimately produce an action plan or long-term strategy for dealing with AMD in the Witwatersrand Basin.

The findings and the recommendations made by the commission were endorsed by Cabinet on 16 February 2011 and the report was released to the public on 24 February 2011. Since then, the Chamber has been engaging with the Department of Water Affairs (DWA) to establish areas of collaboration with the mining industry and to seek a partnership approach to deal with AMD. The Chamber and the affected mining companies are participating in the steering committees set up to drive the implementation of the short, medium and long term plans for AMD.

Mining and biodiversity

The Chamber participates in a wide range of key policy developments on biodiversity issues, which include the implementation of the National Environmental Management: Biodiversity Act (Act No. 10 of 2004), and the Protected Areas Act. It also attended a workshop hosted by the DEA through the Endangered Wildlife Trust, which aimed to develop a biodiversity management plan for species . The Chamber sought to distil the impact of the plan on prospecting and mining rights.

The Chamber collaborated with the DEA in developing the *South African Mining and Biodiversity Good Practice Guideline* that is aimed at providing mine managers and environmental officials with a comprehensive guide on the type and status of the country's biodiversity and good biodiversity management practices during all stages of mining.

Mining of wetlands often results in the complete destruction and loss of biodiversity of wetland systems. Offsite mitigation represents an opportunity for mining companies to

offset impacts on wetlands after all other options (avoid, minimise, mitigate) have been exhausted. Wetland research will complement existing work to determine the principles and methods to be used for offsite mitigation.

The South African National Biodiversity Institute will identify wetlands of high hydrological and conservation importance so that the coal mining sector has a clear understanding of sensitive areas. The biodiversity atlas that will be produced as a result of the research will also contain guidance on wetland offsetsand supporting commentary.

Water conservation and demand management

In terms of the National Water Act, the minister of water affairs is responsible for ensuring that the nation's water resources are properly protected, used, developed, conserved, managed and controlled. In executing that mandate, the DWA drafted regulations for water conservation and demand management in terms of the National Water Act. The Chamber engaged with the DWA throughout the process to ensure that mining industry interests were considered.

The Chamber also collaborated with the DWA to develop a guideline for water conservation and demand management (WC/DM) for the mining sector. The guideline document will guide the implementation of the regulatory requirements in the proposed regulations and the Chamber is assisting the DWA and the mining industry to assess, plan and manage the WC/DM and improve water efficiency in the sector.

The DWA recently initiated a process to develop water efficiency targets. A task team comprising officials from the department and the Chamber was formed to co-ordinate the process and to facilitate information gathering. The terms of references for the project have been drafted.

Radiation in the mining industry

The mining industry, through the Chamber and the National Nuclear Regulator, continues to discuss radiation issues to ensure an integrated and structured approach. During the year under review, the Chamber engaged the regulator on the increase in the authorisation fees and remediation of Wonderfonteinspruit.

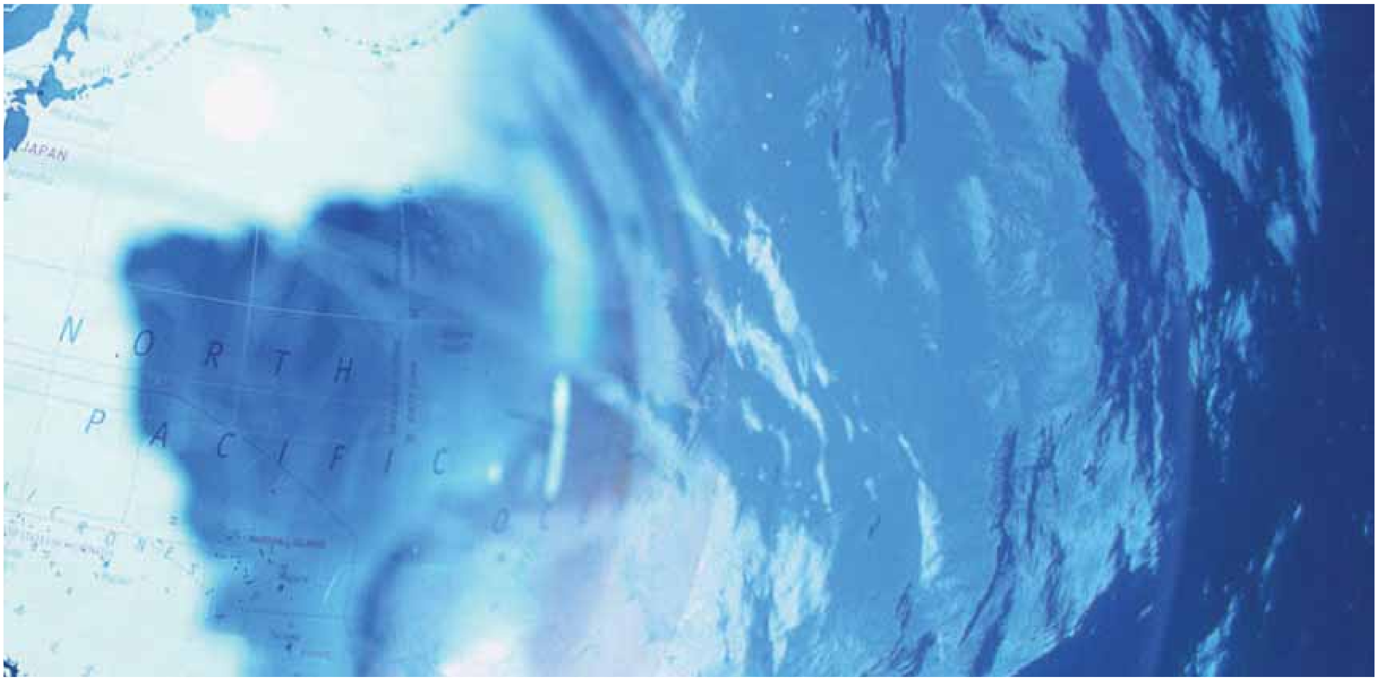
Water Sector Leadership Group

The Chamber is a member of the Water Sector Leadership Group (WSLG), which was established by the Department of Water Affairs and Forestry (now the Department of Water Affairs). The WSLG is the highest non-statutory strategic sector partnership forum for the South African water sector. It provides a platform for dialogue, planning, reflection and monitoring of water sector policy, legislation, strategies and programmes towards improving sector performance and directly contributing towards improved planning co-ordination.

It also provides recommendations on policies, legislation, programmes and strategies and serves as a forum for stakeholder consultation and involvement. The Chamber is a standing member of the executive committee of WSLG and its established working groups.

National Business Initiative

The National Business Initiative (NBI) was established when the Urban Foundation and Consultative Business Movement merged. It is a business coalition focused on the role of business in sustainable development. The Chamber co-operates with the NBI on the implementation of the Energy Efficiency (EE) Accord. The Energy Efficiency Technical Committee oversees the EE process and has developed a monitoring and reporting guideline. Other issues under discussion with NBI are climate



change, sustainable development, and the United Nations Global Compact.

Water Institute of SA, Mine Water Division

The Chamber participates as a standing member of the management committee of the Mine Water Division, which aims to improve the practice, status and professionalism of water management in the mining industry.

The main objectives of this division are exchanging information, encouraging co-operation between the division and other groups with an interest in mine water, engendering in mine management a proactive approach to mine water problems and challenges, and identifying information, technology, research, development and implementation needs. The Chamber also serves on the organising committee of the symposium to be held in October 2011.

International Council for Mining and Metals

The Chamber is a member of the International Council for Mining and Metals (ICMM), which is aimed at improving sustainable development performance in the mining and metals industry. ICMM is an agent for change and improvement in mining and sustainable development. Chamber member are committed to improving their sustainability performance and report against their progress annually.

Through the ICMM, the Chamber engages with a broad range of stakeholders to strengthen the contribution of mining, minerals and metals to sustainable development. During the review year, the Chamber provided input into the climate change work areas of the ICMM, which led to ICMM's Council of Chief Executives, which is committed to establishing a comprehensive and rigorous climate change management programme of policy principles, leading practice and company commitments.

The programme aims to ensure that ICMM member companies continue to contribute to sustainable development while participating in the resolution of the climate change challenge, and securing the continued competitiveness of the mining and metals industry in a future low carbon economy.

In the year under review the Chamber also participated in other ICMM projects, including mining and biodiversity, mine closure, environmental performance, and material stewardship.

United Nations Commission on Sustainable Development

The Commission on Sustainable Development (CSD) meets annually in New York, in two-year cycles with each cycle comprising a review year and a policy year, and focusing on selected thematic issues. The session to assess policy issues was held during May 2011, and the environmental adviser's office was part of the South African delegation.

The 2010/2011 cycle focused on transport, chemicals, waste management, mining and sustainable consumption and production patterns. South Africa submitted a country report outlining concrete progress towards achieving sustainable development goals. The Chamber contributed towards the drafting of the report. South Africa's paper focused on the implementation of the Johannesburg Plan of Implementation targets and the Millennium Declaration Goals and Agenda 21; lessons learnt and best practices; and trends, constraints, challenges and emerging issues.

The Chamber is participating in a process to develop position papers for South Africa that will strengthen the negotiations for the Rio Earth Summit in 2012.

HEALTH

Introduction

There were no major shifts in the health of employees in the mining industry during the period under review. The data presented in this report is derived mainly from annual medical reports submitted to the DMR. It is a legal requirement for companies to submit data on occupational diseases annually. Although the data is available without denominators, it is still the most consistent source on occupational disease and is presented below.

As seen below, there were no significant changes in the number of cases of occupational diseases reported. The number of silicosis cases however shows an increasing trend over time, while the number of TB cases has held steady, with noise induced hearing loss (NIHL) showing declines. Without denominators, it is not possible to calculate rates and provide definitive statements on progress.

Silicosis

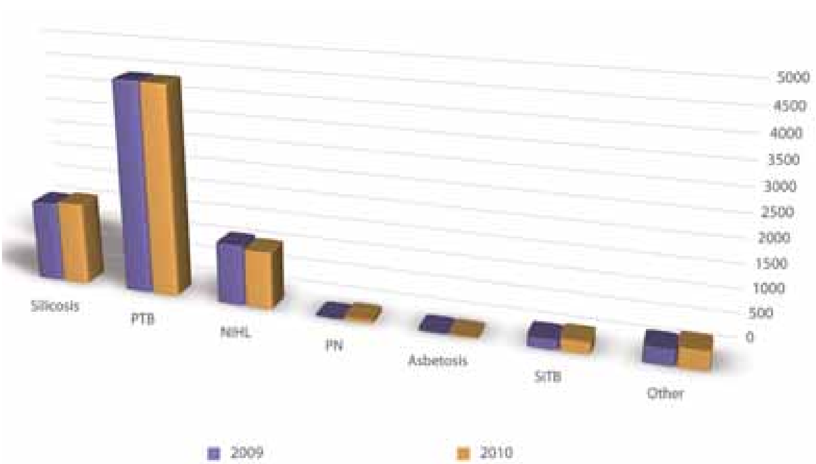
Using total industry employees as a denominator, there is a noticeable increase in the rate of new silicosis cases reported since 2005.

Owing to the long latency period for the development of silicosis, which can be up to 20 years, the more critical indicator of progress on exposure to dust is dust measurements. The graph on page 49 shows the percentage of silica dust samples that are below the legislated occupational exposure limit (OEL) and this target is not being met, instead it shows signs of regression.

NIHL

There has been a positive downward trend in the number of NIHL cases since the baseline as per Instruction 171 in 2002/2003. The current rate of NIHL is at 3.1 cases per 1 000 employees.

Occupational diseases reported for 2009 and 2010 (source: DMR)



The policy and regulatory environment

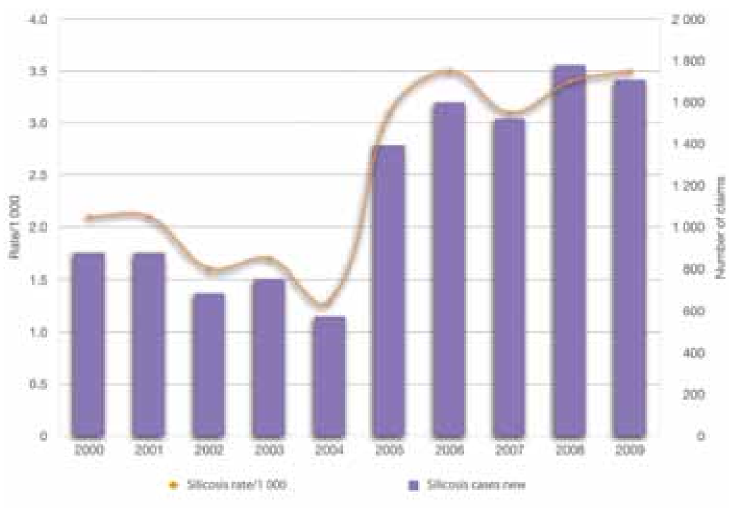
A major development in the past year was the inclusion of health and safety in the Mining Charter. A total of 12% of the total points is allocated to achieving targets on health and safety. This is a substantial achievement as, for the first time, the importance of improvements to health and safety in the transformation agenda for the sector is recognised.

The refinements to the Mine Health and Safety Amendment Act, following the promulgation of revisions in 2009, are still under discussion. The key proposed changes are supposed to address the split in the former Department of Minerals and Energy.

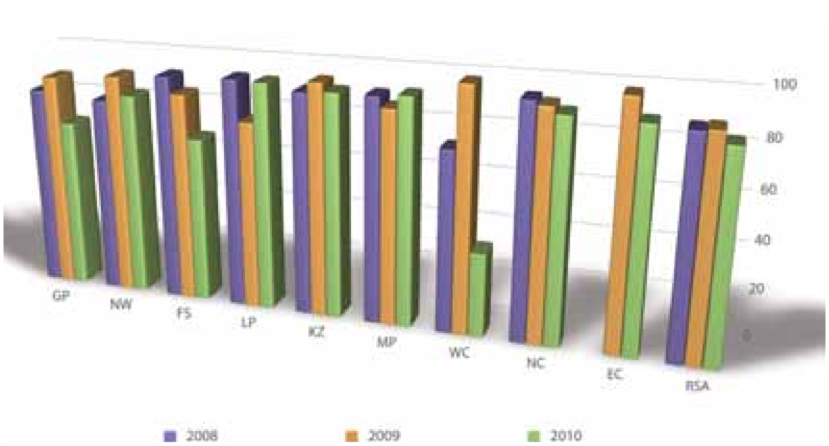
During the year under review, the DMR amended regulations to

"There has been a positive downward trend in the number of NIHL cases since the baseline as per Instruction 171 in 2002/2003. The current rate of NIHL is at 3.1 cases per 1 000 employees."

