



1. GENERAL INFORMATION

VISION

Sustainable development through minerals and energy resources for the benefit of all South Africans.

MISSION

To ensure responsible exploration, development, processing, utilization and management of minerals and energy resources.

LEGISLATIVE MANDATE

The provision of services for effectual Transformation and Governance of minerals and energy industries for economic growth and development.

PUBLIC ENTITIES' LEGISLATIVE MANDATE

Each of the public entities is controlled by an independent Board appointed by the Minister of Minerals and Energy. The boards are responsible for giving the strategic direction of the organisations (in line with the mandate and objectives set by government) and ensure effective implementation by Management. All board members are non-executive with the exception of the CEOs. The offices of the Chairpersons and those of the CEOs are separate. The Department is represented by its officials in each of the boards as required by law.

These entities operate independently within the framework of good governance and are made accountable to the shareholder through their boards. The following are public entities reporting to the Minister of Minerals and Energy and their respective legislative mandates.

- The Mine Health and Safety Council, established in terms of Section 42(1) of the Mine Health and Safety Act, NO. 29 of 1996. The Council has the responsibility of advising the Minister of Minerals and Energy on health and safety at mines, promote a culture of health and safety in the mining industry and annually consider an overall programme for relevant health and safety research.
- Council for Mineral Technology (Mintek), was established in terms of the Mineral Technology Act (30 of 1989). Mintek provides research, development and technology transfers that foster the development of businesses in the mineral and mineral products industries.
- The Council for GeoScience, established in terms of the Geoscience Act, no 100 of 1993, is the national agency that is

tasked with the systematic development and maintenance of the national geoscience knowledge infrastructure for both the onshore (land) and offshore (oceans) environment of South Africa.

- The National Electricity Regulator was established in terms of the Electricity Act, 1987, as amended. The role of the regulator is to regulate the electricity industry to meet the requirements of existing and future customers. Its key functions are to approve the prices at which electricity is sold, and to set standards for the quality of supply and service and monitor these. It also licenses all generators, transmitters and distributors of electricity in South Africa.
- The National Nuclear Regulator, was established in terms of the National Nuclear Regulator Act, 1999. The purpose of the Regulator is to provide for the protection of persons, property and the environment against nuclear damage, through the establishment of safety standards and regulatory practices.
- CEF (PTY) Ltd, is a private company, incorporated in terms of the Companies Act and governed by the Central Energy Fund Act, No 38 of 1977. The CEF group operates in the energy sector and consists of five operating subsidiaries with commercial, strategic, regulatory and development roles. It also manages, on agency basis, the strategic crude oil stock for the country.
- The South African Nuclear Energy Corporation is mandated by (NECSA) The Nuclear Energy Act, of 1999, to undertake and promote research and development in the field of nuclear energy and radiation science.
- The South African Diamond Board (SADB) was established in terms of the Diamonds Act, No 56 of 1986, to provide a regulatory function that includes the control of possession, purchase sale, processing and the export of diamonds.
- The Electricity Distribution Industry Holdings (PTY) Ltd (EDIH), was created for the sole purpose of executing the Department's strategic objective of restructuring the electricity distribution industry as per the requirements of the energy white paper. The company is to restructure the existing electricity distribution entities into six financially viable regional electricity distribution companies, REDs.

DIRECTOR GENERAL'S OVERVIEW



DIRECTOR GENERAL
Adv Sandile Nogxina

Minister, it is my pleasure to present to you the Annual Report for the Department of Minerals and Energy for the 2004/2005 financial year. The year under review was undoubtedly one of the busiest years for the Department; with the implementation of one of our major legislation, the restructuring of the electricity distribution industry and the securing of generation capacity, taking center stage.

The Minerals and Petroleum Resources Development Act (MPRDA) came into effect on 1st May 2004, opening opportunities for the previously disadvantaged South Africans in the minerals and mining industry. Applications for conversions from old order rights to new order rights are steadily flowing in. The minerals and mining components within the Department require strengthened support and capacity to effectively execute the implementation and regulatory responsibilities. To ensure better service delivery and enhance capacity within the Department plans on splitting the Mineral Development Branch into two are at the final stage.

