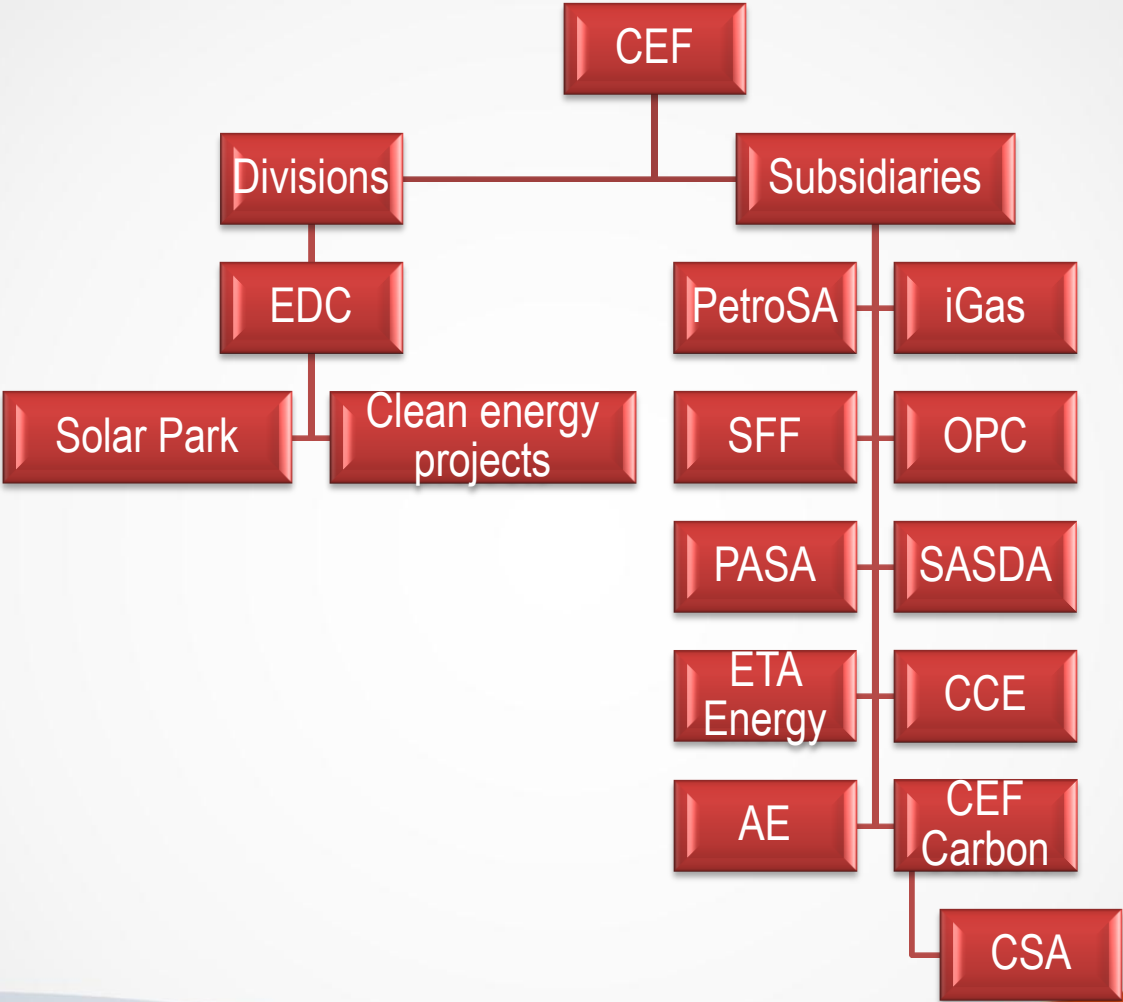


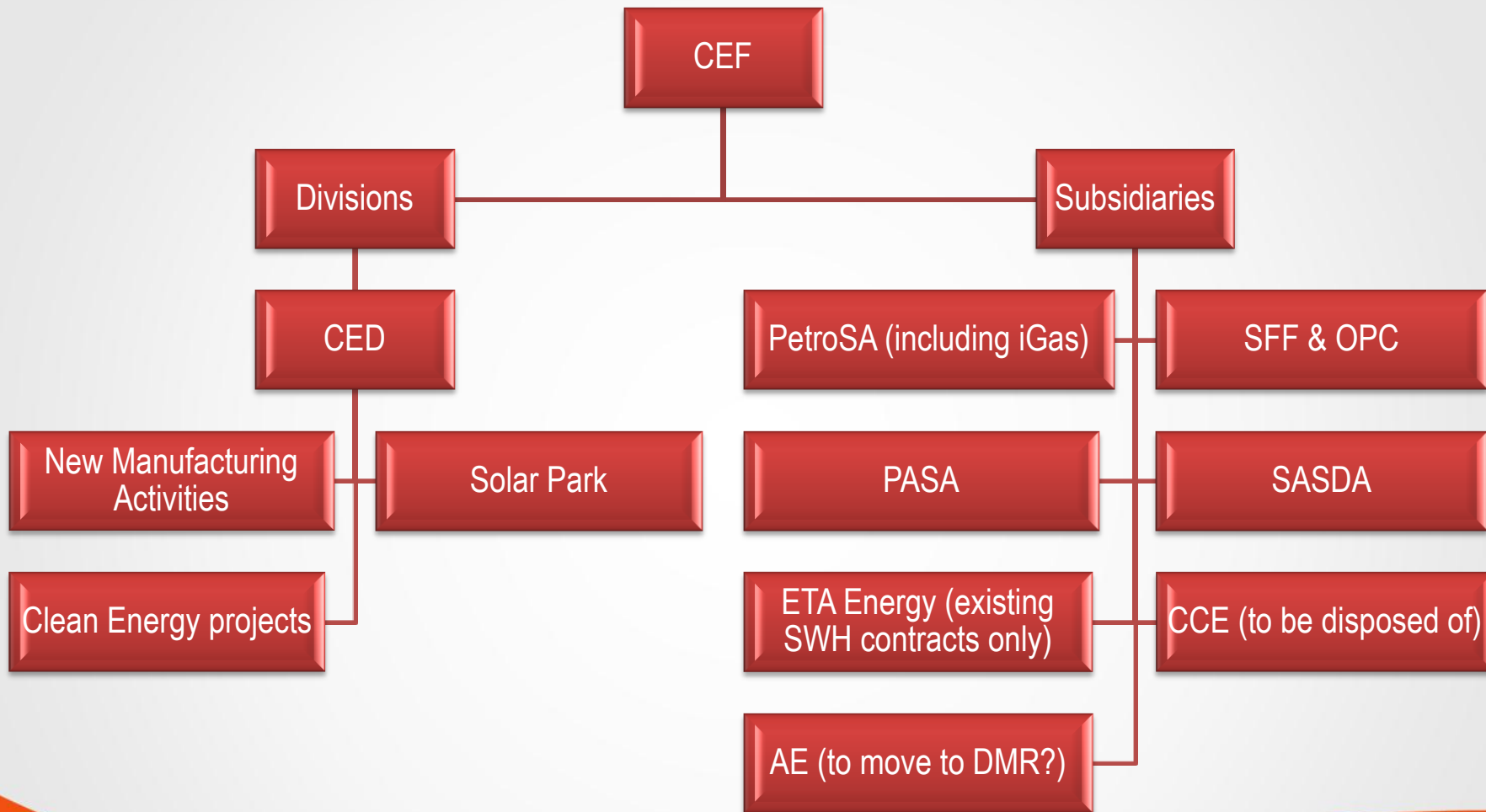


**2011/12 Annual Report Presentation to the  
Parliamentary Portfolio Committee on Energy**

# Structure (old)



# Structure (new)



# Agenda

1. Financial results
2. AG Opinion and findings
3. Performance Against Objectives

# **2011/12 GROUP FINANCIAL RESULTS**





# Comparison of 2011/12 and 2010/11 financial statements

Statement of Comprehensive income	Group 31 March 2012 R'000	Group 31 March 2011 R'000	Variance %	Company 31 March 2012 R'000	Company 31 March 2011	Variance %
Revenue	14,988,079	11,077,989	35%	24,248	22,183	9%
Cost of Sales	(11,965,282)	(8,810,814)	36%	-	-	
Gross profit	<b>3,022,797</b>	<b>2,267,175</b>	<b>33%</b>	<b>24,248</b>	<b>22,183</b>	<b>9%</b>
Other income	131,268	286,363	(54%)	4,658	3,103	50%
Operating expenditure	(2,128,579)	(2,354,381)	(10%)	(47,109)	(231,355)	(80%)
Operating profit/(loss)	<b>1,025,486</b>	<b>199,157</b>		<b>(18,203)</b>	<b>(206,069)</b>	<b>(91%)</b>
Investment income	1,178,798	1,221,927		232,956	278,116	
Income from equity accounted investments	103,794	87,343		-	-	
Finance costs	(474,028)	(459,355)		(66,248)	(80,546)	
Profit/(loss) before tax	<b>1,834,050</b>	<b>1,049,072</b>	75%	<b>148,505</b>	<b>(8,499)</b>	
Taxation	10,306	274,767	(96%)	(25,771)	(33,752)	(24%)
Profit/(loss) after tax	<b>1,844,356</b>	<b>1,323,839</b>	<b>39%</b>	<b>122,734</b>	<b>(42,251)</b>	
Loss from discontinued operations	(6,723)	(68,312)		-	-	