Number of new silicosis cases recorded in the mining industry (source: DMR and Chamber of Mines)



% Compliance with health milestones Respirable crystalline silica (<0.10mg/m^3), 2008 - 2010 (source: DMR)



exit certificates and promulgated regulations on the reporting of occupational diseases. Government Notice 33752 of 12 November 2010 on Amendments to Exit Certificates requires that baseline and exit audiograms and percentage loss of hearing (PLH) shifts be included in the exit certificate and requires the inclusion of a record of hazardous work for an employee. *Government Gazette* 34003 of 11 February 2011 on Reportable Occupational Diseases makes it mandatory to report occupational disease monthly to the DMR and, with an instruction from the chief inspector of mines, a company may be required to report on non-occupational diseases.

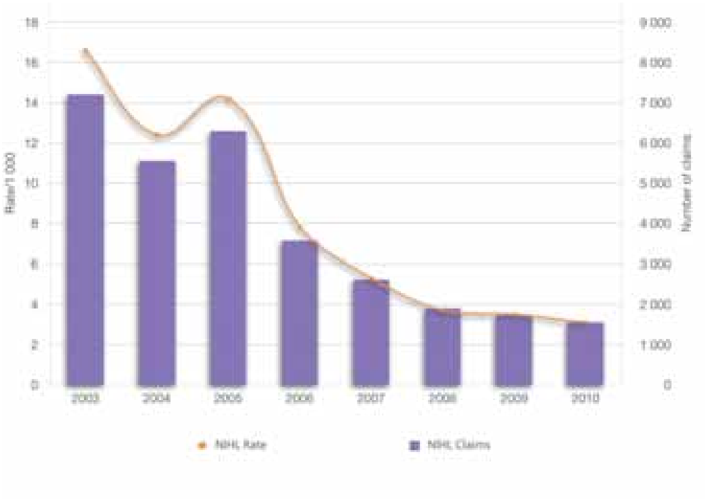
The Chamber convened an industry workshop with the DMR in April 2011 to clarify the purpose and expectations of the application of the two regulations mentioned above. The workshop participants agreed on the need for a guideline to assist in the interpretation of the regulation on reportable occupational diseases and this is being developed through the Mine Occupational Health Advisory Committee (MOHAC) of the Mine Health and Safety Council (MHSC).

Review of strategic focus areas for 2010/11

Silica dust

The dust working group established by the Group Environmental Engineer (GEE) Committee identified two

Cases of noise induced hearing loss, all commodities(source: DMR and Chamber of Mines)



major areas of concern on silica dust control, namely a sampling strategy and silica analysis techniques. A position paper was drafted to clarify the misperceptions around silica analysis. The group also made a huge contribution towards the revised DMR Airborne Pollutant guideline to address the sampling strategy concern. The guideline is currently under discussion at the MHSC and it was agreed that technology transfer will be done via a user's guide together with training sessions in all provinces.

The MOSH Dust Team continues to promote the adoption of foggers and footwall and sidewall treatment as leading practices.

TB

The TB Task Team advises the Health Policy Committee (HPC) on strategies for the control of TB. A major undertaking in the past year was TB reviews conducted by the industry. The TB Review Tool was developed through MOHAC in 2007. Its purpose is to assist the mining industry evaluate TB programmes and to identify gaps for continual improvements. The HPC decided in February 2010 that all companies should conduct annual audits using the TB Review Tool and that comprehensive reports on the outcomes of the reviews should be submitted annually to the Chamber's Executive Council, the Gold Producers' Committee and the departments of health and mineral resources.

Chamber members conducted the reviews between September and November 2010, with a few companies doing the reviews in January 2011. Twelve companies conducted reviews at 17 sites. These companies represent a total of approximately 350 728 employees and include the three biggest gold companies and the major platinum and coal companies. A noteworthy finding was the lack of standardisation of practice across and within companies, which illustrated the need for more sharing of experiences within and across companies. Areas that require strengthening in most companies are: keeping of TB registers, formulating policies, case finding at occupational clinics, loss to follow-up in TB clinics, reviewing deceased cases and follow-up for clinical reassessment post-employment. Laboratory, pharmacy and radiology services were generally good in most settings.

The meeting of targets for TB control was generally good, as set out in table 1.

The results of the TB reviews were presented to the Chamber's Executive Council in November 2010 and to the Gold Producers' Committee and Collieries Committee in 2011.

Following the TB reviews and the finding of poorly kept TB registers by some Chamber members, the Chamber, in collaboration with the Department of Health (DoH) organised training on the TB register in five provinces, see table 2.

HIV/AIDS

A major initiative for the whole country on HIV/AIDS was the launch of the HIV Counselling and Testing (HCT) Campaign in April 2010. The aim of the campaign was to test 15 million South Africans for HIV. The mining industry participated in the campaign through the South African Business Coalition on HIV/AIDS (SABCOHA), the organiser for the private sector. The campaign is scheduled to end in December 2011.

An assessment of the campaign among Chamber members was undertaken in July 2011 and results showed that a total of 262 048 HIV tests were done by the industry on 348 489 employees. Some were repeat tests while others were on contractors or community members that were not part of the denominator. Testing levels were highest in the platinum sector.

Table 1: Performance of Chamber members on TB Control Programme Targets

Indicator	Results	Expected target
Cure and treatment completed rates	Range: 78% -92% Average: 82%	≥85%
Outcome known	Range: 51% -100% Average: 89%	>90%
Recurrence rate	Range: 2% -100% Average: 35%	<5%

Table 2: Workshops run on training on the TB register

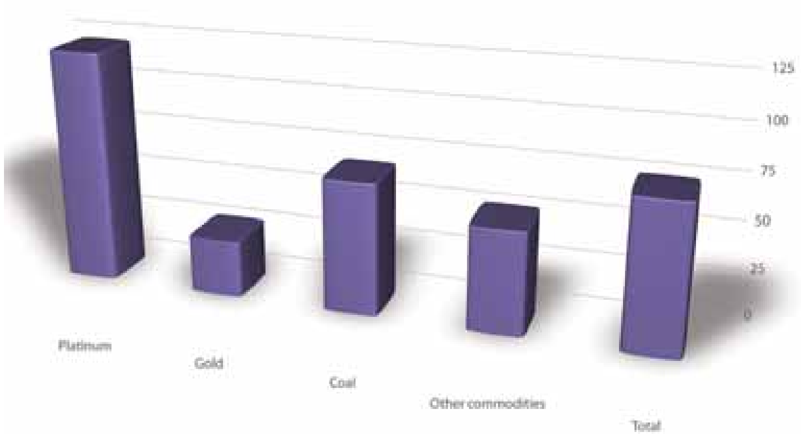
Provinces	Companies that attended	Number of attendees
Gauteng	AngloGold Ashanti Gold Fields Harmony Uranium Simmer and Jack (Duff Scott)	97
Free State	Harmony Gold Fields	85
North West	Anglo Platinum Lonmin Impala	
Mpumalanga	SASOL Anglo Coal BHP Billiton Harmony	86
Limpopo	Anglo Platinum Impala Lonmin	48

Interactions with stakeholder on TB, silicosis and HIV/AIDS

The industry was involved in various forums on TB, silicosis and HIV/AIDS. The Chamber participated in efforts to convene a tripartite TB and HIV/AIDS summit that should have been held in October 2010. The release of the DMR report on TB in the mining industry delayed the process as it was only released in July 2011. The report is a literature review on TB, silicosis and HIV/AIDS as well as a rapid appraisal of about 63 mining companies of various sizes. The report is a useful addition to the body of knowledge on the state of TB and HIV/AIDS services in companies. The Chamber registered its concerns on the process followed in the development of the report and the omission of critical information from stakeholders. The recommendations from the report will be considered as preparation for the planned industry summit on TB and HIV/AIDS later in 2011. This summit is organised through the MHSC with the Tripartite HIV/AIDS Committee leading the preparations.

Other notable interactions were with the DoH, which is leading an initiative to plan for a regional (South Africa, Lesotho, Mozambique and Swaziland) summit on TB in the mining industry. The South African position at the DoH summit will be informed by the resolutions proposed by for the Tripartite TB and HIV/AIDS Summit.

Percentage HIV tests done between April 2010 and July 2011 (source: DMR and Chamber of Mines)



Control of noise

The group environmental engineers (GEE) established a working group on noise control and it is currently involved in the revision of the guideline on noise management.

The MOSH Noise Team successfully demonstrated a leading practice on hearing protection devices selection, training and awareness. A post demonstration workshop was convened and was well attended by employees from all commodities.

Compensation for occupational diseases

The Occupational Diseases in Mines and Works Act, No. 78 of 1973, Amended (ODMWA), governs the compensation for occupational diseases contracted while in the employ of controlled mines and controlled works. Compensable occupational diseases in non-controlled mines are compensated under the Compensation for Occupational Injuries and Diseases Act, No. 130 of 1993 (COIDA).

A tripartite advisory committee advises the Compensation Commissioner for ODMWA and three meetings of the committee were held during the year under review. A major achievement was the approval of terms of reference for the establishment of an adjudicating committee that will deal with verification of claims from ex-mineworkers who worked in asbestos mines in the Limpopo province. These ex-miners were the subject of a complaint laid with the public protector on behalf

of the miners as they could not be compensated for disease since they did not have records of service in mines. The adjudication process will decide if they probably worked on the mines and will then be compensated.

The 2006 valuation of the Compensation Fund was not accepted by the advisory committee as it contained major qualifications from the actuaries owing to lack of data. The valuation was disregarded and efforts to produce a 2010 valuation were intensified. The report of the 2010 valuation is expected in the latter half of 2011. It is hoped that the valuation will be acceptable and make it possible to move beyond the assumptions and recommendations of the 2003 valuation that determined the levies currently paid by the industry.

Efforts were made by the DoH in the past year to revive the risk committee. This is a statutory committee under ODMWA that declares mines as controlled. It has not functioned since 2004. The employer group identified new members to the committee but no meeting of the committee was called. This is of concern as the number of controlled mines and thus those that contribute to the ODMWA fund does not increase as no mines are being declared controlled mines.

Ex-mineworker Project

The Former-mineworker and Making ODMWA Work Project (Ex-mineworker Project) is a tripartite initiative between the DoH, the Chamber and the National Union of Mineworkers and aims to improve the quality of life of ex-mineworkers. It is a six-year, R42-million project that covers the following broad areas:

- the establishment of occupational health centres at identified government hospitals to provide benefit medical examinations to former mineworkers
- the strengthening of the certification and compensation claims process at the Medical Bureau for Occupational Diseases (MBOD) and the Compensation Commissioner for Occupational Diseases
- the promotion of sustainable economic projects.

Under the project, 10 benefit examination sites are to be established, with each site funded for two years before the province takes over its management.

During the financial year 2010/2011, the Nongoma site functioned exclusively under the management of the KwaZulu-Natal Department of Health. A total of 5 789 ex-miners were seen between 2009 and 2011. A total of 3 200 have been reviewed by the certification committee of MBOD. The increase in numbers has been attributed to the communication campaign as well as accepting applications from ex-miners with no industry numbers (mostly those not recruited by TEBA).

The second site, Mthatha, is fully renovated and staffed while there has been slow progress with the second site at Butterworth in the Eastern Cape.

Two provinces will be supported during the coming year, the North West and Free State.

Mine Health and Safety Council committees

The Health Unit participates in a number of committees under the MHSC; these include the Mine Occupational Health Advisory Committee, its technical advisory task

teams: the Occupational Medicine and Hygiene Technical Task Teams and the Safety in Mines Research Advisory Council (SIMRAC).

Other occupational hygiene activities

A GEE strategic plan was developed in 2009 on areas of concern in the ventilation/hygiene field. Besides silicosis and noise control, the following areas were identified and working groups established for executing the plans.

Qualifications

The Chamber is in the process of phasing out the current Chamber qualifications. The working group is in consultation with tertiary institutions to design a formal tertiary qualification. The technical reference group within the Mining Qualification Authority (MQA) is making good progress on the lower level qualifications. The unit standards for the lower level qualifications were submitted to the South African Qualifications Authority for registration whereafter training material will be developed.

Interactions took place with tertiary institutions for the design of new ventilation qualifications for levels 5 and higher.

Mandating and representation

All the MHSC committees were strengthened with the election of GEE members. The GEE committee identifies areas where representation is required in the technical committees of the South African Bureau of Sstandards (SABS) and nominations are put forward to represent the Chamber.

Legislation

Three guidelines were revised during the year:

- *Guideline for a Mandatory Code of Practice for Flammable Gas in Mines other than Coal*
- *Guideline for a Mandatory Code of Practice for Flammable Gas in Coal Mines*
- *Guideline for a Mandatory Code of Practice for the Assessment of Personal Exposure to Airborne Pollutants.*

All documents were forwarded to the Mining Regulatory Advisory Committee (MRAC) and Legal Drafting Committee (LDC) for finalisation and it is expected that these guidelines will be promulgated before the end of 2011.

The Guideline on a Health Programme for Noise should be completed within the next couple of months and a request will be submitted for the revision of the *Guideline on Thermal Stress*. The *South African Mines Occupational Hygiene Programme Code Book* was revoked meaning that all guidelines would need to be revised.

A proposal was forwarded to SIMRAC to conduct research on diesel particulate matter in order to set occupational exposure limits for the South African mining industry. The decision was taken at MHSC level that no research will be conducted, but the DMR will be responsible to set the limits.

Conclusion

Significant progress was made in addressing a number of priority areas in the past year. It is however still of concern that there is no firm evidence that the 2013 milestones on occupational diseases will be met.

LABOUR POLICY & COMMUNITY DEVELOPMENT

Introduction

The Chamber's Industrial Relations Service (IRS) had three key mining-related focus areas in 2011: the gold and coal negotiations on wages and conditions of service, the establishment of a bargaining council for the mining industry and community development. It also dealt with several broader issues such as the amendments to labour legislation.

2011 Review of wages and conditions of service

The Chamber conducts wage negotiations on behalf of its members in the gold and coal mining industries. In respect of gold, the Chamber negotiates on behalf of AngloGold Ashanti, Gold Fields, Harmony and Rand Uranium. The coal companies represented by the Chamber are Anglo American Thermal Coal, Delmas Coal, Exxaro Coal Mpumalanga, Kangra Coal, Optimum Coal and Xstrata Coal SA. The three unions involved in the negotiations are the National Union of Mineworkers (NUM), UASA – The Union and Solidarity.