We have agreed with the Department of Trade and Industry on aligning the Mining Charter with the BEE codes of practice. The launch of the Minerals and Mining Advisory Board during the next financial year will ensure that we are advised on the sustainable development of the nation's mineral resources.

The Precious Metals Bill and Diamond Amendment Bill was successfully tabled in Parliament, and is ready for presentation to the Minerals and Energy Portfolio Committee by mid-year. With this amendment, our dream of providing for downstream development of precious metals and diamonds, and promoting equitable access by the local 'beneficiators' to the country's precious metals and stones will be realised.

As the 2004/5 financial year draws to an end, we are looking forward to the launch of the first Regional Electricity distributor (RED ONE). The Electricity Distribution Industry will see the first Regional Electricity Distributor (RED) by the dawn of 1st July

2005. This will be the first of the six RED's to be launched as an amalgamation of the distribution function of Eskom with that of 186 municipalities already distributing electricity in the country. The RED's will provide competitive electricity tariffs, offer an efficient electricity service and in the long run enable access to electricity for all.

Plans for the establishment of the South African Energy Regulator (NERSA) are at an advanced stage. This entity will be an umbrella regulatory body consolidating all energy regulating entities (electricity, gas and petroleum pipeline). This entity will be launched towards the end of 2005.

South Africa's booming and expanding economy, coupled with our efforts to provide electricity to all, has impacted on the country's diminishing generating capacity. It is for this reason that we have embarked on a vigorous process to generate new capacity with the intention to procure 1000MW through Independent Power Producers to be commissioned by 2008.

I am proud to report that we have made tremendous progress on the New Generation Capacity Project, with the first two critical stages of (a.) inviting expression of interest by potential suppliers and (b.) hosting a workshop for these bidders, having been concluded. At the time of the workshop, over a hundred expressions of interest were received from locally and internationally based companies. At the same time, Eskom is driving an initiative, which will result in the production of 3000MW from mothballed power stations.

In advancing the objectives of our energy policy, we continue to progress in the national electrification programme, although this has slowed down due to sparsely populated areas. Access to electricity now stands at 71%. (details are listed under Programme 4 – Electricity, later in the document). Government's ideal of providing Free Basic Electricity experienced teething problems, however we are dealing with the matter in conjunction with the Department of Provincial and Local Government. This will see the poor being the primary beneficiaries of the programme as opposed to free basic electricity for all in the short-term.

The Designated National Authority (DNA), a requirement for participation in the Clean Development Mechanism (established under the Kyoto Protocol as signed by parties to the United Nations Framework Convention on Climate Change) was operationalised during 2004/5. The Kyoto Protocol came into force on the 16th February 2005 and thereby presented developing countries with the opportunity to develop projects that assisted developed countries with meeting their targets for reducing greenhouse gas



emissions. The donations from countries such as Denmark, Japan and Canada have been instrumental in establishing the DNA function in the Department. The Department has been elected chair of the Designated National Authority, which will be officially launched in Cape-Town in July 2005. This body will oversee and monitor the entire clean fuel development mechanism that is largely in support of the Kyoto Protocol.

Hazards associated with paraffin continue to be of concern to the Department. Paraffin safety remains top on our agenda, while we seek alternatives for the poor. As one of the initiatives to address this, the Department has completed the new National Standard for Non-Pressure Paraffin stoves and Heaters and we are currently awaiting final approval from the Standards Approval Committee at the South African National Standards.

We have had to allay unqualified fears on the use of nuclear energy. In collaboration with the Nuclear Energy Council South Africa, we are embarking on a public education campaign aimed at changing perceptions around nuclear as an alternative energy source.