Exchange difference on translating foreign operations	91,675	32,159		-	-	
Total comprehensive income/(loss)	<b>1,929,299</b>	<b>1,223,368</b>	<b>58%</b>	<b>122,734</b>	<b>(42,251)</b>	

- . Revenue inc due to high crude prices, increased trading activities
- . Inv income affected by cash invested in assets and lower interest rates



# Group Statement of Comprehensive Income – Operating subsidiaries

	PetroSA R'000	SFF R'000	AE R'000	SANERI R'000	CEF R'000	Consolidated
Revenue	14,444,001	387,095	86,957		24,248	14,988,079
Cost of Sales	(11,941,201)		(81,699)		-	(11,965,282)
Gross Profit	<b>2,502,800</b>	<b>387,095</b>	<b>5,258</b>		<b>24,248</b>	<b>3,022,797</b>
Gross Profit Margin %	<b>21%</b>	<b>100%</b>	<b>6%</b>		<b>100%</b>	<b>20%</b>
Investment income	840,396	138,107	-		232,956	1,178,798
Other income	80,326	1,269	7,374		4,658	131,268
Finance costs	(456,236)	13,259	-	(3,342)	(66,248)	(474,028)
Other operating costs	(1,674,632)	-	(61,350)	(8,064)	(47,109)	(2,128,579)
Taxation	(4,898)	40,975	-		(25,771)	10,306
Net profit/(loss) for the year	<b>1,281,621</b>	<b>370,458</b>	<b>(48,718)</b>	<b>(11,406)</b>	<b>122,734</b>	<b>1,834,050</b>
Loss from discontinued operations	-					<b>(6,732)</b>
Exchange difference on translating foreign operations	<b>91,675</b>					<b>91,675</b>
Total comprehensive income/(loss)	<b>1,373,296</b>	<b>370,458</b>	<b>(48,718)</b>	<b>(11,406)</b>	<b>122,734</b>	<b>1,929,299</b>