In the year under review, the unions presented a wide range of demands to the Chamber, including demands for wages to be increased by between 12% and 14%. Many of these demands had significant cost implications, including a minimum wage for both underground and surface employees, increases to the living out and housing allowances, an increase in the minimum medical incapacity benefit, increased employer medical aid and provident fund contributions, a roll-up of job categories, employee share ownership plans, improvements to the service increment and numerous other special allowances. There were also several demands relating to allowances and bonuses for miners, artisans and officials. As was the trend in previous rounds of negotiations, some of the unions' demands were directed at improving the conditions of female employees. For the first time NUM made a demand for a youth development strategy, and for improved bursary schemes.

The 2011 negotiations were conducted in a very challenging environment. This held true not only for mining, but also for most of the sectors conducting negotiations in 2011. Towards the end of 2010, COSATU (the Congress of South African Trade Unions) released a policy document entitled, *A Growth Path Towards Full Employment*. A large focus of the COSATU policy document was on decent work and decent pay, with the reduction of the wage gap between the lowest and highest paid as a core theme. COSATU publicly called for its members to "fight for big increases". Recent research on collective bargaining trends in South Africa conducted on behalf of the International Labour Organisation concluded that worker discontent over the wage gap was the factor that was fuelling high wage demands. The COSATU positions on the issues of a living wage and reducing the wage gap permeated the wage negotiations in mining, and also in other sectors where COSATU affiliated unions were involved. To try to address union concerns about the wage gap, both the gold and coal companies gave larger increases to the lower level employees than to other categories of employees.

The negotiations began somewhat later than in previous years with the first meeting taking place on 13 June. This was a meeting for both the gold and coal sectors at which the unions clarified and motivated their demands. Thereafter, the gold and coal sectors negotiated separately.

2011 Gold wage negotiations

The unions and the gold mining companies concluded a two-year wage agreement on 2 August 2011 and NUM subsequently called off a strike that had lasted three days. The wage increments ranged between 10% for entry level employees and 7.5% for miners, artisans and officials. In addition, the parties agreed to increase the current living-out allowance of R1 400 per month by R120 from 1 September 2011 and

"Both the Chamber and the unions see the framework agreement as a significant breakthrough with the potential to improve the sustainability of the gold mining industry in South Africa."

a further R120 from 1 September 2012. The parties also agreed to a home ownership allowance for employees who earn R10 000 or less a month and are first time home owners. In an effort to assist low income earners to access medical aid schemes, the parties agreed to a medical aid contribution rate of 60% for the companies and 40% for the employees for a period of five years.

A number of issues were put into process to be dealt with within specific timeframes either at Chamber or company level. These included:

- discussions on employee share options schemes
- the development of young people
- bursary schemes
- women in mining
- the containment of medical costs
- appropriate entry levels for the gold mining industry.

The wage agreement is a two-year agreement, with the 2012 increases ranging from 10% at the lower levels and 7.5% for miners, artisans and officials.

The parties also concluded a framework agreement that formed part of the wage agreement and in terms of which the parties will co-design arrangements aimed at the effective utilisation of mining assets and thus better sustaining the future of the gold mining industry. A central level task team comprising senior representatives from the companies and the trade unions will be established to co-design strategies to utilise mining assets without increasing overall working hours or compromising health and safety. The task team will also examine global best practice. There will also be company and mine level task teams that will work in parallel with the central level task team.

Both the Chamber and the unions see the framework agreement as a significant breakthrough with the potential to improve the sustainability of the gold mining industry in South Africa.

2011 Coal wage negotiations

The unions and the coal companies concluded a two-year wage agreement on 1 August 2011, bringing to an end a strike that had lasted over a week. The wage increments agreed upon ranged between 10.5% for the entry level employees and, with the exception of Delmas coal where particular circumstances prevail, 8% for miners, artisans and officials. The living-out allowance increase ranged between 9% and 6%. In terms of the wage agreement, most of the companies' contribution rate to medical aid schemes will in future be 60%. There were also increases in a number of other benefits and bonuses.

The increases to be made in 2012 are between 7.5% and 10%.

Task teams, at either Chamber or company level, will be established to deal with several issues where the parties were of the view that further engagement would be beneficial. These issues include:

- ways in which to promote home ownership amongst employees
- improving the working environment for female employees
- youth development initiatives
- the recognition of prior learning.

Implementation of previous wage agreements

Miners' contracts

In 2009, it was agreed that a dispute about whether or not the gold companies are required to remunerate miners in accordance with a provision contained in the Core Conditions Code for Miners and Artisans would be referred to binding private arbitration.

The arbitration took place on 7 February 2011. The arbitrator found in favour of the companies, ruling that:

- "Miners employed by the respondents represented by the Chamber of Mines in these proceedings have no right to be remunerated in accordance with clause 5.2 of the Core Conditions Code for Miners and Artisans; and
- the respondent mines, represented by the Chamber of Mines in these proceedings,

consequently are under no obligation to negotiate such agreements as may be perceived to be envisaged by that clause".

The arbitration award puts to rest an issue that has been raised in several rounds of wage negotiations.

Museum and monuments

The discussions around the establishment of a mining museum and the design for a mining monument that will be erected in various mining towns around the country have been on-going for some time. During the 2011 wage negotiations, the parties reaffirmed their commitment to this process and undertook to work together to ensure that the envisaged virtual mining museum that will be placed on the internet is operational before the end of 2011 and that the first phase of the actual museum project will be completed by the third quarter of 2012.

Merger of the Mineworkers Development Agency (MDA) and TEBA Development

Extensive engagement between TEBA Development and the MDA has been on-going and has resulted in the development of a business model and business plan for a merged entity. Potential project focus areas have also been identified.

Given the minister of finance's undertaking in his budget speech to commit funds to a mining development agency, engagement has also taken place with the National Treasury and the DMR. The National Treasury has given an undertaking to make funds available for the cost of the merger and also specific projects. The National Treasury has suggested that focus be placed on environmental projects and national priorities, especially job creation projects. A project proposal has been developed for submission to the DMR and, through the department, the National Treasury.

During this year's wage negotiations the parties agreed that the merger should be pursued with as much speed as the complex process allows. The Chamber undertook to continue to pay for the services of the facilitator who has been taking the merger processes forward.

Personal protective equipment for women

It was first agreed to undertake an investigation into personal protective clothing during the 2009 wage negotiations. The issue proved to be more complex than had been initially thought and it was subsequently decided to enlist the assistance of the MHSC which referred the matter to SIMRAC. In March a proposal for a SIMRAC research study into personal protective equipment for woman in the South African mining industry was approved by members. The University of South Africa (UNISA) has been commissioned to conduct the study. The project commenced in April 2011 and it is intended that it will be concluded in December of the same year.

Bargaining council

It had been anticipated that the 2011 round of negotiations for gold and coal would take place under the auspices of a bargaining council, but there was not sufficient time to allow this to happen since the constitution for the bargaining council has not yet been finalised. While good progress is being made with the constitution, some very important matters remain outstanding. Foremost amongst these are the exemptions procedures, issues relating to smaller companies, the dispute resolution function and the recognition criteria for membership of the council for unions. Currently, the unions – NUM, Solidarity and UASA – are trying to develop a common view on the recognition criteria for union membership of the bargaining council. While these three unions, as founding members, will automatically be members from the outset there will be a sunset arrangement after which they will have to comply with the recognition criteria. All new applicants will also have to meet the recognition criteria that will be stipulated in the bargaining council constitution.

A further matter that needs to be addressed is the apparent overlaps between the Chamber contractor members' definition of mining contracting, and the civil engineering industry's concept of a bargaining council for the civil engineering industry. The civil engineering industry expressly includes opencast and open pit mining in its scope. On 16 May 2011, the Chamber and the mining industry's unions signed off on the definition of mining contracting for inclusion in the constitution for the mining bargaining council. It has also been agreed that the parties will collectively object to civil engineering's scope when invited to do so by the Department of Labour in the *Government Gazette*.

Interaction between the Chamber and NUM

Each year a number of meetings are scheduled to bring together the principals from NUM and the Chamber. This allows for the frank exchange of ideas on subjects of importance to the mining industry and helps to foster a shared understanding of some of the industry challenges that most appropriately can be met by joint interventions.

The last such meeting took place in March 2011 when attention was given to a broad range of issues, including:

- job creation by the mining industry in terms of the proposals in the government's new growth path
- preparations for a national summit on health and safety
- the improvement of occupational health and safety through extending co-operation between the parties
- labour related issues
- the need to increase the quantum of the long service award and review its rules and governance body structure.

A further meeting will take place in October 2011.

Community development

IRS has been assigned the responsibility to promote community development in the mining industry. There has been significant engagement with the Department of Rural Development and Land Reform and with the Social and Labour Plans Directorate of the DMR. Three community development forums are active. These are commodity based and bring together companies in the platinum, gold and coal sectors. The platinum forum was established some years ago independently of the Chamber, while the gold and coal forums operate under the auspices of the Chamber.

Recently, the coal members of the Chamber agreed to merge the Mpumalanga Coal Community Development Forum, which had been formed by the Chamber's coal member companies in the Mpumalanga region, with the Chamber's coal producers' community development forum. There is thus now only one community development forum for the Chamber's coal members. The companies in the forum have reaffirmed their commitment to a collaborative approach and the forum has developed an action plan for the implementation of joint projects.

Similarly, the gold Chamber members, which had organised themselves into a Gold Producers' Partnership for Development (GPPD), to look at joint projects in the West Rand area, have resolved to merge the GPPD with the Chamber's gold producers' community development forum to form a single forum dealing with all community development issues in a holistic manner. The consolidated forum is currently preparing a draft action plan for the implementation of joint projects in the labour sending areas and host communities.

There is a shared understanding that a collaborative approach to community development makes sense and that joint projects will have a greater impact on the ground. The Chamber's Executive Council has endorsed such a collaborative approach to community and rural development arguing that it assists the industry to play a positive role in the sustainable development of the country, creates an opportunity to leverage funding from other stakeholders and assists mining companies in meeting their obligations in terms of their social and labour plans.

IRS has started a community development newsletter to keep members abreast of the Chamber's community development initiatives.

Amendments to labour legislation

The Chamber is involved in the formulation of the BUSA positions on the amendments to South Africa's existing labour legislation and on the new Employment Services Bill. It is also a participant in the NEDLAC negotiations on the proposed amendments.

From the outset it has been business' position that some of the proposed amendments will act

as a deterrent to the goals of job creation and economic growth and as such run contrary to government's overarching goals. In this regard the proposed amendments are at odds with the New Growth Path, the Human Resource Development Strategy, the National Industrial Policy Framework and the National Skills Development Strategy III all of which focus on economic growth, employment creation, poverty reduction, skills development and equality. Internationally, employment growth and competitiveness are largely dependent on the growth of atypical forms of employment. The International Labour Organisation has increasingly recognised the role played by atypical employment and private employment agencies, realising that a failure to allow labour market flexibility could result in unemployment, automation, mechanisation, new technologies, companies moving off-shore and an outflow of foreign direct investment.

Given its serious concerns with the proposed amendments, BUSA sought an urgent meeting with the minister of labour, which took place on 21 February 2011. A very frank discussion on the labour law amendments took place and BUSA stated its concerns with the Bills, particularly around the deleterious effect that they would have on business in general, and on job creation in particular. BUSA proposed, and the minister agreed, that the NEDLAC negotiations should focus on fundamental issues of principles, outcomes, policies and process.

Following the meeting with the minister, a meeting on process took place at NEDLAC on 10 March 2011. The social partners agreed to identify problems in the labour market, the unintended consequences of the labour laws and to focus on addressing these through the NEDLAC process rather than negotiating the Bills that were published by government in December 2011 on a line-by-line basis. A number of themes relating to labour legislation were identified and it was agreed that these will be the basis on which the parties will have further engagement.

The identified themes are:

- atypical employment
- dispute resolution
- access to employment
- collective bargaining
- compliance and enforcement
- equity.

The first theme that has been dealt with is atypical work. This is the most contentious issue, with all the parties having strong views on the subject. In the mining industry there are two main types of contractors: those supplying specialised skills and those engaged in actual mining operations. The Chamber has agreements in place with the unions that the mining houses will only contract with companies that meet all the necessary statutory requirements. In addition, the terms of employment of employees of the contracting companies have to be similar to those offered by the mining companies to their permanent employees.

Negotiations have also commenced on the theme of dispute resolution.

Once the social partners in NEDLAC have concluded their negotiations on the various themes, labour lawyers will be engaged to formulate legal wording to give effect to the outcomes of the negotiations.

Social security and retirement reform

The consolidated government proposals on social security and retirement reform, which are to be finalised by an inter-departmental task team, have not yet been released. However, BUSA agreed to be proactive on the anticipated reform measures and developed a

draft preliminary position on these issues, which will be refined once the government position is made public. To ensure that the interests of the mining industry are well represented, the Chamber established a task team comprising experts in the field drawn from the mining houses. The task team met on a number of occasions and gave considerable input into BUSA preliminary position.

MIGDETT

The finalisation of the review of the Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry was conducted under the auspices of MIGDETT. The Stakeholders' Declaration on Strategy for the Sustainable Growth and Meaningful Transformation of South Africa's Mining Industry, which was concluded in mid-2010, was used as the base document for the review. In the areas relating to employment equity and skills development the revised charter requires companies to:

- achieve a minimum of 40% representation by historically disadvantaged South Africans (HDSAs) at all levels of management by 2014
- spend a percentage of payroll on essential skills development activities, excluding the mandatory skills levy.

In June 2011, the mining companies reported to the DMR on their progress in meeting the targets set out in the Charter. Parliament's Mineral Resources Portfolio Committee also requested briefing on the industry's progress in meeting the charter's requirements. A Chamber delegation addressed the portfolio committee on 24 August.

Other interaction

BUSA and NEDLAC

Involvement in the BUSA structures continues, with the industrial relations adviser chairing the BUSA Standing Committee on Social Policy and serving on its Management Committee. The assistant industrial relations adviser serves on the BUSA Standing Committee on Transformation and the senior policy analyst is one of the employer representatives on the NEDLAC Labour Market Chamber and also a Chamber representative on the BUSA Standing Committee on Social Policy

Labour Policy Committee

Through its Labour Policy Committee and specialist task teams, IRS provides a forum for industrial relations practitioners in the mining industry to meet, share information and develop policies that will improve the environment in which the mining industry operates.

Judicial Services Commission

In terms of the Labour Relations Act, NEDLAC, together with the Judicial Services Commission, makes recommendations on the appointment of judges to the labour courts.

TEBA Development

The Industrial Relations Adviser serves on the Board of TEBA Development. Since IRS i.s charged with community development as one of its main focus areas, it is important that there be active involvement, and close liaison, with TEBA Development.

