



SALAMANDER MINING



**ESKOM, NERSA AND THE COLLAPSE
OF GOLD MINING**

THE DECLINE IN SOUTH AFRICAN GOLD PRODUCTION

South African Gold Production

	Production	% of global production
• 2004	337.3t	13.5%
• 2005	294.7t	11.5%
• 2006	272.1t	10.9%
• 2007	252.6t	10.1%
• 2008	212.7t	8.8 %
• 2009	197.7t	7.6 %
• 2010	188.4t	6.9%
• 2011	180.2t	6.3%
• 2012	154.2t	5.4%
• 2013	159.7t	5.3%
• 2014	151.6t	4.8%
• 2015	144.5t	4.5%
• 2016	142.1t	4.4%
• 2017	145t	4.2%

58% DECLINE IN 12 YEARS

From No.1 to No. 7



Employment Levels in Gold Mining

2004	179,964
2005	160,635
2006	159,782
2007	166,064
2008	166,423
2009	159,926
2010	157,019
2011	144,799
2012	142,200
2013	131,738
2014	119,007
2015	115,055
2016	116,479
2017	110,000 Estimate



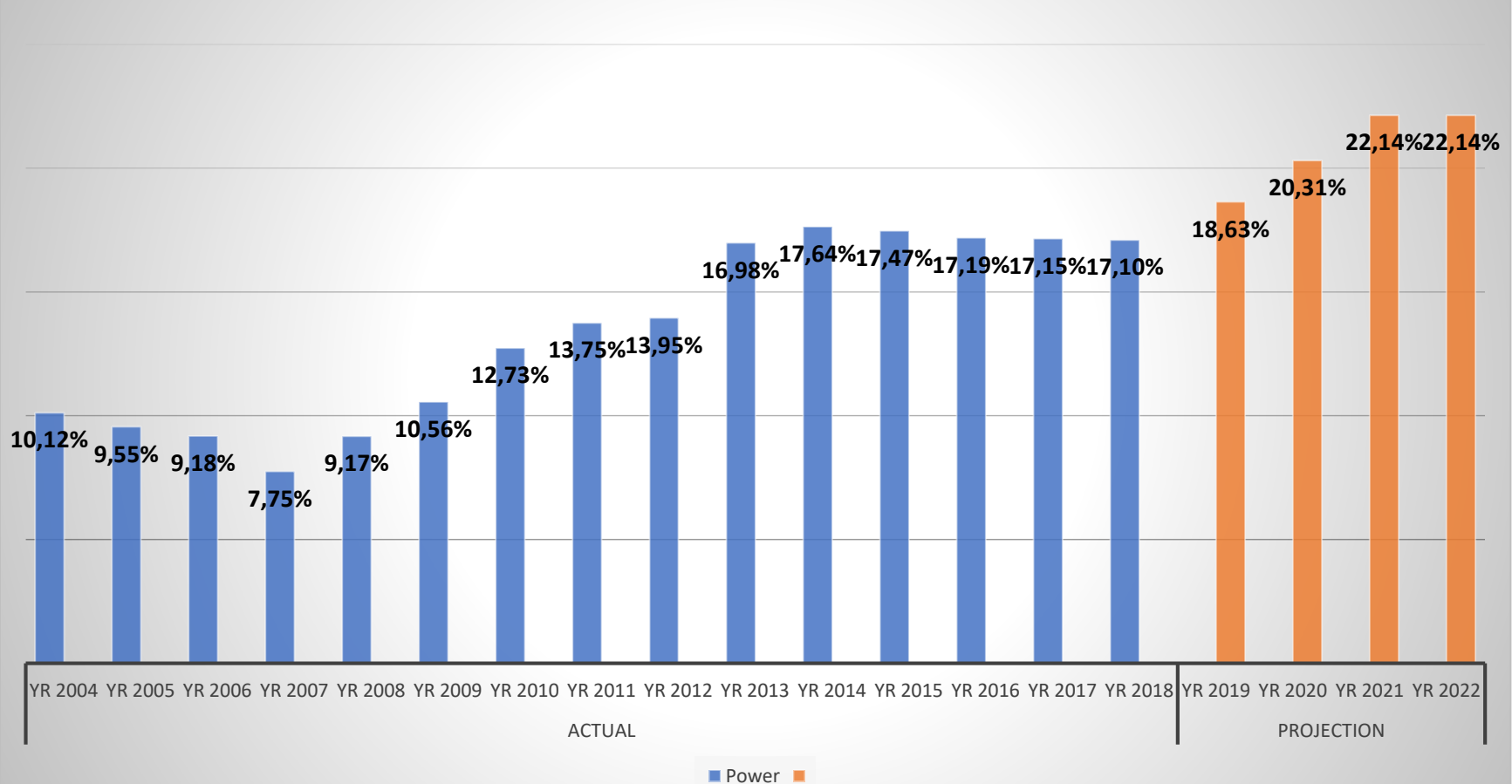
Reasons for decline in Gold Production

- MPRDA/Government failure to provide investors with security of tenure and consistent rules for life of mine
- Labour instability
- Increases in cost of Power
- Eg East Rand Mine
 - 750,000 oz per annum
 - Revenue \$960,000,000
 - Jobs 12,000
 - Capex \$1,1b
 - Can't get funded



LARGE GOLD SURFACE RECOVERY OPERATION

Power as a % of Operating costs



Cross Sub-sidisation: Part 1

- Mines utilise power on con-ops basis
- Power consumption constant
- Peak load pricing exorbitant
- Households primarily responsible for peak demand
- Little or no economic benefit
- Cost passed onto economic producers with no capacity to alter consumption patterns
- Households not dis-incentivised to use power optimally
- Eg 6,5m geysers could be shed until 10pm
- Subsidy from efficient users to inefficient

Cross Sub-sidisation: Part 2

- Municipalities act as agents for Eskom
- Poor management led to massive under payment by municipalities of Eskom charges
- Subsidy from paying users to non-paying users
- If for humanitarian reasons government must pay, not Eskom



Effects of Cross Sub-sidisation

- Paying customers will:
 - Fail due to increased charges
 - Move off the grid
 - Manage the increase by absorbing or passing on the cost
- This pricing structure is:
 - Unreasonable
 - Eskom is saying, save us, even if our customers die
 - Irrational
 - Where is the merit in increasing prices, knowing it will result in the failure of Eskoms' customers, which in turn will cause Eskom to fail
 - Unlawful
 - The decisions of the executive have to be rational and reasonable
 - This price increase is neither



Where are the other solutions?

- In the face of clear evidence as to the enormous cost to the economy, Eskoms' only solution is increase tariffs
- Yet Eskom has presided over:
 - Inefficient coal purchase agreements
 - Massive overstaffing
 - Corruption
 - Cross-subsidisation
- Nersa has consistently failed to do its job, and compel this monument to incompetence and ineptitude to get its act together
- There are solutions, but expecting the very entity that caused the crisis to resolve it, is breathtaking in its naivety
- We cannot stand by and allow Eskom to destroy our future