# Group Stat. of Comp. Income Other (cont.)

	Carbon Stream R'000	CCE R'000	CEF Carbon R'000	ETA R'000	OPC R'000	SASDA R'000	iGAS R000	PASA R'000
Revenue	-	-	-	4,652	13,923	1,852	-	100,933
Cost of Sales	-	-	-	(4,382)	-	-	-	-
Gross Profit	-	-	-	270	13,923	1,852	-	100,933
Gross Profit Margin %	-	-	-	6%	100%	100%	-	100%
Investment income	-	-	-	1,789	1,100	20	103,295	15,201
Other income	-	-	-	64	24,677	860	-	477
Finance costs	-	-	-	-	(110)	-	(16,824)	-
Other operating costs	-	-	-	(5,310)	(32,723)	(21,045)	(16,613)	(60,640)
Taxation	-	-	-	-	-	-	-	-
Net profit/(loss) for the year	-	-	-	(3,187)	6,867	(18,313)	69,858	55,965
Loss from discontinued operations	(1,236)	(2,918)	(3,273)					
Exchange difference on translating foreign operations								
Total comprehensive income/(loss)	(1,236)	(2,918)	(3,273)	(3,187)	6,867	(18,313)	69,858	55,965

Some subsidiaries wholly funded by CEF





# Notes: movements in the Inc. Stat

1. Revenue – Increase in oil prices and crude and finished products trading
2. Cost of sales – increased mainly due to smaller margins realised from purchased products and increased feedstock costs
3. Investment income – decreased mainly due to lower interest rates
4. Other income – includes recoveries, revaluation of debtors and creditors and unrealised currency variances
5. Finance cost - Notional interest due to increased abandonment costs
6. Operating costs – mainly due to the impairment of loans to subsidiaries and projects, a reduction in expenditure in Equatorial Guinea (no drilling) as well as VAT liability reversal.
7. Taxation - Assessed loss for PetroSA (unredeemed capex) and SFF exemption status
8. Discontinued operations – relates to CCE Solutions spend on George Wood Waste project now under review

# Comparison of 2011/12 and 2010/11 financial statements

Statement of Financial Position	Group 31 March 2012 R'000	Group 31 March 2011 R'000	Variance %	Company 31 March 2012 R'000	Company 31 March 2011	Variance %
Property, plant and equipment	6,896,213	7,335,791	(6%)	85,290	89,492	(5%)
Intangible assets	110,083	97,838		2,787	2,057	
Assets pending determination	45,145	43,915		-	-	
Deferred tax	17	5,337		17	5,337	
Investments in subsidiaries	-	-		3,573,720	3,378,639	
Investments in associates	756,188	740,226	2%	56,913	53,379	7%
Other financial assets	192,659	427,781		7,062	310,806	
Strategic inventory	3,101,834	2,058,890	51%	-	-	
Finance lease receivables	3,906	226		-	-	
<b>Total non-current assets</b>	<b>11,106,045</b>	<b>10,710,004</b>		<b>3,725,789</b>	<b>3,839,710</b>	
Inventories	2,591,028	1,578,572		-	-	
Other financial assets				-	58,500	
Current tax receivables	26,786	418,602		-	5,220	
Finance lease receivables	848	45		-	-	
Trade and other receivables	2,428,415	2,185,987		37,352	39,902	
Cash and cash equivalents	19,144,932	17,531,732	9%	3,610,552	3,477,185	4%
<b>Total current assets</b>	<b>24,192,009</b>	<b>21,714,938</b>		<b>3,647,904</b>	<b>3,580,807</b>	
Assets of disposal groups	94	1,168,838		-	-	
<b>Total assets</b>	<b>35,298,148</b>	<b>33,593,780</b>	<b>5%</b>	<b>7,373,693</b>	<b>7,420,517</b>	<b>(1%)</b>

Strategic inventory increase due to NMPP fill

# Comparison of 2011/12 and 2010/11 financial statements

Statement of Financial Position (cont.)	Group 31 March 2012 R'000	Group 31 March 2011 R'000	Variance %	Company 31 March 2012 R'000	Company 31 March 2011	Variance %
Reserves	61,140	(46,963)		-	-	
Retained income	26,370,698	24,532,269	7%	6,280,463	6,157,729	2%
Non-controlling interest	12,963	13,768		-	-	
<b>Total Equity</b>	<b>26,444,801</b>	<b>24,499,074</b>	<b>8%</b>	<b>6,280,463</b>	<b>6,157,729</b>	<b>2%</b>
Loans to group companies	-	-		973,777	940,878	
Other financial liabilities	-	204,774		-	204,774	
Deferred income	12,172	-		12,154	-	
Deferred tax	460	1,957		460	1,957	
Provisions	6,191,860	5,991,566	3%	-	3,186	
<b>Total non-current liabilities</b>	<b>6,204,492</b>	<b>6,198,297</b>		<b>986,391</b>	<b>1,150,795</b>	
Other financial liabilities		58,800			58,800	
Current tax payables	10,254	26,303		6,149	-	
Finance lease obligation	1,069	68		-	-	
Trade and other payables	2,078,137	1,545,580		85,305	40,328	
Deferred income	1,423	3,476		269	335	
Provisions	462,540	417,677		15,116	12,830	
Retention	890	-		-	-	
Third party funds		34,725				
<b>Total current liabilities</b>	<b>2,554,313</b>	<b>2,086,329</b>		<b>106,839</b>	<b>111,993</b>	
Liabilities of disposal groups	94,542	810,080			-	
<b>Total equity and liabilities</b>	<b>35,298,148</b>	<b>33,593,780</b>	<b>5%</b>	<b>7,373,693</b>	<b>7,420,517</b>	<b>(1%)</b>