Assistance to Chamber members

In addition to providing a collective bargaining service, IRS also assists members with queries and provides information on labour related matters. IRS also alerts members to new policy and legislative developments in the industrial relations arena and prepares positions on these issues that are fed into national debates, either directly on behalf of the mining industry or through BUSA on behalf of employers as a collective.

THE LEARNING HUB

Introduction

The Learning Hub is mandated to encourage mining companies to learn from the pockets of excellence that exist within the industry. This is achieved through a mining industry occupational safety and health (MOSH) adoption process that involves identifying, documenting, demonstrating and facilitating widespread adoption of leading practices with the greatest potential to reduce the major risks in health and safety such as falls of ground, dust, noise and transport and machinery.

Adoption teams are responsible for identifying and facilitating widespread adoption of priority leading practices. The process undertaken by the teams must ensure the sustainability and credibility of the adoption system and create a sense of industry ownership.

Falls of Ground Adoption Team

The focus of the Falls of Ground (FoG) Team is on the following leading practices.

The mandate of the entry examination

To date, 65 mines are participating in the adoption process, and of these 28 have completed the adoption process, 25 have progressed to more than 90% and the rest are at various stages of the process and 68% of the teams have been trained. The impact of this leading practice shows an improved team spirit and the high number of FoG fatality free shifts of participating mines.

Nets with bolts

Progress at the demonstration mine (Harmony's Kusasalethu) has been slow because of technical, operational and management challenges. Remedial management action undertaken in June 2011 included high-level underground visits by executive management and the reformulation of the implementation strategy based on strict project management principles. An industry learning day was held at the end of June 2011 in which close to 45 people from various mining houses participated.

Triggered action response plan (TARP)

TARP was identified during an industry planning workshop held in March 2011. Xstrata Alloys' Kroondal Chrome Mine and Harmony's Joel Mine were identified as source and demonstration mines, respectively.

Transport and Machinery Adoption Team

This adoption team was established in June 2010. Fatigue management and proximity detection and collision avoidance systems are first and second on the list of potential leading practices.

The leading practice is: "Function selection tool and adoption guidance documents for implementing proximity detection systems for underground hard-rock and coal mines".

In November 2010, following a near-miss incident involving a continuous miner at a coal mine, the team, in partnership with the South African Collieries Managers Association, hosted an underground machinery workshop to share lessons and came up with suggestions to prevent such incidents in the future. This workshop was attended by about 40 industry participants.

By the end of May 2011, the team had conducted 68 direct enquiry interviews focusing on the key stakeholders (from operators as adopters to general managers as decision makers) affected by the proximity detection systems. The results indicate that adopters believe that worker's behaviour and mindset must change to ensure safety

By the end of June 2011, source mine investigations had been undertaken at three mines: Tumela (Anglo Platinum), Mponeng (AngloGold Ashanti) and Twistdraai (Sasol Mining). Operational, technical aspects, leadership behaviour and behavioural communication plans used at the source mines to enable successful implementation of the proximity detection systems practice were identified. BHP Billiton Energy Coal South Africa Ltd's Khutala Colliery was identified as the demonstration mine.

"Adoption teams are responsible for identifying and facilitating widespread adoption of priority leading practices. The process undertaken by the teams must ensure the sustainability and credibility of the adoption system and create a sense of industry ownership."

Noise Adoption Team

The Noise Adoption Team demonstrated the hearing protection device selection tool, training and awareness as the new leading practice. The team held its first community of practice for adoption meeting during the third quarter of the reporting year where 14 mining companies were represented. Despite high levels of interest shown in this leading practice, it has been adopted by only a few mining companies.

Dust Adoption Team

After identifying the footwall and sidewall treatment during the fourth quarter of 2010, this practice was introduced to the mining industry at a workshop in June 2011 and attended by 40 representatives from various mining companies. Although it is considered valuable, no mining company has yet adopted it. The next leading practice being investigated is a measuring strategy based on SIMRAC research outcomes, namely SIM 030603 Track B.

Secretariat performance

The Learning Hub provides secretariat and operational support to the adoption teams. This has been achieved through a variety of initiatives and processes including:

- mine site visits and peer reviews, mechanisms to monitor MOSH implementation and to support adopting mines
- independent MOSH evaluation on governance and oversight, resourcing capacity and operation conducted by the Centre for Sustainability in Mining and Industry
- governance structures
- resourcing and capacity building.

Governance structures

The following structures and mechanisms have been put in place to ensure governance and oversight of the Learning Hub:

- Learning Hub co-ordinators who oversee the operational effectiveness of the Learning Hub. The participants are two senior executives and the head of the Learning Hub.
- The MOSH adoption team Learning Hub Advisory Committee was established as a tripartite consultative structure to oversee the preparation of the MOSH Learning Hub programme and to carry high-level oversight responsibility.

People management

Mining companies provide resources to the Learning Hub by seconding, for two years, people with technical expertise as adoption team managers for falls of ground, dust, noise, and transport and machinery, and skills transfer on the MOSH Adoption System.

LEGAL ISSUES

The City of Cape Town vs MACCSAND and others

For many years there have been conflicts between the DMR and the Department of Environmental Affairs on the regulation of environmental matters for mining and related activities. During 2008, the two ministers reached a compromise agreement on a single environmental management system that meant that environmental issues in the mining sector would eventually be regulated in terms of the National Environmental Management Act (NEMA), with the minister of mineral resources taking decisions in terms of NEMA. Two pieces of legislation were passed by parliament to give effect to this agreement, but thus far only one has been brought into force.

It was always assumed that NEMA does not currently apply to the mining industry. Despite this, some activities taking place in mining are listed in NEMA regulations such as environmental impact assessments required under NEMA. Following this, provincial environmental departments are demanding that mines also obtain an environmental authorisation under NEMA, in addition to the requisite authorisation in terms of the Mineral and Petroleum Resources Development Act (MPRDA). This creates serious problems for the industry, for example, mines are expected to duplicate costly authorisation processes with concomitant major delays because the NEMA processes are exceptionally time consuming.

In the MACCSAND case, the Cape High Court had to deal with the inter-relationship between the MPRDA, NEMA and a Cape Province Land Use Planning Ordinance. As far as the application of NEMA to mining activities is concerned, the court found that if specific activities within a mining operation were listed in terms of NEMA as activities that could not commence without environmental authorisation under NEMA, such environmental authorisation under NEMA is required notwithstanding that the DMR has approved an environmental management programme under the MPRDA.

As far as the Cape Land Use Planning Ordinance is concerned, the court found that although land was a provincial and local authority competence and mining was a national competence, the Constitution of South Africa does not give national legislation the right to take away the planning function of municipalities. The court held that the provincial ordinance had clear application to the dispute and that this finding did not preclude the possibility of an overlap between the powers of national and local government. The court stated that there was no reason that two spheres of control cannot co-exist even if they overlap and even if the one may, in effect, veto the decision of the other.

Both MACCSAND and the minister of mineral resources applied for, and were granted leave to appeal to the Supreme Court of Appeal against the Cape High Court decision. Because of the far reaching adverse implications of the decision for the mining industry, the Chamber applied to the Supreme Court of Appeal to become a party to the appeal. This application was granted. The appeal was heard on 15 and 16 August 2011. At the time of writing this report the judgment of the Supreme Court of Appeal had not yet been delivered.

Amendments to the MPRDA

In April 2009, an MPRDA amendment Act was published in the *Government Gazette*, which was supposed to come into force on a date to be fixed by President Zuma. However, in July 2010 the minister of mineral resources indicated that the Amendment Act would not be promulgated. In August 2010, the minister advised that the DMR would make proposals for amendments to the MPRDA with the intention of submitting a draft Bill to Cabinet by the end of 2011.

The DMR invited various stakeholders to a workshop on 22 September 2010 to identify shortcomings in the MPRDA. Besides making a presentation at this workshop, the Chamber also sent written submissions with its proposals to the DMR.

The DMR is now in the process of

"The ultimate beneficial shareholder of u-bank is the Teba Fund, which is a trust formed jointly by the Chamber and NUM for the benefit of mineworkers, their families and labour-sending communities."

preparing a draft Bill which, at the time of writing, had not been taken to Cabinet for approval. It is intended that once Cabinet has approved the Bill it will be made available for public comment by way of publication in the *Government Gazette*.

Granting of new authorisations

In a government notice published in May 2011, the DMR invited representations on a proposed imposition of a restriction under the MPRDA on the granting of new reconnaissance permissions, prospecting rights, mining rights and mining permits in respect of any land on which such rights lapsed. The minister intended to put such lapsed rights up for tender in terms of certain provisions of the MPRDA. The Chamber submitted comments on the notice that indicated its concern that the notice did not satisfy various criteria in the applicable section of the MPRDA: that implementation of the proposed course of action would have various unintended negative consequences; that the sections in the MPRDA in terms of which the rights would be put up for auction were unconstitutional; and that the proposed course of action would give rise to various practical difficulties or uncertainties.

The Chamber met with the DMR in June 2011 during which the DMR explained that the purpose of the intended prohibition was to prevent delinquent holders of rights from applying for the same right either directly or through another company and to advise the general public that such rights had lapsed. The Chamber then submitted, at the request of the DMR, a letter summarising the Chamber's concerns and comments on the notice, as well as suggestions on how these concerns could be addressed.

Amendments to the Mine Health and Safety Act

Two controversial sections of the Mine Health and Safety Amendment Act of 2008 were not implemented when the Amendment Act came into force on 30 May 2009. The Chamber contended that those two sections were unconstitutional and an agreement was reached between the DMR, the Chamber and organised labour in the mining industry in terms of which the minister of the DMR was supposed to introduce a new Amendment Bill amending the two sections. The envisaged Amendment Bill was not prepared and at a meeting with the minister in July 2010 she indicated that she was against a piecemeal amendment of legislation.

During September 2010, stakeholders were invited to a DMR workshop to identify perceived problematic areas in the Act. The Chamber and other stakeholders made presentations at the workshop. At a second workshop in November 2010, the DMR tabled a document setting out various proposed changes to the Act. Stakeholders were again given an opportunity to comment on the proposals. In January 2011, a further amended document was sent by the DMR to the MHSC setting out its latest proposals. The Chamber and other members of the MHSC provided written documents on the DMR proposals in February 2011. The DMR is now in the process of preparing a draft Amendment Bill.

Stakeholders at the MHSC were advised in August 2011 that the proposed amendments were "work in progress" and that the minister would soon be briefed on the proposed changes, following which further consultation would take place.

Conveyer regulations

The industry identified various concerns around the practical implementation of the Conveyer Belt regulations that came into force in February 2008. At a meeting with the chief inspector of mines in August 2010, he agreed that a task team could be formed under the MHSC to draft amendments to address business' concerns.

The Chamber was represented on the task team and proposed changes to the existing regulations and also suggested that a guideline for a mandatory code of practice be published. The proposed amendments and guideline were considered by the MHSC in July 2011, which it referred back to the task team with a request that they be reviewed to include minimum performance standards.

At the time of writing this report, the task team was in the process of

being reconstituted to carry out the request from the MHSC.

Shafts and winder regulations

Following an extensive process, proposed new shafts and winder regulations were circulated during July 2010 to the MHSC stakeholders for comment. The proposed regulations were revised in the light of comments provided by the Chamber and in March 2011 they were again submitted to stakeholders for comment. Following further comments and extensive consultation with Chamber members, the proposed regulations were again revised and final comments were requested in August 2011. Once the proposed regulations have been amended they will be sent to the MHSC for approval.

Mankayi vs AngloGold Ashanti Limited

In the above judgement, which was handed down by the Constitutional Court on 3 March 2011, the Constitutional Court found that the prohibition in section 35(1) of the Compensation for Occupational Injuries and Diseases Act (COIDA) against an employee (or any dependent of an employee) from recovering damages in respect of any occupational injury or disease contracted by that employee, was limited to employees who had a claim for compensation under COIDA. The prohibition did not extend to employees who had a claim under the Occupational Diseases in Mines and Works Act (ODMWA). This means that employees who receive benefits under ODMWA can, in addition to their benefits, also claim for damages from their employer under common law providing they can prove negligence on the part of the employer as ODMWA contains no provision similar to section 35(1) of COIDA.

The decision has far-reaching consequences for employers falling under ODMWA. Because it is a Constitutional Court judgement, no further appeal against the decision can be lodged. The only way to reverse the decision would be to amend ODMWA to incorporate a provision similar to Section 35(1) of COIDA or to extend the wording of the indemnity in COIDA to cover ODMWA.

The Constitutional Court highlighted the fact that the benefits under ODMWA were inferior to the benefits under COIDA. The Chamber has for many years supported, in principle, an integration of ODMWA and COIDA, but has said that this should be done having due regard to the various factors that would impact on the financial viability of mining companies.

Anti-corruption activities

To facilitate the business participation in the National Anti-Corruption Forum (NACF) and to deal with other aspects of corruption as far as they relate to or affects business, BUSA established an anti-corruption working group. Activities during the year under review include:

- a business anti-corruption information portal hosted on the BUSA website
- an e-training programme in anti-corruption launched on 1 April 2011
- a mentorship programme was launched
- terms of reference are being finalised for a survey on the prevalence of corruption in the business sector and related matters
- projects arising from previous NACF summits are being implemented
- business representation at the NACF has been strengthened to include more management.

Illegal mining and theft of precious metals

The problem of illegal mining and theft of precious metals continues. What is of particular concern is that illegal miners appear to have become more confident and aggressive, which can be attributed in part to the fact that sentences are generally far too lenient. They have also become well organised and well armed and receive assistance from corrupt employees and officials.

On the other hand, there have been substantial successes in dealing with the problem and there are various initiatives underway under the auspicious of the National Precious Metals Forum aimed at dealing with the problem. These include a special task force that is investigating senior syndicate members active in precious metal theft at national and international level.

Chamber members attended a workshop towards the end of 2010 and compiled a strategy document to ensure better industry co-operation in the fight against illegal mining. Initiatives being undertaken include involving local communities to provide information, reviewing available technology and sharing of best practice.

Shortfall in the ODMWA Compensation Fund

On 23 November 2010, the Chamber applied to the North Gauteng High Court for a declaratory order on whether or not the compensation commissioner may include in the levy to be paid by any specific mine under ODMWA any amount that is intended to be used for funding benefits payable to: ex-mine workers who never had worked at that mine; or ex-mine workers who used to work at the mine, but no longer work at the mine.