During the year under review, we sadly experienced fatalities in the mines, an aspect we need to give enormous attention to. Mining related seismicity has in many cases been the cause of these accidents. The Department has implemented interventions to address the issue, which include: improving the placement and design of stabilizing pillars in new excavations, developing and installing better roof and tunnel support systems, monitoring seismicity to track trends over time and sharing information at an international level on best practice and experience.

Job losses in the mining industry as a result of a marked decline on the gold price is a challenge we are dealing with through engaging labour and industry. In addition, social and labour plans which are currently a pre-requisite to the issuing of new mining licences, will soon be required for existing and non-converted mining rights. This will go a long way in re-skilling mine-workers in other areas either than mining, empowering them to move on and establish small business ventures or seek employment in other sectors outside mining. We hope that our concerted efforts will help restore jobs where possible.

HIV and AIDS remains one of the biggest challenges in the mining industry. In 2004, the HIV and AIDS Summit commitments were translated into a plan of action around prevention and monitoring of HIV and AIDS, socio-economic development, research monitoring and evaluation, and the treatment-care-and wellness programmes. The implementation plans will be rolled out in the second quarter of 2005.

and long term solutions to the skills shortage and gaps that exist in the mining and energy sectors and have to that effect developed a Skills Master Plan to ensure adequate and sustainable human resource supply for the entire industry. An implementation plan has also been developed and will go a long way in implementing the Growth and Development Summit (GDS) agreements as well as ensuring that targets contained in the Charters are met.

Minister, on behalf of the Department, I would like to express our appreciation and gratitude for your guidance and leadership in the past year.

DIRECTOR GENERAL

Adv Sandile Nogxina

DEPARTMENTAL PUBLICATIONS AND KEY DOCUMENTS – 2004/05

REVIEWS

- South Africa's Mineral Industry (SAMI) 2003/2004, (annual)
- Invest in an Intense and Diverse Mineral Industry 2004, (annual)

INFORMATION CIRCULARS

MB Bulletin (Trimester)

DIRECTORIES

- D1/2005: Operating Mines and Quarries and Mineral Processing Plants in the Republic of South Africa, (2005)
- D2/2005: Operating and Developing Coal Mines in the Republic of South Africa, (2005)
- D3/2003: Operating Gold Mines and Recovery Plants in the RSA, (2003)
- D4/2002: Salt Producers in the Republic of South Africa, (2002)
- D6/2003: Platinum-Group Metal Mines in South Africa, (2003)
- D7/2004: South African Diamond Handbook and Operating Diamond Mines Directory (2004)
- D8/2005: Ferrous Mineral Commodities Produced in the Republic of South Africa, (2005)
- D9/2002: Producers of Dimension Stone in South Africa, (2002)
- D10/2004: Producers of Nonferrous Metal Commodities in South Africa, (2004)
- D11/2004: Producers of Industrial Mineral Commodities in South Africa, (2003)
- D12/2004: Operating and Developing Black Empowerment Mining Companies in the Republic of South Africa, (2004)
- D13/2004: African Mining – Mining Companies Government Department and Related Organizations
- D14/2003: Producers of Sand and Aggregate in the RSA, (2003)

STATISTICS

Mineral Production and Sales Statistics (Monthly and Annually)

B1/2004: Minerals - South Africa: Statistical Tables 1982-2003

BULLETINS/REPORTS

R37/2002: The Tantalum Market (A micro-economic analysis)

R38/2002: A Review of the Dimension Stone Industry in South Africa, 2002.

R39/2004: Investment in South Africa's Mineral Sector, 2004

R40/2002: Possible Financial Sources for Small-to- Junior Empowerment Mining Companies

R41/2003: An Overview of South Africa's Mineral Based Fertilizers, 2003.

R42/2003: An Overview of South Africa's Primary Industrial Mineral Imports and Exports, 2003.