Shareholder's wealth increased by R2 billion

## 2.AUDITOR-GENERAL FINDINGS

# Auditor-General's Opinion

- Group received an **unqualified opinion** for 2011/12
- However, certain matters of emphasis were raised:
  - Restatement of prior period accounting errors
  - Material impairments (R68m)
  - Significant uncertainties (Brass, Nigeria)
  - Expenditure/ procurement management flaws

# Major Audit findings

## Finding

- Irregular expenditure (procurement processes not followed – group-wide)
- Performance against objectives – non-achievement of planned targets; operating budgets not aligned to objectives (group-wide)
- Ineffective human resource management; lack of an HR plan and key positions not filled
- Environmental audit (mainly PetroSA – Voorbaai, landfill, offshore exploration wells)
- Major uncertainties include Brass (Nigeria) and African Exploration (purchase consideration)

## Action

- Procurement processes are being reviewed for compliance gaps with remedial actions then implemented
- Differentiation between strategic and operational objectives with a new approach to budgeting. External consultant used to advise
- Some critical positions are due to be filled shortly. Group wide skills audit initiated
- Environmental compliance raised to board level
- Scenario analyses are being considered for understanding possible future trajectories



# 3. PERFORMANCE AGAINST OBJECTIVES

# 2011/12 Strategic Objectives

<b>To reposition CEF in terms of a redefined mandate</b>			
	To develop a revised mandate for CEF	Submission of new mandate proposals to the Minister	Included in new corporate plan
	Investigation to clarify a repositioned role for CEF and subsidiaries	Repositioning plan	Not complete
<b>To identify new opportunities for CEF</b>			
	To investigate opportunities for the manufacture of energy equipment by CEF or subsidiaries	Investigative report on manufacturing opportunities for CEF including due diligence and risk assessment.	Report concluded but not tabled at Board
	To investigate opportunities for CEF to initiate an energy poverty alleviation project	Investigative report on energy poverty alleviation opportunities for CEF including due diligence and risk assessment.	Report concluded but not tabled at Board
<b>To maintain proactive engagement with the DOE</b>			
	To proactively engage with DOE on a quarterly basis to address issues pertinent to both parties	Minutes of meetings held with DOE	Meetings held
	Collaborate with DoE on a feasibility study for the Solar Park	Predetermined milestones	Behind schedule in last quarter due to land access issues
<b>To build and maintain an appropriate human capital base</b>			
	An appropriate human capital base is developed and maintained for CEF	Exco minutes indicating the tabling of a human capital plan	Not completed
<b>To manage the business efficiently and effectively</b>			
	Financial return on cash investments	Return on funds invested relative to JIBAR	Above target
	Manage investments in associate companies	Adherence to signed shareholders agreement	Reported quarterly
	Manage investments in subsidiaries	Adherence to signed shareholders compact	
	Services delivered to subsidiaries	Client satisfaction with services delivered as defined in the relevant SLA	Customers satisfied
	Sustainability drive/energy efficiency	Rollout of Basa Ngenjo Magoga	Above target for the year
	Each existing EDC project is evaluated on a quarterly basis as to whether it should be progressed, concluded or exited	A quarterly evaluation of existing EDC projects to determine whether individual projects should continue or be terminated.	Quarterly evaluations done

# Review/Comment on Objectives

- The CEF Group has recognised the misalignment regarding performance measures and has therefore engaged Ernst & Young to provide guidance
- The key aspect that has been identified is confusion between strategic and operational objectives and plans, and this is a major contributor to the audit findings on performance
- Work is underway to improve plans and objectives being prepared for the 2013-14 year
- The performance management system will be reviewed and cascaded to subsidiaries to ensure better oversight and control of performance information from CEF

# Progress of Renewable Energy Projects

- Existing Portfolio of projects where we seek to enhance, extract or protect value
  - Philips Maseru Lighting
  - Darling Wind Farm
  - MethCap SPV1 Waste-to-energy
- Projects in Intensive Care
  - We have a couple of projects currently in intensive care where CEF is trying to recoup value. Efforts are still at an early stage (Darling Wind Farm and CCE)

# Progress of Renewable Energy Projects

Project pipeline where we are seeking to build value

- Solar Water Heaters
- Solar Park Feasibility
- ENER G Landfill gas to electricity
- TFST

# Budgetary Review & Recommendations Report 2011

- Solar Water Heaters (DoE)
- Raising Capital for CEF's Future initiatives
- Local Manufacturing of renewable energy Technology (MoE)
- Darling Wind Power Project (DBSA)
- Strategy on Pioneering Projects
- Restructuring of the CEF Group (MoE)



# CEF Carbon Performance

- In general achieved targets, but company was in close down mode.
- Important to note that UNFCCC registration on two CDM projects is now virtually complete (NMBM LFG PDD and HP SWH POA).
- Training of CDM trainees through CSA was completed.

**Thank you**





# PRESENTATION TO PARLIAMMENTARY PORTFOLIO COMMITTEE ON ENERGY

**16 OCTOBER 2012**



A subsidiary of CEF (SOC) LTD

# FINANCIALS

- The entity's net profit for the period amounted to R390,2 million (2011: R451,5 million).
- During the 2012 financial year, the crude oil market experienced some difficulties and resulted in a significant drop in storage rental income.
- The profit decreased by 10% from the previous year.