Judgment in the case was given on 29 April 2011. The judge dismissed the Chamber's application. The judge concluded that the compensation commissioner has authority under ODMWA to address a historical or actuarial deficit in the Compensation Fund in the manner in which he proposed to do, that is by increasing the levy payable by current mines and works to cover the shortfall in respect of all ex-mine workers.

The Chamber applied for, and was granted leave to appeal against the judgment to the Supreme Court of judgement. At the time of writing, no date for the hearing of the appeal had been determined.

ODMWA declarator

The Chamber's application in the North Gauteng High Court for a declaratory order limiting Chamber members' liability to pay annually increasing levies under ODMWA to the compensation commissioner for current mineworkers only, was unsuccessful. The Chamber continues to lobby the minister and the DMR on the extent of the industry's liability for unfunded actuarial deficits in ODMWA.

Companies Act, 2008 and regulations

The much anticipated new Companies Act of 2008, which was passed into law in April 2009, came into force on 1 May 2011, replacing the old Companies Act of 1973 in its entirety. The Act introduces a new system of company law, designed to free up commercial opportunities, and facilitate business transactions in South Africa, and includes new provisions for business rescue.

Regulations to the Act were published for public comment in December 2010, co-ordinated through BUSA, and implemented with the Act in May 2011. Companies incorporated under the old Companies Act have two years in which to regularise and align themselves with the provisions of the new Act.

Industry retirement funds and unclaimed benefits distribution

Revised Regulation 28

During the year, the Financial Services Board amended Regulation 28, which specifies prudential parameters for retirement fund investments. For the

first time, Regulation 28 expressly permits retirement funds to invest in hedge funds and other derivative and credit instruments, which were traditionally considered risky, and many of which were unregulated. The Chamber welcomes the revised Regulation 28, which also limits the risk-taking capacity of retirement funds, and brings all investment instruments under the disclosure and monitoring rules of the regulator. The corollary is that the oversight responsibility of trustees appointed by the Chamber to various industry retirement funds is inevitably increased.

Aurora Empowerment Systems

2011 saw the suspension of the mandate of Aurora Empowerment Systems (Aurora) to administer the mines of liquidated Pamodzi mine. Aurora failed to pay retirement contributions for the employees of Pamodzi's Free State mines under its management, resulting in regulatory action against the responsible parties by the affected retirement funds in terms of the Pension Funds Act. The Chamber, representing participating employers in industry retirement funds, continues to monitor the plight of employees adversely affected by corporate delinquency.

Trustees appointed to Industry Retirement Funds

The Chamber nominates employer trustees to the boards of six mining industry retirement funds, with combined assets in excess of R75-billion.

The Chamber, with the boards of trustees and administrators of the funds, continues to engage with government, trade unions, industry forums and local communities on various matters of concern to them, including the reform of the retirement fund industry by the Department of Social Development and National Treasury.

Mines 1970s Pension and Provident Funds

The Chamber administers the Mines 1970s Pension and Provident Funds, which were converted to unclaimed benefits funds in 2009. With effect from 1 January 2004, the Mines 1970s Pension Fund declared a surplus distribution to members in terms of the Pension Funds Act, which is on-going. New sets of rules were adopted for each of the funds during 2011 to reflect their unclaimed benefits status.

The funds' assets are invested for growth and protection against market volatility. New tracing agents have been appointed to find members to whom unclaimed benefits and surpluses are owed, and trustees are hopeful that these initiatives will yield better results.

Mineworkers Provident Fund

The Mineworkers Provident Fund changed from an out-sourced administration model to a co-sourced, self-administration platform with effect from 1 January 2011. The fund continues to review its systems, staffing and rules to provide an efficient benefits' administration service to members and participating employers. During the second half of 2010, the Chamber assisted the fund with its initiatives to clear a large claims backlog prior to the implementation of its new administration platform, whilst taking care to monitor various transition risks to the fund upon its implementation of self-administration systems.

As co-sponsors of the fund with NUM, the Chamber continues to be vigilant on behalf of its members

in its review of rule changes and governance structures at the fund. Members of the Chamber make up the majority of participating employers in, and employer contributions to, this R17-billion fund.

u-bank and Teba Bank controlling companies

In October 2010, Teba Bank Ltd changed its name to u-bank, and launched its new corporate identity and logo to the market with some fanfare. The bank is seeking to expand its customer base beyond the mining industry, to become the "people's bank of choice".

The ultimate beneficial shareholder of u-bank is the Teba Fund, which is a trust formed jointly by the Chamber and NUM for the benefit of mineworkers, their families and labour-sending communities. The Teba Trust is governed by a board of trustees appointed jointly by the Chamber and NUM, which meets periodically to conduct the business of the trust as shareholders of the bank.

In addition to retail banking and lending services, u-bank provides its customers with pension-backed home loans sourced from some of the mining industry's retirement funds. It is also paymaster to many of the Chambers' members. Three non-executive directors are nominated by the Chamber to serve on the board of u-bank, which is responsible for the oversight of risk, services and regulatory relationships with the South African Reserve Bank.

Moratorium on short-term insurance guarantees for mining rehabilitation

A moratorium was imposed by the DMR in 2009 on its acceptance of short-term insurance guarantees for financial provision for the rehabilitation of closed mines. Adequate financial provision is a condition precedent for a licence to operate under the MPRDA. At the end of January 2011, after almost two years, the moratorium was finally lifted by the DMR, following several representations by the Chamber and others to insurance regulators, National Treasury on the acceptability and suitability of short-term insurance guarantees for the mining industry.

The lifting of the moratorium in January 2011, and the DMR's endorsement of guarantees from at least six different commercial short-term insurers, with the possibility of adding more, provides much needed capacity to mining houses for financial guarantees in highly constrained banking and financial markets.

Moratorium on new applications for prospecting rights

On 31 August 2010, the DMR imposed a moratorium on all new applications for prospecting rights for a period of six months with the introduction of its new online licensing system, the South African Mineral Resources Administration (SAMRAD) system. The system for the registration of prospecting and mining rights and mining permits went live on 18 April 2011. In February 2011, the DMR extended the moratorium for the Mpumalanga Region until 30 September 2011. Only new applications were affected not renewals of existing prospecting and mining rights submitted to the DMR prior to 1 September 2010.

The Chamber continues to engage with its members and the mining industry to identify and monitor problems they are experiencing with the introduction of the new SAMRAD system.

SAFETY & SUSTAINABLE DEVELOPMENT

Introduction

The Chamber expresses its deepest sympathies to the loved ones of the 128 mine employees who died in mine accidents during 2010. Every death in the workplace is unacceptable and the Chamber remains committed to the zero harm vision in which every mine worker returns home unharmed every day.

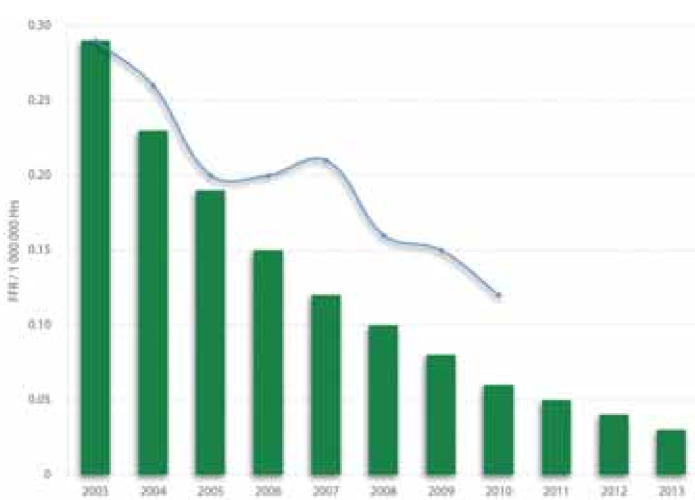
The 24% reduction in fatalities in 2010 was the biggest reduction in the industry's history and was a result of the close co-operation among the tripartite structures to achieve a world-class performance by 2013. To this end the Chamber works to ensure the implementation of the Tripartite Action Plan on Health and Safety, agreed to by the industry leaders in 2008 and now part of the Mining Charter.

Safety performance

Since the agreement of the 2013 milestones on health and safety in 2003, there has been a 54% reduction in fatalities in the mining environment. The graph below shows that the fatality frequency rate improved by 20% from 0.15 in 2009 to 0.12 in 2010.

The graphs on the next page show the performance of the gold and non-gold sectors against the milestones. Since the milestones are not being achieved, the Chamber is intensifying its efforts to accelerate reductions in fatalities.

Fatality Frequency Rate – industry milestone vs actual



Transforming the industry's OHS culture

The tripartite stakeholders are finalising the development of a culture transformation framework based on an extensive study undertaken by the MHSC on the cultural elements in the industry, such as blame, racism and leadership and which should bring about a fundamental change in beliefs, values and norms in the mining industry.

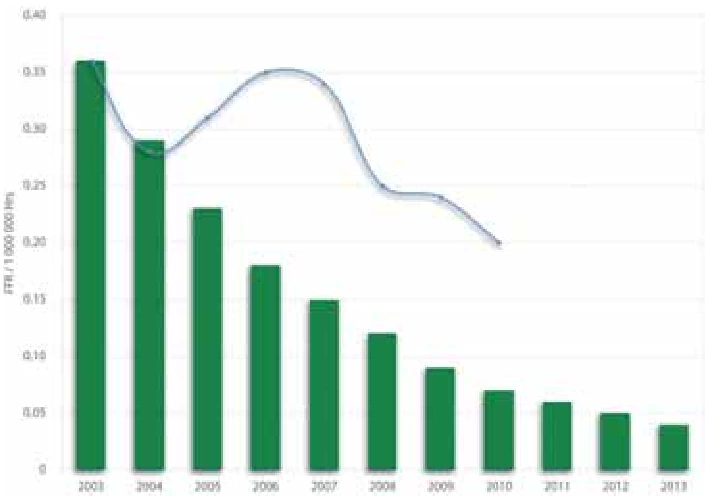
Capacity building

Between 2009 and 2010, the industry trained over 9 400 health and safety representatives of the 40 000 committed to by the industry in 2008. In addition, the MHSC is initiating an investigation into innovative training material and methods for health and safety representatives.

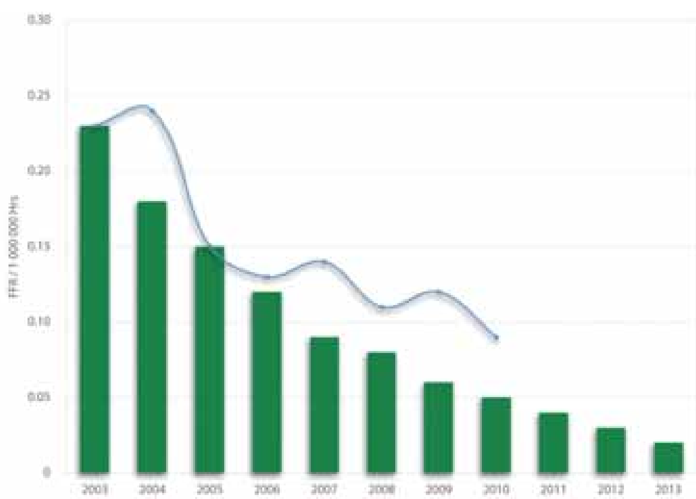
Learning material for rock engineering is also being developed through the Mining Qualifications Authority.

"The 24% reduction in fatalities in 2010 was the biggest reduction in the industry's history and was a result of the close co-operation among the tripartite structures to achieve a world-class performance by 2013."

Fatality Frequency Rate – industry milestone vs actual



Fatality Frequency Rate – industry milestone vs actual



Research and development

Research programmes into falls of ground and seismicity, which are the main contributors to the causes of fatalities in the industry, are currently underway.

The MHSC established a centre of excellence for mine health and safety to conduct world-class research, build research capacity and facilitate the implementation of research outcomes for the mining sector. A business plan for the centre is being prepared.

Sustainable development

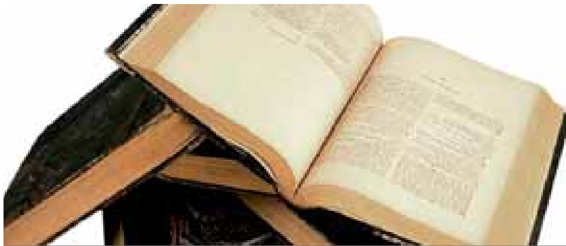
The Chamber participates in policy issues on mining and sustainable development. Sustainability is, for instance, a key theme in the revised Mining Charter.

The Chamber commented on the *Integrated Reporting Guidelines* published by a committee chaired by Dr Mervyn King. Ways to improve stakeholder engagement on reporting are also being considered.

The Chamber contributes globally to mining and sustainable development issues and is an association member of the ICMM.

The Chamber is involved in all ICMM work programmes and in the development on position statements on climate change, water, safety, health and other matters.

SKILLS DEVELOPMENT



Introduction

The Skills Development Unit strengthened its position as the leader of the business constituency when engaging with other social partners on all matters relating to education and skills development. In the year under review, the social partners negotiated the following legislation, with the Chamber leading the business delegation:

- Amendments to the Skills Development Act. The Chamber contributed significantly to business' comments through BUSA and led a special task team of BUSA to develop a position on the proposed changes. The Chamber was nominated to present a business position to the minister of higher education and training on the changes to the Skills Development Act. The content of this presentation was used as business' position in preparation for negotiations at NEDLAC
- Amendments to the Further Education and Training Act. Business is not heavily affected by this Act, but it was important to participate and influence the changes in so far as they deal with the role of further education and training colleges on providing the theoretical foundation required for all learnerships and artisan development
- Engagement between the minister and business led to the establishment of the Artisan Development Technical Team to develop strategies for addressing the shortage of artisans through funding and skills development processes that would be acceptable to both business and government. Chamber officials were nominated to serve on this special task team. The task team reviewed the learning routes and proposed a single generic route for all learners culminating in a trade test. The Chamber led the business delegation in this task team. The task team eventually became a special committee of the Human Resource Development Council, which is led by the country's deputy president. The task team produced the following recommendations:
  - a list of artisans critical for economic growth
  - the number of artisan trainees that industries could train beyond their own needs to contribute to artisans required by other industries for economic growth
  - the development of a funding model for training the unemployed to become artisans with specific emphasis on the utilisation of the National Skills Fund.

The minister of higher education and training hosted two summits: the Skills Summit and Further Education and Training Summit to gather input from all social partners in an attempt to address the skills shortage. Chamber officials made presentations on behalf of business at both summits and continue to participate at follow-up task teams on recommendations for further actions and policy development as outcomes of the summits.

The South African Qualifications Authority (SAQA) embarked on a process of gathering information through workshops for the recognition and registration of professional bodies. The Chamber participated in this process and influenced the requirements for the registration of professional bodies.