R43/2003: A Review of the Dolomite and Limestone Industry in South Africa

R44/2004: The Silica Industry in the Republic of South Africa

R45/2005: An Overview of the South African Iron, Manganese and Steel Industry during the period 1984-2003

R46/2005: Bentonite, Pyrophyllite and Talc in SA

R47/2005: The Kaolin Industry in South Africa, 2005

R48/2005: South African Ferrous Minerals Production Trends, 1994-2003

H2/2004: Precious Metals Trade - General Information Handbook, 2004.



INFORMATION ON THE MINISTRY



MINISTER: MINERALS & ENERGY
Ms Phumzile Mlambo-Ngcuka



DEPUTY MINISTER: MINERALS & ENERGY
Ms Lulu Xingwana

Ministerial Initiatives

Ministerial projects in support of women participation in the mining and energy industries:-

Over the past few years, the Ministry has facilitated the establishment of women associations/forums for networking and lobbying of the industries and government for meaningful participation by women in these sectors. These associations are aimed at sensitizing women on opportunities in the mining and energy sectors.

The South African Women in Mining Association (SAWIMA) was established to assist women in mining. Annual conferences are held whereby women are introduced to opportunities in the mining sector. The year the Deputy Minister launched SAWIMA'S website.

The Women in Oil and Energy, South Africa (WOESA), is an organization that ensures meaningful participation of women in business ventures in the oil, gas and energy sectors. A Memorandum of Understanding was signed during the year between Woesa and the South African Petroleum Industry Association (SAPIA), where SAPIA committed to provide support and open opportunities for women within the industry for the next five years.

The Department also hosted the Annual General Meeting of Women in Nuclear, South Africa (WINSA) this year. The organisation assists in the women entry into the nuclear sector. The WINSA

membership has increased in excess of 140 members, most of whom are women from previously disadvantaged communities. An outreach programme through institutions of higher learning is planned for the near future.

These women initiatives are beginning to bear fruit, with women being exposed to the industries through training and involvement in deal making. An example to this effect is the shareholders agreement signed on the hydroelectric plant near Bethlehem in the Free State, between the Central Energy Fund and HydroSA, a WOESA affiliate.

Rural development

The Department continues to provide electricity, in particular to rural communities and ensuring new jobs and SMME opportunities. These opportunities have been concentrated in Kwazulu-Natal, Eastern Cape and Limpopo through non-grid electrification. The Integrated National Electrification Plan delivered 232 287 household connections, 2 232 schools and 50 clinics. The erection of bulk infrastructure has enabled local development in the nodal zones like OR Tambo and Maluti in Phofung districts. Backlogs have been completely eliminated in the Kgalagadi Node and Western Cape Schools.

Beneficiation

One way of sustaining the future of our mining and minerals industry is by diversification of the minerals basket through value addition. In pursuance of this, the Minister spearheaded the amendments to the proposed Precious Metals Bill and Diamonds Amendment Bill. This will create an enabling environment for beneficiation by widening access to both rough diamonds and precious metals, while addressing security concerns. The Bill proposes that a State Diamond Trader be established to market rough diamonds such that the locals could benefit.

Plans for training and manufacturing for Precious Metals/Jewellery Manufacturing Precincts at the Johannesburg International Airport, Kimberley, Cape Town, Durban, Midrand and Phelindaba are at an advance stage. A precious metals precinct is being established at the Johannesburg International Airport, IDZ. The IDZ will have a VAT Free Customs Management area, which will allow for Duty Free imports and exports of finished goods with great advantage to the industry.

NEPAD and SADC

On the continental front, the Minister led the negotiations and subsequent signing of the Intergovernmental Memorandum of

Understanding on the Western Power Corridor Project in October 2004, an initiative by Angola, Botswana, DRC, Namibia and South Africa aimed at piloting hydroelectric energy of the Inga rapids site in the DRC to ensure security of supply in the SADC region. This is a NEPAD flagship project. This drive will increase and provide power supply in SADC

The African Mining Partnership (AMP) held its second annual meeting in Cape Town in February 2005, which was attended by various Mining Ministers from the African continent and other countries and business representatives. This is a Mining Ministers' partnership that drives the minerals and mining agenda of NEPAD. The AMP has registered progress in the implementation of projects on beneficiation, small scale/artisinal mining, environment and sustainable development, human resource development and promotion of investment and indigenous/local participation.