# Financial (cont.)

- The Minister of Energy issued a Ministerial Directive authorising the acquisition of diesel for the National Multi Product Pipeline (NMPP).
- The total volume of diesel acquired is 154,744,400 litres, valued at R1,049 billion. The stock is managed by Transnet on behalf of SFF

# Financials (cont.)

- The South African Revenue Service recognises SFF Association (NPC) as an Agent of the State, and has therefore deregistered SFF for VAT and the company is exempt from Income Tax in terms of Section 10(1)(c) of the Income Tax Act
- Irregular expenditure for 2011/2012 amounted to R36K



# Auditor General Findings

- **PROCUREMENT AND CONTRACT MANAGEMENT,**
  - Inconsistencies between the procurement policy and the procurement procedures
- **ANNUAL FINANCIAL STATEMENT DIFFERENCES**
  - Changes to financial statements were effected before audit was done
- **SETTING OF OBJECTIVES**
  - Inconsistency between the objectives contained in the corporate plan and the objectives reported in the annual financial statements

# Auditor General Findings

- **INFORMATION TECHNOLOGY GOVERNANCE**
  - IT management had not formally designed IT governance controls (policies, procedures, guidelines) to mitigate the risk of unauthorised access to the network and information systems. Informal controls were in place, but were inadequate
- **HUMAN RESOURCE ISSUES**
  - No human resource plan in place

# Strategic Stock

- The strategic Stock (crude oil) is presently at 10.3mBbls as per Directive
- DoE task team is currently reviewing strategic stock policy

# Strategy for addressing insufficient funding

- SFF needs funding for both infrastructure and the purchase of crude oil
- DoE and SFF will discuss a funding strategy

# BEE access to storage facility

- SFF is issuing RFP'S on open tenders
- This gives equal opportunity to companies wanting to store crude oil.
- The challenge for BEE companies is to secure funding for crude procurement ,storage and holding costs for the crude.
- During the 2011/12 financial year SFF trained 30 women on Oil Trading and related issues
- A follow up on progress these trainees have made is planned

# Spare Capacity Utilization

- Spare capacity in Saldanha is rented out to third parties.
- Income derived from this is utilised to fund the mandate of SFF.
- The Milnerton facility is undergoing refurbishment.
- SFF is considering various options to make the tank farm available for storage



# Thank You



African Exploration Mining  
and Finance Corporation  
SOC Ltd

# **African Exploration Mining and Finance Corporation SOC Ltd**

Presentation to PPC - 18 October 2012  
Cape Town

Mr S Madondo  
CEO



# **CONTENTS**

- 1. Commitments**
- 2. The journey so far**
- 3. Highlights**
- 4. Challenges**
- 5. 2012 Annual Financial Statements**
- 6. Management Accounts August 2012**
- 7. Project Pipeline**



# AEMFC & State Commitments

## 26 February 2011



African Exploration Mining  
and Finance Corporation  
SOC Ltd

1. To prioritise the supply of thermal coal to Eskom,
2. The creation of jobs for local residents in particular,
3. To set an example as a state owned entity in matters of environmental responsibility and labour practices,
4. Support the State in the drive to promote skills,
5. Overall social responsibility and development (e.g. Enterprise support)







# The journey so far ....



African Exploration Mining  
and Finance Corporation  
SOC Ltd

1. Mined 1.7 million TONS as at end September 2012
2. Sold 1.5 million TONS – rest in stock
3. Employ 256 people – 54 directly
4. We offer 2 bursaries in Engineering and 3 internships – safety, admin and geology
5. Finalising the new Kusile Powerstation supply contract





# Highlights

- ✓ **Production and Sales** volumes ahead of estimates
- ✓ **Over 80% of local people** from the nearby **Phola township** employed
- ✓ **Mine safety** has been preserved
- ✓ **In line with required Eskom coal qualities**
- ✓ The State Owned Mine is **self sustaining**
- ✓ **Clean audit** from the AG (areas of improvement)





# Challenges .....

- ✓ Funding the State Owned Company for future growth
- ✓ The mining and transport industry strikes
- ✓ Gender representation – Board and Senior management
- ✓ Mining rights processing delays







# Audited Financials 2012



African Exploration Mining  
and Finance Corporation  
SOC Ltd

## African Exploration Mining and Finance Corporation (SOC) Limited

Annual Report for the year ended 31 March 2012

### Statement of Comprehensive Income

For the year ended 31 March

	Note(s)	2012 R '000	2011 R '000
Revenue	15	86,957	-
Cost of sales		(81,699)	-
<b>Gross profit</b>		<b>5,258</b>	<b>-</b>
Other income	16	7,374	368
Operating expenses		(61,422)	(24,090)
<b>Operating loss</b>	16	<b>(48,790)</b>	<b>(23,722)</b>
<b>Loss before taxation</b>		<b>(48,790)</b>	<b>(23,722)</b>
Taxation	18	-	-
<b>Loss for the year</b>		<b>(48,790)</b>	<b>(23,722)</b>
<b>Total comprehensive loss</b>		<b>(48,790)</b>	<b>(23,722)</b>





# Audited Financials 2012



African Exploration Mining  
and Finance Corporation  
SOC Ltd

## Statement of Financial Position

At 31 March

	Note(s)	2012 R '000	2011 R '000 Restated
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	2	96,224	26,509
Intangible assets	3	5,631	269
Assets pending determination	4	45,145	43,055
Investments in associates	5	5,000	5,000
		<b>152,000</b>	<b>74,833</b>
<b>Current Assets</b>			
Inventories	7	15,274	-
Current tax receivable	13	-	153
Trade and other receivables	8	42,551	29,703
Cash and cash equivalents	9	6	-
		<b>57,831</b>	<b>29,856</b>
<b>Total Assets</b>		<b>209,831</b>	<b>104,689</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share capital	10	4	4
Accumulated loss		(96,697)	(47,907)
		<b>(96,693)</b>	<b>(47,903)</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Provisions	11	21,640	1,084
<b>Current Liabilities</b>			
Loans from holding company	6	240,715	138,324
Trade and other payables	14	38,688	10,212
Provisions	11	4,591	2,972
Retentions	12	890	-
		<b>284,884</b>	<b>151,508</b>
<b>Total Liabilities</b>		<b>306,524</b>	<b>152,592</b>
<b>Total Equity and Liabilities</b>		<b>209,831</b>	<b>104,689</b>