The Chamber continues to chair BUSA's Sub-committee on Education and Training. This has enabled the Chamber to be part of any BUSA representation on education and skills development on matters affecting the mining industry.

Human resources development strategy

The Human Resources Development Council (HRDC) re-focused its efforts on the implementation of the human Resources Development Strategy (HRDS-SA). This meant that all social partners had to agree

"The Skills Development Unit strengthened its position as the leader of the business constituency when engaging with other social partners on all matters relating to education and skills development."

on priorities that would make an immediate impact on education and skills development. Special committees of the Technical Working Group (TWG) of the HRDC were formed to develop implementation strategies to give effect to the HRDS-SA. Chamber officials were nominated to serve on these committees as follows:

- Sector Skills Plans (SSP) Task Team: This task team assists the HRDC in assessing and approving the SSPs of the various Sector Education and Training Authorities (SETAs) and ensures that the SSPs are in line with the contents of the HRDS-SA
- Artisan Development Technical Task Team (ADTTT): The ADTTT is responsible for ensuring that the relevant industries embark on an implementation plan to register artisan trainees beyond their normal needs to ensure that there is a supply for the New Economic Growth Path. The Chamber facilitated the submission of the number of artisans that the mining industry would train. The committee also made proposals on funding training of the unemployed as artisans. The work of the ADTTT resulted in a Skills Accord that was signed by the principals of the social partners. The Skills Accord commits the various social partners to specific deliverables that will ensure an increase in the supply of artisan, technicians, technologists and graduates
- The SETA Review Task Team: This task team is responsible for reviewing the manner in which SETAs are structured and whether or not they are properly aligned to the Industrial Policy Action Plan. This committee is yet to make its recommendations. Chamber officials participate in the task team to ensure that skills required by the mining industry are prioritised through a dedicated SETA.

The proposed funding for training unemployed artisans, which is yet to be approved by government, can be seen in table 1.

This proposal was agreed by all sectors of the business constituency. The mining industry has already created 3 400 opportunities for training unemployed artisans beyond its normal requirements.

Table 1

SETA grant	NSF grant	Tax allowance	Employer cost
49%	20%	11%	20%

Progress on skills development challenges

The mining industry has a legacy of a large number of employees with low literacy and numeracy skills. Such employees cannot be enlisted in technical skills training programmes for their own career growth. This situation means that the mining industry has to provide more resources for basic education programmes for employees. The introduction of ABET programmes led to a steady rise in the number of employees enlisting in such programmes. In the past year, the industry experienced a record number of employees completing ABET programmes as follows:

Pre- ABET	5 170
ABET 1	3 795
ABET 2	3 512
ABET 3	3 782
ABET 4	2 286
TOTAL	18 545

These employees are gradually creating opportunities for themselves for further development. The ABET programmes have contributed to a reduction in the number of employees without education to 17.8% and an increase of those with basic literacy and numeracy (ABET 4) to 36.0%. The industry will continue to encourage employees to enlist in ABET programmes to meet its Mining Charter obligations.

Foundational Learning Competence

The mining industry continues to look for accelerated learning opportunities for employees to allow them to gain entry into higher level technical training programmes. The pilot programmes on Foundational Learning Competence (FLC) have been successful and more learners are motivated to register for these programmes as they enable them to register for other forms of training. More companies are encouraging their employees to enlist for the FLC as it is proving to be a good base to assist learners to gain functional literacy and numeracy skills. Employees with at least ABET 3 or 4 qualification as well as those with grade 9 or 10, but who have not studied for an extended period are encouraged to register for the FLC. Successful learners meet the requirements for entry into a variety of occupational skills programmes.

The Quality Council for Trades and Occupations' requirements state that the FLC is optional for level 2 qualifications and compulsory for level 3 and 4 qualifications. The Chamber project completed the development of the learning material for the FLC currently being piloted within the industry. The mining industry is at the forefront of the development and piloting of the programme.

The Chamber positioned itself to be nominated to serve on the board of the Quality Council for Trades and Occupations (QCTO) to influence policy and implementation on occupational qualifications and programmes. The QCTO board was stifled by lack of budgeted funds from the Department of Higher Education and Training, but made some progress on design and development of occupational qualifications. A major breakthrough for the business constituency was the acceptance of the FLC as a part qualification for levels 3 and 4 qualifications. It was through the resilience of the Chamber's officials at the QCTO board that the FLC was recognised. This recognition allows SETAs to allocate discretionary grants towards the FLC and make it easier for employers to access the new Pivotal Grant. The FLC is in the process of being registered on the National Qualification Framework by the SAQA.

It is envisaged that more occupational qualifications will be registered once the QCTO has a fully-fledged and resourced staff complement.

Discretionary grant projects

The Chamber participates in allocating the MQA discretionary grants to influence other social partners to allocate funds to those skills development projects that are more occupationally directed and will attract the majority of learners. In the past year the grants that were allocated more funds are the following:

Bursaries
R36.5-million
Learnerships
R64-million
ABET
R36-million
OHS Representative Development
R25-million
Internships
R19.8-million.

Employers will continue to persuade other social partners to allocate more funds to the FLC as this programme creates a bigger pool of employees who qualify for occupational skills programmes.

Phasing out Fanakalo

Employers, labour and government endorsed the completion of the research on the use of Fanakalo in the mining sector. The purpose of the research was to:

- assess the extent of use of Fanakalo in the sector
- determine the implications of introducing another language as a medium of communication
- assess the impact of Fanakalo on safety in the workplace
- assess the willingness and ability of Fanakalo speakers to learn and use another language
- provide recommendations for the way forward.

The research report with its recommendations was presented to the MQA board and it was accepted. The leadership of the Chamber took note of the research and accepted its outcomes and recommendations. Employers have promised to make efforts to put measures in place to gradually phase out the use of Fanakalo and to share their practices and experiences as they attempt to change to new ways of communication in the workplace.

Mining Charter obligations

In the year under review, the mining industry social partners agreed on a revised Mining Charter notwithstanding the achievement of the commitments to existing charter. Employers agreed to even more measurable targets on human resource development (HRD) targets as an improvement on the original charter. Companies will be required to continue to report on the old charter obligations whilst adapting their initiatives to meet the targets of the new obligations. Members of the Chamber have made significant progress in ensuring that the industry meets its obligations. The improvement in the literacy and numeracy rates mentioned above indicate the extent to which the sector has performed beyond merely providing opportunities for employees to become literate.

Expenditure on HRD as a percentage of payroll has exceeded the target of 3% to a current average of 4.6%. The revised charter requires companies to spend 5% of payroll on HRD by 2014 and requires companies to conduct skills audits and report on the skills profile of their employees. The Chamber led employers in engaging the MQA to agree on the best way to conduct meaningful cost-effective skills audits. The first results of the skills audits should be released in the next financial year.

To meet the demographic targets at various managerial levels, Chamber members embarked on focused accredited training programmes targeted at HDSA employees. The MQA has created a special discretionary grant to encourage employers to develop a bigger pool of HDSA employees who could be eligible for managerial positions.

The MQA

The Chamber's role as the convenor of employers at the MQA was strengthened and this enabled Chamber officials to play a leading role in influencing policy and implementation on behalf of all employers. The Chamber facilitated the nomination of employer board members of the MQA as well as standing committees' members after the re-establishment of the MQA. Chamber officials also ensured that there is broader representation by inviting the South African Mining Development Association (SAMDA) to nominate more of its members to the various committees. Apart from ensuring employer representation at all structures of the MQA, the Chamber convenor has played a leading role in assisting the MQA board to perform its oversight function as well as with the recruitment and employment of executive management.

The reports from MQA also reflect the extent to which employers have progressed in developing employees in various aspects. An analysis of the education profile of employees in the mining sectors shows that:

- the proportion of people with no schooling decreased from 58.2% in year six of the Skills Development Act dispensation to 47.9% in year 10
- the proportion of people with post-school qualifications increased from 6.5% in year six to 9.9% in year 10
- the percentage of people with a matric certificate increased from 15.9% in year six to 20.1% in year 10.

These positive changes demonstrate the extent of employers' commitment to improve the qualifications and career prospects of employees in the mining sector.

Table 2 shows the number of bursaries awarded by employers between 2005 and 2009.

In total, employers awarded 18 176 bursaries – from 2005 to 2009 against a total of 1 346 bursaries awarded by the MQA in the period 2002 to 2009.

Scare skills

The reports from the MQA reflect very low numbers on the scarce skills list for the sector. Table 3 demonstrates that scare skills are not severe when looked at as a percentage of total employment

The scarcity may increase when one compares natural attrition to supply especially when rectifying demographics in the various occupational categories.

Development of learning materials project

The Chamber continues to co-ordinate the development of MQA learning materials through the Learning Materials Development Project. The project originally estimated that approximately 1 500 unit standards would necessitate the writing of learning material. This figure has now been surpassed, which is an indication that the learning materials are being used by the industry.

At the end of this reporting period, 1 608 unit standards had been allocated to accredited training providers for learning material development across the different disciplines.

It is encouraging to note that certain disciplines that have historically had very low quantities of learning material have now begun to show improvement in the development of materials.

Material development for rock engineers

Apart from the unit standards based material described earlier, The Chamber is also co-ordinating the development of the level 5 rock engineering learning material for use by candidates busy with the level 5 rock engineering certificate. This learning material will be a resource

Table 2

Field of study	2005/2006	2006/2007	2007/2008	2008/2009
Accounting/finance	468	517	824	108
Analytical engineering				5
Chemical engineering	69	91	131	131
Chemistry	38	60	46	42
Civil engineering				1
Electrical engineering	388	637	942	204
Engineering				47
Geology	93	74	161	246
Human resources	483	625	830	15
Industrial engineering				1
Mechanical engineering	244	421	838	200
Metallurgy	47	101	139	272
Mining				84
Mining engineering	384	479	627	496
Rock engineering				43
Surveying	29		72	79
Other	1 532	2 191	2 361	260
Total	**3 775**	**5 196**	**6 971**	**2 234**

Table 3

Occupational group	No.	% of total employment
Directors and corporate managers	98	1.16
Professionals	284	1.78
Technicians/trade workers	270	0.45

Table 4: Total quantities in number of learning packs approved by the technical review groups as at July 2011

Discipline	As at July 2010	As at July 2011
Analytical services	56	56
Cement lime and aggregates	23	41
Diamond processing	27	65
Engineering	394	468
Geology	1	14
Jewellery manufacturing	54	63
Metallurgy	311	311
Underground coal mining	32	32
Underground hard rock mining	108	108
Surface mining	71	76
Occupational hygiene	9	9
Occupational safety	24	24
Rock engineering	87	92
Surveying	12	32
Small-scale mining	5	7
Other	6	14
Total	**1 220**	**1 412**

for candidates studying towards the rock engineer's qualification. The material is being developed because of the low numbers of rock engineers currently being qualified through the system.

General and further education

Quality basic education is critical for the mining sector. The mining industry takes particular interest in grade 12 results as well as those of the further education and training colleges (FETCs). The mining industry applauds the improvement in the grade 12 results but laments the low numbers of those who pass well in mathematics and science. Because of poor foundational knowledge in mathematics and science in grades 9 and 10, companies are forced to look for grade 11 and 12 mathematics and science learners as candidates for artisan development programmes.

The mining sector is keen to accept and give workplace learning opportunities to successful FETC candidates. Unfortunately, the pass rate at FETCs is below 20% and this from a very low base of learners who are taking engineering subjects. The mining industry is encouraged by the fact that the Department of Higher Education and Training has allowed FETCs to enrol learners in the N2 programmes on condition that the learners are indentured. The mining industry, through the MQA, has identified 19 FETCs with which it will collaborate to ensure that N2 learners are enrolled in the relevant engineering subjects. Mining companies around these colleges have also pledged to provide workplace learning opportunities in the various engineering trades and learnerships for the learners if the National Science Foundation provides the necessary funding. Some employers have agreed to give work exposure to lecturers at the FETCs.

National Skills Authority (NSA)

In the past year, the NSA focused on reviewing the SETAs and sought to advise the minister of higher education and training on the most appropriate SETA landscape for the period 2011 to 2015. Chamber officials who sit on the NSA board chaired the special NSA project team that reviewed and restructured the manner in which SETAs were to be organised. The NSA eventually approved the proposals and advised the minister who also re-established the new SETAs as proposed. The project team proposed the rationalisation of SETAs from 23 to 21. It is gratifying that the MQA was re-established in its original status.

Amendments to the Skills Development ACT (SDA)

In the process of SETA re-establishment, the minister released changes to the SDA for public comment. In these amendments the minister's powers were increased to allow intervention in the manner in which SETAs are governed and to impose a standard constitution to govern all SETAs. The changes also include removal of those sections that do not relate to skills development, for example, those that relate to employment agencies and employment conditions.

The Chambers officials led the business constituency in negotiation these changes at NEDLAC with a measure of success. Most of the proposals made by the business constituency were accepted by other constituencies and will be included in the amended SDA once it is approved by parliament. The Chamber will continue to lead the business constituency in monitoring developments on the amendments to the SDA. The Chamber is preparing to participate in the public hearings that will be hosted by parliament on the amendments.

The minister has also announced that he will be releasing a Green Paper on the Post-school Education Policy and the Chamber is positioning itself to lead the business constituency in negotiating the contents and terms of the green paper.

Table 4: Total quantities in number of learning packs approved by the technical review groups as at July 2011

Name of Certificate	As at July 2009	As at July 2010	As at July 2011
Certificate in Advanced Mine Surveying	9	29	57
Certificate in Advanced Mine Valuation	28	41	88
Certificate in Advanced Rock Engineering		3	1
Certificate in Basic Mine Sampling	190	272	125
Certificate in Basic Mine Surveying	236	163	134
Certificate in Elementary Mine Sampling	122	126	100
Certificate in Elementary Mine Surveying	60	150	114
Certificate in Mine Environmental Control/ Occupational Hygiene	4	16	71
Certificate in Mine Survey Draughting	22		25
Certificate in Radiation Protection Monitoring Screening	120	260	70
Certificate in Rock Mechanics	6	11	10
Certificate in Strata Control	70	55	49
Intermediate Certificate in Mine Environmental Control/ Occupational Hygiene	45	87	18
Certificate in Mine Survey Draughting		26	6
Practical Certificate in Mine/Environmental Control		3	
TOTAL	**916**	**1 242**	**868**

South African Qualifications Authority (SAQA)

SAQA continued to assess unit standards and qualifications prior to registration at the NQF while the other quality councils were re-organising themselves to take over this role. Chamber officials also continued to serve on the SAQA board and participated in its committees responsible for unit standards and qualifications. Participation at the Standards Setting and Qualifications Committee of SAQA positioned the Chamber to influence the acceleration of the registration of unit standards and qualifications in the mining industry.