In support of the implementation of mining related issues, the Department played an important role in conceptualising the AMP. Among the projects undertaken by the Department is a collaborative program amongst coastal states that provides a platform for African coastal states to share expertise in the compilation of their respective submissions supporting the claims to extend their Exclusive Economic Zones. The submission to the UN should be done by May 2009. The project is led by Senegal and South Africa (through the Council for Geoscience – a department's public entity).

In the thrive to make South Africa an energy efficient country; the Ministry engaged the Department of Public Works and Eskom to retrofit government buildings. This saved government

an amount of R600 000 in electricity bills per annum and set an example of how much consumers can save if they practice energy efficiency tactics.

The Department, with the support and commitment from Liquid Fuels Industry, launched the Supplier Development Agency to assist suppliers in accessing opportunities in the Liquid Fuels Industry. Potential suppliers can now log onto the data base and view the opportunities for the supply of goods and services.

The Minister submitted the following bills during the year under review

- Minerals and Energy Laws Amendment Bill
- Precious Metals and Diamond General Amendment Bill

Public Entities reporting to the Minister of Minerals and Energy

The following public entities report to the Minister:

- Mine Health and Safety Council
- Mineral Technology Research (MINTEK)
- Council for Geoscience (CGS)
- National Nuclear Regulator
- National Electricity Regulator
- CEF (PTY) Ltd
- South African Nuclear Energy Corporation Ltd (NECSA)
- South African Diamond Board (SADB)
- South African Electricity Distribution Industry Holdings (EDIH)



Ministerial visits abroad

Visits abroad undertaken by:

Minister: Ms Phumzile Mlambo-Ngcuka and

Deputy Minister: Ms Lulu Xingwana

DATE	VENUE	EVENT	PARTICIPATION
May 2004	Amsterdam	International Energy Forum	Deputy Minister
May 2004	Rep. Of Korea	Global Summit of Women on Mining and Metal	Minister
June 2004	Mozambique	World Economic Forum	Minister
June 2004	Bonn, Germany	WWSD Conference on Renewables	Minister
July 2004	Thailand	World HIV/AIDS	Deputy Minister
July 2004	Cairo, Egypt	African Mining Partnership Meeting	Minister
July 2004	Namibia	Discussion on the regional energy and power	Deputy Minister
August 2004	Namibia	Southern African Electricity Distribution Summit	Deputy Minister
August 2004	Mauritius	SADC Ministerial Meeting	Deputy Minister
August 2004	Brazil	Petroleum Electricity related issues	Minister
August 2004	Angola	Joint Bilateral Commission SA/Angola	Deputy Minister
August 2004	DRC	Joint Bilateral Commission SA/DRC	Deputy Minister
September 2004	China	Minerals and Energy issues	Minister
September 2004	Australia	Mining Conference	Deputy Minister
September 2004	Equatorial Guinea	Mining, Energy, Oil & Gas	Minister
September 2004	Moscow	10 Year Celebration	Deputy Minister
September 2004	Vienna, Austria	International Atomic Energy Agency Annual General Conference	Deputy Minister
September 2004	China	Presidential visit/Binational	Deputy Minister
October 2004	DRC	Ministerial Visit	Minister
November 2004	Mali	Ministerial Visits	Minister
November 2004	Belgium	State Visit	Minister
December 2004	Netherlands	Energy for Development	Deputy Minister
December 2004	Sudan	Presidential Visit	Deputy Minister
February 2005	Sao Tome Principe	Ministerial Visit	Deputy Minister
March 2005	Libya	Deputy President Visit	Minister
March 2005	Paris	Nuclear Energy Science	Deputy Minister