# Management Accounts August 2012



African Exploration Mining  
and Finance Corporation  
SOC Ltd

	Note	2012	2012				Actual August
		Prior year	Current Month			Actual August	
		Actual	Actual August	Approved budget August	Variance	Variance	Actual August
		R '000	R '000	R '000	R '000	%	R '000
Revenue	7	86,957	34,672	22,504	12,168	54 %	137,328
Cost of sales		81,699	15,756	14,035	1,721	12 %	69,483
Gross profit		5,258	18,916	8,469	10,447	123 %	67,845
Other operating income		-	-	-	-	- %	-
Sundry income	8	7,374	42	12	30	250 %	18,233
<b>EXPENDITURE</b>							
<b>Operating Costs</b>							
Office and General expenses	9	693	49	258	(209)	(81)%	334
Exchange Fluctuations		1	-	-	-	- %	-
Direct Personnel Costs	10	21,572	1,783	4,403	(2,620)	(60)%	8,943
Personnel Related Costs	11	572	561	533	28	5 %	1,478
Conferences and Seminars	12	127	1	61	(60)	(98)%	77
Directors costs	13	198	-	37	(37)	(100)%	51
Travel and Accomodation	14	885	41	149	(108)	(72)%	298
Consulting and legal costs	15	5,336	64	309	(245)	(79)%	500
Repairs and maintenance	16	23,877	1,251	645	606	94 %	3,422
Overheads	17	1,711	541	1,085	(544)	(50)%	2,258
Management fees paid	18	1,466	12	164	(9)	(93)%	387
Depreciation and amortisation	1	4,739	735	487	-	51 %	4,329
Transport and freight		41	2	-	-	100 %	2
Sponsorship		-	-	-	-	- %	86
		61,218	5,040	8,132	-	%	22,165
Operating (loss) profit		(48,586)	13,918	337	13,581		63,913
Guarantee fees		(132)	-	-	-		(68)
(Loss) profit for the year		(48,718)	13,918	337	13,581	4,030 %	63,845

Year to date



# AEMFC Corporate Plan ....



## Vision

“To build market share to be among the **TOP 5** producers of Coal, Limestone, Lithium, Uranium, Thorium and Rare Earth Elements in South Africa by 2020”

# PROJECTS OVERVIEW

## KEY PROJECTS

### Projects / Operations

### BRIEF OVERVIEW

- ▶ VLAKFONTEIN MINE - Coal  
(Net Income: R68 2nd qtr) ... 2012  
Projected Annual T/Over : R270 m  
Employment : 250 people

- ▶ Phase 1 completed
- ▶ 1.6mt per annum production
- ▶ Phase 2 life extension project in progress ZAR5m

- ▶ T PROJECT  
Coal and Torbanite  
Employment: 1 000 people

- BFS Completed - ZAR35m
- Capex Requirement ZAR1.6bn
- Sell 3.6mt per annum to Eskom
- First #4L Coal 2015/16

### Springbok Flats

- Executed Right - Energy Coal
- Limpopo - Bela Bela/Modimole Area
- Concept Study Phase (Inferred)
- Exploration in 2012 ZAR3.2m

# PROJECTS OVERVIEW

## KEY PROJECTS



African Exploration Mining  
and Finance Corporation  
SOC Ltd

### Projects / Operations

### BRIEF OVERVIEW

#### ▶ LIMPOPO COAL

- Executed Right - Coking Coal
- Limpopo - Louis Trichardt Area
- Concept Study Phase (Inferred)
- Exploration drilling in 2013

#### ▶ WITBANK & CAROLINA COAL

- Granted Rights - Energy Coal
- Concept Study Phase (Inferred)
- Exploration drilling in 2012 & 2013
- Budget R3.5m

#### Limpopo PGMs

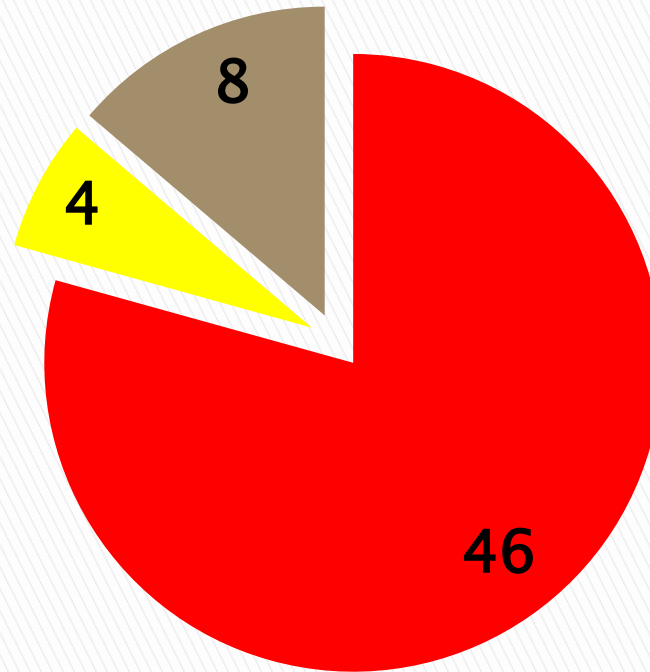
- Executed Right - PGM's
- Limpopo - Mokopane Area
- Concept Study Phase (Inferred)
- Geophysics studies R250k
- Exploration drilling R4m 2013

# PROJECTS OVERVIEW

## KEY PROJECTS



African Exploration Mining  
and Finance Corporation  
SOC Ltd



**Granted:** Silica. Coal.  
Uranium. Lead

**Executed:** Coal.  
Uranium. Limestone.  
Diamonds.

**■ Awaiting DMR Decision**

**■ Granted**

**■ Executed**





African Exploration Mining



“Doing what we said we would do .....”