SAQA also focused on the development of regulations for the registration of professions and professional bodies. It must be noted that SAQA took serious note of the uniqueness of the mining industry professional bodies and their relationship with the Engineering Council of South Africa.

SAQA will remain responsible for the advancement of the NQF and the other quality councils, namely, Umalusi, the QCTO and the Higher Education Quality Committee, which will take over designing and developing unit standards and qualifications, and registering them on the NQF after agreeing on the level descriptors published by SAQA. Progress has been made in these developments, as the quality councils have already formed their own committees. The Chamber will continue to nominate mining representatives to these committees in the interest of ensuring that the unit standards and qualifications of the mining industry are registered speedily for implementation by the sector.

Chamber of Mines' Certificates

The provision of tuition leading to the attainment of any of the numerous Chamber of Mines' certificates remains relevant in the absence of new unit standards based qualification and NQF levels 1 to 4, required for people to practice in specified areas of work. The demand for these qualifications on a year-to-year basis is represented in table 4 above.

The examinations for these certificates are currently administered by UNISA on behalf of the Chamber. The Chamber has formed a special steering committee responsible for the migration of this administration function from UNISA to the Chamber with effect from January 2012. The Chamber will then ensure that institutions like the MQA and other tertiary facilities convert the programmes to be issued by them from 2016. After this date Chamber certificates of competence will be discontinued and amendments will be made to the regulations to recognise the new certificates of competence.

MINING INDUSTRY GROWTH, DEVELOPMENT AND EMPLOYMENT TASK TEAM (MIGDETT) & THE MINING CHARTER

MIGDETT

From its establishment in December 2008, MIGDETT's mandate was twofold. First, it aimed to mitigate the impact of the global financial crisis on job losses in the industry, and to recommend medium and long-term interventions to position the industry to leverage optimal benefit when an economic up-swing emerges, taking into account transformation in the industry. During 2010, MIGDETT focused on the second phase of its work, including a review of the Mining Charter.

At the beginning of 2010, the leadership of the mining industry stakeholders – the DMR, the Chamber and organised labour – agreed to work together to grow, sustain and transform the mining industry. Underpinning this agreement was a shared philosophy that transformation and competitiveness are intrinsically linked. To achieve their shared objectives, the parties mandated MIGDETT and its two sub-committees on transformation and competitiveness to develop a strategy for sustainable growth and transformation. Agreement was also reached that the MIGDETT structures would examine all aspects of the mining industry, including a review of the Mining Charter.

Such a collaborative approach was fully endorsed by the minister of mineral resources, Ms Susan Shabangu, at the Mining Indaba held in February 2010. In her opening address the minister provided clear guidance on the approach of the stakeholders to work together and she fully endorsed the tripartite strategy development process in MIGDETT.

After many months of intense negotiations, including participation in a mining summit at the end of March 2010, the DMR, the Chamber, the South African Mineral Development Association (SAMDA), the National Union of Mineworkers, Solidarity and UASA signed a Stakeholders' Declaration on 30 June 2010.

The declaration contains 13 commitments aimed at promoting investment in mining, enhancing the industry's competitiveness and driving transformation. The commitments cover all aspects of the industry including infrastructure, such as rail, ports and electricity and water supply; innovation in mining; sustainable development; beneficiation; procurement; ownership; and the regulatory framework that governs the mining industry. Human resources development and employment equity were also addressed, as was the issue of living conditions for mineworkers.

Mining: a priority sector

In late 2010, the MIGDETT Competitiveness Task Team helped to develop a summarised sector growth strategy for the mining sector that was submitted to Cabinet late in the year. This strategy helped get mining back on to the top five sector priority list of government. It was identified as one of the sectors that can materially contribute to the country's economic growth. Five task teams were established to complete further work on issues holding back the growth of the sector and these task teams are expected to produce implementation plans for discussion in a mini-summit in late 2011.

While MIGDETT has been a substantial process for the mining sector and has demonstrated that the stakeholders can work together when dealing with challenges, collaboration will be important for the implementation phase of the MIGDETT process to be properly executed.

The Mining Charter

The revised Mining Charter was published in the *Government Gazette* on 20 September 2010. In contrast to the original Charter, the revised Charter is a DMR policy document. Nevertheless, the DMR consulted extensively with all the mining stakeholders in the development of the new Charter.

Some of the targets in the revised Charter are more detailed, new targets relating to the sustainability of the mining industry have been added, and the scorecard improved. The Chamber welcomes this approach. The scorecard is more balanced, which not only means that specific circumstances of companies are catered for, but also that excellent performers can be distinguished from the rest. This will encourage companies to aim for the top performer category, thereby promoting transformation of the industry. The revised Charter includes provisions to deal with companies that do not comply.

Of significance is the fact that environmental, health and safety performance has been elevated to the Charter level. The Chamber is particularly pleased that the Tripartite Action Plan on Health and Safety, which it helped develop in partnership with the DMR and the unions in 2008, is to be used as one of the criteria to establish progress. The Tripartite Action Plan on Health and Safety will henceforth apply to all mining companies, irrespective of whether or not they are signatories to the original undertakings. The Chamber believes that the undertakings in the action plan are critical for the further improvement of the health and safety performance of the South African mining industry.

The DMR is charged with monitoring and

"At the beginning of 2010, the leadership of the mining industry stakeholders – the DMR, the Chamber and organised labour – agreed to work together to grow, sustain and transform the mining industry."

evaluating the Charter and the companies must report annually to the DMR on their compliance levels. The first reports on the progress made with meeting the 2010 targets and on progress towards the 2014 targets were submitted to the DMR in June 2011.

The Mineral Resources Portfolio Committee requested to be briefed on the industry's progress in meeting the Charter's requirements. A Chamber delegation, led by the chief executive, addressed the portfolio committee on 24 August 2011.

In an attempt to assess the performance of Chamber members, the Chamber collated information from the 2010 Charter compliance reports submitted to the DMR by 33 of its 54 members.

The information in this report is drawn from that survey. Naturally, given its partial nature, the report does not represent the overall state of affairs for the industry and not even for all Chamber members. However, as all the largest companies are included, it can be taken as fairly representative of the industry. A further caveat is that the Chamber cannot and does not state with certainty that the data supplied is fully accurate in every case. Some figures appeared to be unrealistically optimistic – or arrived at through unclear methodologies – and these were excluded from the spreadsheet.

The Chamber also recognises that there are ambiguities around the methodologies for measuring compliance and will engage with the DMR and other stakeholders to find a consensual approach. The Chamber also acknowledges that the reports include a wide variety of individual company performances – some well in line with current targets and some still requiring application. Subject to these reservations, the pillar-by-pillar findings (using weighted averages) is provided below.

Ownership

Against the Charter's 2009 15% target and 2014 target of 26%: an unweighted average of 28%; weighted average of 26.5%. All companies in the sample met the 2009 target . To avoid double counting, the averages exclude the BEE companies established as a result of the transactions measured here.

Procurement

In each category – capital goods, services and consumables – between 35% and 40% of procurements are from BEE companies. In each case the end-2010 targets are met, and it appears the 2011 targets will also be met. The services category, where the target rises to an extremely stretched 70% in 2014, will be tough to meet, though the Chamber members remain committed to doing their utmost to meet these targets.

Employment equity

The data show that in top, senior, middle and junior management, the averages for HDSAs in management are 32%, 34%, 47% and 59% respectively. These are above the current targets, but work needs to be done to meet the 2014 targets in the top and senior management categories, and in respect of the employment of women, especially black women. White women may be over-represented in terms of the employee assistance programme. Should this prove to be the case, then the numbers may need to be reduced by a few percentage points.

Skills development

Companies spent 4.6% of payroll on skills development, above the 2010 3% target, and in striking distance of the 2014 target. This is in addition to the legislated 1% skills development levy.

Accommodation

Considerable effort has been made to improve the housing and living conditions of mineworkers. While most Chamber member companies do not have hostels, for those companies that have hostels, the reports show an average single occupancy rate of 24.8%, almost at the level of the end-2011 target. Achieving the 2014 100% target will be difficult, and in the case of some of the large gold mining companies may take a little longer, because of the large numbers of employees, life of mine, and operating margin challenges.

Mine community development

The 33 companies spent R961-million on socio-economic development projects in 2010. However, the money might have been more effectively spent. More co-operation between companies operating in the same regions is required.

It is the Chamber's conviction that the Charter has achieved the difficult balance between the imperatives of transformation and encouraging investment in the South African mining industry. All the stakeholders understand that they must work together to develop, sustain and transform the mining industry in South Africa. This, perhaps, has been the greatest success of the MIGDETT processes. The on-going interaction and debate in MIGDETT has brought the parties closer together, has fostered a greater understanding of each other's points of view and has led to the development of shared goals to take the mining industry into the future.

CHAMBER OF MINES OF SOUTH AFRICA ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2011

The following reports and statements are presented

CHAMBER OF MINES OF SOUTH AFRICA ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011

Executive council's responsibility for financial reporting

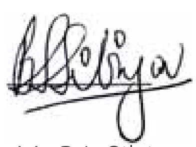
The Executive Council of the Chamber of Mines of South Africa (hereafter "the Chamber") is responsible for the maintenance of adequate accounting records and preparation and integrity of the financial statements and related information. The financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice. The Chamber's independent external auditors, Deloitte & Touche, have audited these financial statements and their unqualified report appears on page 80.

The annual financial statements are prepared on a going concern basis. Nothing has come to the attention of the Executive Council to indicate that the Chamber will not remain a going concern for the foreseeable future.

Approval of annual financial statements

The annual financial statements as set out on pages 81-90 were approved by the Executive Council on 14 September 2011 and are signed on their behalf by:

Dr X Mkhwanazi
President



Mr B L Sibiya
Chief Executive

INDEPENDENT AUDITOR'S REPORT

to the members of the Chamber of Mines of South Africa

Report on the financial statements

We have audited the annual financial statements of the Chamber of Mines of South Africa which comprise the balance sheet as at 30 June 2011, the income statement for the year then ended, the statement of changes in equity, the cash flow statement, accounting policies and notes to the annual financial statements, as set out on pages 81-90

Executive Council's responsibility for the financial statements

The Executive Council is responsible for the preparation and fair presentation of these financial statements in accordance with South African Generally Accepted Accounting Practice, and in the manner required by the Labour Relations Act in South Africa, and for such internal control as the Executive Council determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Chamber of Mines of South Africa as at 30 June 2011, and its financial performance and its cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act of South Africa.

Deloitte & Touche

Deloitte & Touche
Per A J Zoghby
Partner
Johannesburg
14 September 2011

BALANCE SHEET
as at 30June 2011

	Notes	2011 R	2010 R
ASSETS			
Non-current assets			
Equipment	1	601 825	900 580
Other investments		348 057	380 063
Investments	2	23 270 959	22 923 878
		24 220 841	24 204 521
Current assets			
Accounts receivable	3	28 333 672	18 891 137
Bank and cash	4	16 450 798	12 755 561
		44 784 470	31 646 698
TOTAL ASSETS		69 005 311	55 851 219
FUNDS AND LIABILITIES			
Funds			
Accumulated funds		6 521 247	6 521 247
Project funds	5	27 051 896	27 832 558
		33 573 143	34 353 805
Current liabilities			
Accounts payable	6	31 586 067	17 649 472
Short term loan	7	3 846 101	3 847 942
		35 432 168	21 497 414
TOTAL FUNDS AND LIABILITIES		69 005 311	55 851 219

INCOME STATEMENT
for the year ended 30 June 2011

	Notes	2011 R	2010 R
Revenue	8	50 464 840	45 770 019
Other income	9	5 646 608	5 386 696
Administrative and operating costs	10	(57 061 410)	(52 468 024)
Deficit before depreciation		(949 962)	(1 311 309)
Depreciation		(334 936)	(418 739)
Operating deficit		(1 284 898)	(1 730 048)
Interest income		1 284 898	1 730 048
Project income	5	20 850 000	27 448 477
Project expenditure	5	(21 630 661)	(12 516 494)
(Decrease) / Increase in project funding		(780 661)	(14 931 983)

STATEMENT OF CHANGES IN EQUITY
for the year ended 30June 2011

	Notes	Project funds	Accumulated funds	Total funds
Balance at 1 July 2009		12 900 574	6 521 247	19 421 821
Increase in project funding for the year		-	14 931 983	14 931 983
Transfer from project funds		14 931 983	(14 931 983)	-
Balance at 30 June 2010		27 832 557	6 521 247	34 353 804
Decrease in project funding for the year		-	(780 661)	(780 661)
Transfer to project funds		(780 661)	780 661	-
Balance at 30 June 2011	5	27 051 896	6 521 247	33 573 143

CASH FLOW STATEMENT
for the year ended 30 June 2011

	Notes	2011 R	2010 R
Cash flows from operating activities:			
Net cash inflow / (outflow) from operating activities	11	2 793 601	(131 222)
Cash flows from investing activities			
Additions to equipment		(36 181)	(429 875)
Investment income		1 284 898	1,730,048
(Increase) in investments		(347 081)	(14 931 984)
Net cash inflow / (outflow) from investing activities		901 636	(13 631 811)
Net Increase / (Decrease) in cash and cash equivalents		3 695 237	(13 763 033)
Cash and cash equivalents at beginning of the year		12 755 561	26 518 594
Cash and cash equivalents at end of the year	12	16 450 798	12 755 561

ACCOUNTING POLICIES
for the year ended 30 June 2011

ACCOUNTING POLICIES

Accounting policies

The principal accounting policies and basis of accounts used are in all material respects consistently applied. The annual financial statements have been prepared in accordance with the historic basis, except for certain financial instruments which are stated at fair value and these policies conform with South African Statements of Generally Accepted Accounting Practice.

ACCOUNTING POLICIES
for the year ended 30June 2011 (continued)

Revenue recognition

Revenue represents contributions from members, administration fees and interest income. Contributions are recognised when invoiced and consist of contributions for operating costs and capital expenditure, collected in-line with the yearly approved budget. Administration fees are earned in respect of services provided to associated entities. Interest income is accrued on an effective yield basis.

Project income

Project income represents contributions from members for specific projects.

Project expenditure

Project expenditure relates to expenditure incurred on projects approved by the Executive Council.

Equipment

Equipment is stated at historical cost less depreciation. Depreciation is calculated using the straight line method so as to write off the cost of each asset less its residual value over its estimated useful life.