African Exploration Mining  
and Finance Corporation  
SOC Ltd

# **African Exploration Mining and Finance Corporation SOC Ltd**

Presentation to PPC – 18 October 2012  
Cape Town

Mr S Madondo  
CEO

**Thank you ...**



# PETROLEUM AGENCY SA



**2012**



# **ANNUAL PARLIAMENTARY REPORT PRESENTATION 2011/12**

**18 October 2012**

**Mr P Fusi (Chairperson)**

# CORPORATE PERFORMANCE

OBJECTIVE	ACTIVITY	TARGET	ACTUAL	COMMENT
<b>Ensure responsible oil and gas exploration and production (25%)</b>	<ul style="list-style-type: none"> <li>• Process applications within prescribed or set timeframes</li> <li>• Monitor Compliance with issued rights and permits</li> <li>• Develop and implement regulatory guidelines</li> </ul>	3	4	<ul style="list-style-type: none"> <li>• Majority of applications processed ahead of time</li> <li>• Monitoring and enforcement often carried out ahead of plan</li> <li>• Guidelines developed and implemented ahead of time</li> </ul>
<b>Promote Exploration of oil and gas in South Africa (25%)</b>	<ul style="list-style-type: none"> <li>• Geological Evaluation of Basins</li> <li>• Maintain and update the Petroleum Resource Catalogue for South African Basins</li> <li>• Prepare final Document for for extension of the Joint South African / French Extended Continental Shelf Claim up the Discovery Ridge</li> <li>• Promote Prospectivity of South African Petroleum resources</li> <li>• Investigate South Africa's competitive advantage in attracting explorers</li> </ul>	3	5	<ul style="list-style-type: none"> <li>• Basin Evaluation plan exceeded with a number of presentations and papers completed</li> <li>• Resource catalogue plan exceeded and more than 10% of offshore prospects were risked</li> <li>• Document completed but requiring adjustments after review. Plans for defence of claim ahead of target.</li> <li>• Promotions plan exceeded</li> </ul>

# CORPORATE PERFORMANCE

OBJECTIVE	ACTIVITY	TARGET	ACTUAL	COMMENT
Ensure preservation of and access to data (25%)	<ul style="list-style-type: none"> <li>• Compile data availability report for priority Karoo Basins</li> <li>• Provide geo-technical data to clients</li> <li>• Capture metadata for all well data and seismics in Orange Basin</li> <li>• Provide webmap interface to internal users for all existing petroleum leads and prospects</li> <li>• Augment existing data through purchase / acquisition / reprocessing</li> <li>• Benchmark Information Systems infrastructure with industry best practice</li> </ul>	3	3	<ul style="list-style-type: none"> <li>• Data availability report completed</li> <li>• 84% of data clients gave an “excellent” rating for service</li> <li>• Metadata captured for Orange Basin and parts of the Outeniqua basin</li> <li>• Webmap project completed, but finalised late</li> <li>• Data augmentation plan exceeded</li> <li>• Information systems benchmarking exercise completed and implementation of outcomes commenced.</li> </ul>
Ensure financial viability and compliance with the PFMA and Treasury Regulations (10%)	<ul style="list-style-type: none"> <li>• Identify and implement cost saving and budgetary mechanisms</li> <li>• Ensure Compliance of the Agency with the PFMA and Treasury regulations</li> </ul>	3	4	<ul style="list-style-type: none"> <li>• &gt;30% savings on budgeted operating costs</li> <li>• PFMA compliance</li> </ul>

# CORPORATE PERFORMANCE

OBJECTIVE	ACTIVITY	TARGET	ACTUAL	COMMENT
<b>Ensure a strategically focussed and sustainable organisation (10%)</b>	<ul style="list-style-type: none"> <li>• Maintain representation at/with relevant government and industry bodies</li> <li>• Improve stakeholder relations based on outcomes of 2010/11 Stakeholder survey</li> <li>• Maintain profile of Agency through advertorials and articles in targeted strategic publications</li> <li>• Progress statutory establishment and clarify positioning of the Agency</li> </ul>	3	4	<ul style="list-style-type: none"> <li>• &gt; 80% Representation at relevant bodies with leadership roles</li> <li>• Remedial plan on stakeholder survey outcomes developed and implemented</li> <li>• Plan to maintain Agency profile exceeded</li> <li>• Agency interaction ongoing in matters relating to statutory establishment and positioning.</li> </ul>
<b>Ensure a secure and enabling work environment (10%)</b>	<ul style="list-style-type: none"> <li>• Prepare an employee value proposition</li> <li>• Expand and maintain an IT infrastructure which addresses user needs</li> </ul>	3	4	<ul style="list-style-type: none"> <li>• EVP completed and communicated</li> <li>• 78% IT user satisfaction rating achieved</li> </ul>

# CORPORATE PERFORMANCE

## ADDITIONAL WORK / ACHIEVEMENTS

### SHALE GAS TASK TEAM

- REQUIRED TO DIVERT AND DEVOTE SIGNIFICANT RESOURCES TO THE LEADERSHIP OF THE TASK TEAM SET UP BY THE MINISTER OF MINERAL RESOURCES
- TO ADVISE THE MINISTER AND CABINET ON SHALE GAS AND THE CHALLENGES POSED BY HYDRAULIC FRACTURING TO THE COUNTRY'S ENVIRONMENT AND WATER RESOURCES.
- APPROVAL OF THIS EXPLORATION TECHNIQUE BY THE GOVERNMENT SHALL REQUIRE SIGNIFICANTLY INCREASED MONITORING AND REGULATORY RESOURCES FROM THE AGENCY, IN CO-ORDINATION WITH THE RELEVANT GOVERNMENT DEPARTMENT AND SOE'S.