The rates of depreciation used are:

Motor vehicles	5 years
Computer equipment	3 years
Furniture and fittings	5 years

Investments

Unlisted investments comprise shares in related companies and are stated at cost. Other investments comprise monies invested to fund liabilities and projects which are stated at cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short term deposits. The carrying amount of these assets approximates fair value. Credit risk is limited as the counter parties are financial institutions with high credit ratings.

Financial instruments

Financial assets and financial liabilities are recognised on the Chamber's balance sheet when the Chamber has become a party to contractual provisions of the instruments. Trade receivables and payables are stated at their nominal value. Trade receivables are reduced by appropriate allowances for estimated irrecoverable amounts.

Retirement benefits

The policy of the Chamber, subject to the rules of the Chamber of Mines Retirement Fund, is to provide retirement benefits for its employees. Payments to the defined contribution fund are expensed as they fall due.

The Chamber of Mines does not have a post retirement medical aid liability as this liability has been fully funded.

Other investments

Other investments consists of gold coins and medallions. These investments are valued at the lower of cost or net realisable value.

Management judgements

In the process of applying the Chamber accounting policies, the most significant judgements made by management relate to the following:

- revaluation of the useful lives and residual value estimations of assets and,
- the bad debt provision.

Impairment

An annual impairment review of assets is carried out by comparing the net book value of the assets with their recoverable amount. Recoverable amounts are based on the higher of the value in use and the fair value less costs to sell. Value in use

ACCOUNTING POLICIES
for the year ended 30June 2011 (continued)

is determined by applying a discount rate to the anticipated pre tax cash flow for the remaining useful life of the asset.

Where the recoverable amount is less than the net book value, the impairment is charged against income to reduce the carrying amount of the affected assets to recoverable amounts. The revised carrying amounts are amortised on a systematic basis over the remaining useful life of such affected assets.

Provisions

Provisions are recognised where the Chamber has a present legal or constructive obligation as a result of a past event, a reliable estimate of the obligation can be made and it is probable that an overflow of resources embodying economic benefits will be required to settle the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

New and revised standards in issue not yet adopted

At the date of authorisation of these financial statements, the following new and revised standards and/or amendments to the standards were in issue but not yet effective:

		Effective date
~ IFRS 1	- First time adoption of International Financial Reporting Standards	30 June 2012
~ IFRS 3	- Business combinations	30 June 2014
~ IFRS 4	- Insurance contracts	30 June 2014
~ IFRS 7	- Financial Instruments : Disclosures	30 June 2012
~ IFRS 8	- Operating Segments	30 June 2012
~ IFRS 9	- Financial Instruments	30 June 2014
~ IFRS 10	- Consolidated financial statements	30 June 2014
~ IFRS 11	- Joint arrangements	30 June 2014
~ IFRS 12	- Disclosure of interests in other entities	30 June 2014
~ IFRS 13	- Fair value measurement	30 June 2014
~ IAS 1	- Presentation of financial statements	30 June 2013
~ IAS 2	- Inventories	30 June 2014
~ IAS 8	- Accounting policies, changes in accounting policies and errors	30 June 2014
~ IAS 12	- Income taxes	30 June 2013
~ IAS 18	- Revenue	30 June 2014
~ IAS 19	- Employee benefits	30 June 2014
~ IAS 21	- The effects of change in foreign exchange rates	30 June 2014
~ IAS 24	- Related party disclosures	30 June 2012
~ IAS 27	- Consolidated and separate financial statements	30 June 2014
~ IAS 28	- Investments in associates and joint ventures	30 June 2014
~ IAS 31	- Investments in joint ventures	30 June 2014
~ IAS 32	- Financial instruments presentation	30 June 2014
~ IAS 34	- Interim financial reporting	30 June 2014
~ IAS 36	- Impairment of assets	30 June 2012
~ IAS 39	- Financial instruments: Recognition and measurement	30 June 2014

New interpretations in issue not yet adopted

At the date of authorisation of these financial statements, the following new interpretations and/or amendments to the interpretations were in issue but not yet effective:

		Effective date
~ IFRIC 10	- Interim financial reporting and impairment	30 June 2014
~ IFRIC 12	- Service concession arrangements	30 June 2014
~ IFRIC 13	- Customer loyalty programmes	30 June 2012
~ IFRIC 14	- AS 19 the limit on a defined benefit asset, minimum funding requirements and their interaction	30 June 2012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30June 2011

1. EQUIPMENT

	Cost R	Accumulated depreciation R	Net book value R
2011			
Motor vehicles	873 097	686 877	186 220
Computer equipment	1 181 611	957 612	223 999
Furniture and fittings	619 429	427 823	191 606
	2 674 137	2 072 312	601 825
2010			
Motor vehicles	1 659 003	963 031	695 972
Computer equipment	951 761	899 676	52 085
Furniture and fittings	521 107	368 584	152 523
	3 131 871	2 231 291	900 580

2011
Reconciliation of movement:

	Motor vehicles R	Computer equipment R	Furniture and fittings R	Total R
Net book value at beginning of year	695 972	52 085	152 523	900 580
(Disposals) / Additions	(291 991)	229 849	98 323	36 181
Depreciation	(217 761)	(57 935)	(59 240)	(334 936)
Net book value at end of year	186 220	223 999	191 606	601 825

2010
Reconciliation of movement:

	Motor vehicles R	Computer equipment R	Furniture and fittings R	Total R
Net book value at beginning of year	656 874	103 362	129 208	889 444
Additions	325 757	38 438	65 680	429 875
Depreciation	(286 659)	(89 715)	(42 365)	(418 739)
Net book value at end of year	695 972	52 085	152 523	900 580

2. INVESTMENTS

	2011 R	2010 R
Rand Mutual Assurance Company Ltd	80	80
4 shares @ R20 (2010: 4 shares @ R20 each)		
Executive valuation R 80 (2010: R 80)	80	80
Term Deposits:		
Disaster Relief fund	740 000	740 000
Insurance Claim fund	-	880 000
Epidemiology Study for Former Mine Workers	10 144 362	9 959 590
Generic Water Conservation	340 040	-
Mining Industry Occupational Safety & Health Project (MOSH)	4 378 301	9 163 531
Guidelines on Environmental Management in Mining	248 400	248 400

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. Investments (continued)

	2011 R	2010 R
Creation of Bargaining Council	387 423	-
Subvention of Salaries	3 107 586	1 457 864
Development of Closure Strategies	700 000	-
Global Instruments on Climate Change	244 575	300 000
Chamber Management Information	250 000	-
International Council on Mining and Metallurgy (ICMM)	278 697	174 413
Information Pack on Mining Sensitive / Protected Areas	300 000	-
Management of Acid Mine Drainage	863 231	-
Development Vehicle for Mining Industry	58 095	-
Making ODMWA a Working Project	480 169	-
Ownership Element of Mining	250 000	-
MBOD/CCOD	500 000	-
	23 270 959	22 923 878

3. ACCOUNTS RECEIVABLE

	2011 R	2010 R
Accounts receivable - members	27 086 552	16 942 860
Accounts receivable - non members	1 995 186	1 263 491
Total accounts receivable	29 081 738	18 206 351
Other receivables	41 107	1 194 341
	29 122 845	19 400 692
Less: Provision for doubtful debts	(789 173)	(509 555)
	28 333 672	18 891 137

4. BANK AND CASH

	2011 R	2010 R
Cash at bank	8 738 058	6 443 174
Cash on call	30 983 619	29 236 185
Amounts classified under investments	(23 270 879)	(22 923 798)
Bank and cash	16 450 798	12 755 561

5. PROJECT FUNDS

		2011 R	2010 R
Disaster Relief		740 000	740 000
Insurance		-	880 000
Balance at 30 June 2010	880 000		
Expenditure	(880 000)		
Balance as at 30 June 2011	-		
Former Mine Workers Project		10 144 362	9 959 590
Balance at 30 June 2010	9 959 590		
Received	1 500 000		
Expenditure	(1 315 228)		
Balance as at 30 June 2011	10 144 362		
Chamber Management Information System		250 000	-
Received	250 000		
Expenditure	-		
Balance as at 30 June 2011	250 000		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

5. Project funds (continued)

		2011 R	2010 R
Project funding recovery		3 781 017	4 908 760
Balance at 30 June 2010	4 908 760		
Severance Bonus Paid	(1 127 743)		
Balance as at 30 June 2011	3 781 017		

This amount primarily relates to the recovery from the Chamber's insurers of irregular expenditure that occurred in previous financial years. This funding recovery will be utilised for future projects.

		2011 R	2010 R
Generic Water Conservation		340 040	-
Received	500 000		
Expenditure	(159 960)		
Balance as at 30 June 2011	340 040		
Global Instruments on Climate Change		244 575	300 000
Balance as at 30 June 2010	300 000		
Received	350 000		
Expenditure	(405 425)		
Balance as at 30 June 2011	244 575		
Information Pack on Mining Sensitive / Protected Areas		300 000	-
Received	300 000		
Expenditure	-		
Balance as at 30 June 2011	300 000		
ICMM		278 697	174 413
Balance as at 30 June 2010	174 413		
Received	250 000		
Expenditure	(145 716)		
Balance as at 30 June 2011	278 697		
Implementation of Action Plan to Manage Acid Mine Drainage		863 231	-
Received	1 000 000		
Expenditure	(136 769)		
Balance as at 30 June 2011	863 231		
Review Guideline for Calculating the Quantum for Closure Costs		700 000	-
Received	700 000		
Expenditure	-		
Balance as at 30 June 2011	700 000		
Subvention of salaries		3 107 586	1 457 864
Balance as at 30 June 2010	1 457 864		
Received	2 000 000		
Expenditure	(350 278)		
Balance as at 30 June 2011	3 107 586		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

5. Project funds (continued)

		2011 R	2010 R
Mining Industry Occupational Safety & Health Project (MOSH)		4 378 301	9 163 531
Balance as at 30 June 2010	9 163 531		
Received	8 250 000		
Expenditure	(13 035 230)		
Balance as at 30 June 2011	4 378 301		
Guidelines on Environmental Management in Mining		248 400	248 400
Balance as at 30 June 2010	248 400		
Expenditure	-		
Balance as at 30 June 2011	248 400		
Creation of the Bargaining Council		387 423	-
Received	500 000		
Expenditure	(112 577)		
Balance as at 30 June 2011	387 423		
Financial Assistance with Ownership Element of Mining Charter		250 000	-
Received	250 000		
Expenditure	-		
Balance as at 30 June 2011	250 000		
Creation of Development "Vehicle" for the Mining Industry		58 095	-
Received	500 000		
Expenditure	(441 905)		
Balance as at 30 June 2011	58 095		
Induction of Chief Executive		-	-
Received	2 500 000		
Expenditure	(2 500 000)		
Balance as at 30 June 2011	-		
ODMWA		480 169	-
Received	1 500 000		
Expenditure	(1 019 831)		
Balance as at 30 June 2011	480 169		
MBOD/CCOD		500 000	-
Received	500 000		
Expenditure	-		
Balance as at 30 June 2011	500 000		
		27 051 896	27 832 558

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

	2011 R	2010 R
6. ACCOUNTS PAYABLE		
Accounts payable - members	-	1 242 433
Accounts payable - non-members	26 624 162	11 477 055
Accruals	4 961 905	4 929 984
	31 586 067	17 649 472
7. SHORT TERM LOAN		
Chamber of Mines Building Company (Proprietary) Limited	3 846 101	3 847 942
This loan is unsecured, interest free and payable on demand.		
8. REVENUE		
Contribution from members	50 464 840	45 770 019
9. OTHER INCOME		
Administration fees	1 863 919	1 128 384
Other income	3 782 689	4 258 312
	5 646 608	5 386 696
10. ADMINISTRATIVE AND OPERATING EXPENDITURE		
Auditors' remuneration	289 760	265 000
- Current year	289 760	265 000
- Other services	-	-
Staff costs	41 531 574	35 434 918
Operating costs	15 240 076	16 768 106
	57 061 410	52 468 024
11. RECONCILIATION OF INCREASE IN PROJECT FUNDING FOR THE YEAR TO NET CASH FLOW FROM OPERATING ACTIVITIES:		
(Decrease) / Increase in project funding for the year	(780 661)	14 931 983
Adjustment for :		
Depreciation	334 936	418 739
Interest received	(1 284 898)	(1 730 048)
Operating funding before working capital changes	(1 730 623)	13 620 674
Working capital changes		
(Increase) in accounts receivable	(9 352 535)	(15 728 103)
Increase in accounts payable	13 846 594	1 984 733
(Decrease) in loans	(1 841)	(450)
Decrease / (Increase) in inventory	32 006	(8 076)
	4 524 224	(13 751 896)
Net cash inflow/ (outflow) from operating activities	2 793 601	(131 222)
12. CASH AND CASH EQUIVALENTS		
Bank and cash	16 450 798	12 755 561

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

13. FINANCIAL INSTRUMENTS

The organisation's non-derivative instruments consist of cash deposits with banks, accounts receivable and payable and loans from group companies.

Currency risk management

The organisation is not exposed to currency risk, other than the translation of its foreign bank account balance.

Categories of financial instruments

The financial assets of the Chamber consists of investments, accounts receivable and cash and cash equivalents. These are considered loans and receivables for both 2011 and 2010 financial years. The financial liabilities consists of accounts payables (excluding accruals)and short term loans. These are considered financial liabilities at amortised cost for both 2011 and 2010 financial years.

Interest rate risk management

The organisation adopts a policy of regularly reviewing interest rate exposure and maintains both fixed and floating rate borrowings.

Credit risk management

Management has a credit risk policy in place and exposure to credit risk is monitored on an ongoing basis. Provision is made for specific doubtful debts, and at the year end management did not consider there to be any material credit risk exposure that was not provided against. Reputable financial institutions are used for investing and cash handling purposes.

The movement in provision for doubtful debts is analysed as follows:

	2011 R	2011 R
Balance at the beginning of the period	(509 555)	(392 242)
Provision increased for the period	(279 618)	(154 748)
Provision utilised for the period	-	37 435
	(789 173)	509 555

Fair values

The carrying amounts of the financial assets and liabilities carried on the balance sheet approximate their values at the end of the year.

Capital risk management

The Chamber manage their capital to ensure they will be able to continue as a going concern.
The capital structure consist mainly of accumulated and project funds.

14. SUBSEQUENT EVENTS

As at the date of signing these financial statements, there were no significant or material post balance sheet events which would require adjustments to or disclosure of in the annual financial statements.

15. TAXATION

The Chamber of Mines of South Africa is exempt under section 10 (1) (d) of the Income Tax Act.

NOTES

NOTES