### ADDITIONAL INCOME EARNED

- GENERATED INCOME OF R99.7 MILLION AGAINST A BUDGET OF R 6.7 MILLION.
- INCREASE DUE TO INCOME FROM DATA (R31 MILLION), UNCONVERTED RIGHTS (R63 MILLION) AND SAVINGS.
- SIGNIFICANT BOOST TO THE EARNINGS OF THE AGENCY.

# PROMOTIONAL ACTIVITIES

- Very high percentage of acreage under licence /permit
- Exhibits and presentations at AAPG and NAPE, LNG Summit, Geosynthesis, Africa Upstream, WPC.
- Invitation to speak at East Africa Oil, Gas and Energy Conference
- Participation in shale gas task team



# PROMOTIONAL ACTIVITIES

- Increased focus on resource evaluation and technical understanding of basin evolution
  - Orange Basin (phase 2)
  - Greater Outeniqua Basin
  - Durban and Zululand Basins
  - Onshore Karoo Basins (shale gas and CBM)
- Increased interest in unconventional oil and gas onshore
  - led to ongoing focussed capacity building





# SHELF CLAIM PROJECT

- Likely sub-commission date for defence of claim moved from 2016 to 2014
- Analysis of data for extension of claim up the Discovery II ridge completed and documented
- Secured additional R22 million funding to finalise project
- Total expenditure to date – R 56 million. Remaining funds – R8 million



# LICENCING AND REGULATION

- All applications received were processed within the legislated time frames
- 41 submissions finalised
- The Agency continues to monitor and enforce compliance with legislation, particularly environmental compliance



# SHALE GAS

- Continued interest in shale gas play from majors and local players
- Applications from Shell and Falcon Oil and Gas to convert TCPs to Exploration Rights
- Moratorium (1 Feb 2011) on new applications to allow for a structured process rather than open door – first come, first served process
- Technical capacity building
- Lively public and press response to exploration technology – hydraulic fracturing and horizontal drilling
- Agency has stressed its determination to remain objective in order to carry out its mandate successfully



# DATA MANAGEMENT

- Massive interest in data both on and offshore
- R31 million income from data sales
- Information management software reaching “end of life”
- Data management infrastructure review was undertaken
- Investigation into possible replacement software underway
- All newly acquired data catalogued and indexed
- Provision of services to Namcor



# CORPORATE SOCIAL RESPONSIBILITY

- 5 internships
- Promotion of science in schools and tertiary institutions
- UTT Bursaries
- Habitat for Humanity housebuild



# FINANCIAL PERFORMANCE

## STATEMENT OF COMPREHENSIVE INCOME

	2012 R'm	2011 R'm	2010 R'm
REVENUE	101.4	75.4	58.6
OPERATING EXPENDITURE	(60.6)	(84.5)	(71.5)
<b>OPERATING (LOSS) / PROFIT</b>	<b>40.8</b>	<b>(9.1)</b>	<b>(12.9)</b>
INVESTMENT INCOME	15.2	16.4	20.3
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>56.0</b>	<b>7.3</b>	<b>7.4</b>

# FINANCIAL PERFORMANCE

## STATEMENT OF FINANCIAL POSITION

	2012 R'm	2011 R'm	2010 R'm
NON-CURRENT ASSETS	5.1	7.0	6.9
CURRENT ASSETS	353.1	302.5	289.8
<b>TOTAL ASSETS</b>	<b>358.2</b>	<b>309.5</b>	<b>296.6</b>
EQUITY	347.6	291.7	284.3
CURRENT LIABILITIES	10.6	17.8	12.3
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>358.2</b>	<b>309.5</b>	<b>296.6</b>

# FINANCIAL PERFORMANCE

## STATEMENT OF CASH FLOWS

	2012 R'm	2011 R'm	2010 R'm
CASH GENERATED/(UTILISED) BY OPERATIONS	47.8	(25.5)	(26.4)
INTEREST INCOME	15.2	16.4	20.3
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>63.0</b>	<b>(9.1)</b>	<b>(6.1)</b>
CASH UTILISED IN INVESTING ACTIVITIES	(0.8)	(2.7)	(5.3)
<b>CASH AND CASH EQUIVALENT MOVEMENT FOR THE YEAR</b>	<b>62.2</b>	<b>(11.8)</b>	<b>(11.4)</b>
CASH - BEGINNING OF THE YEAR	250.8	262.6	274.0
<b>CASH - END OF THE YEAR</b>	<b>313.0</b>	<b>250.8</b>	<b>262.6</b>



# FINANCIAL PERFORMANCE

- Unqualified audit report – no matters of emphasis
- Continued income from unconverted old order rights (R64.5 million)
- Reversal of write-off for expenditure incurred on behalf of Extended Continental Shelf Claim Project (R13.2 million)
- R31.3 million from data sales
- Operational costs remained consistent with those of the previous financial year
- Improved cash position



# Referee and Player

- In this industry the term “referee and player” generally refers to an entity which is responsible for both the Exploration for, and Production of, oil and gas **AND** the licensing and monitoring of both activities.
- SOEKOR was just such an entity
- This was the reason for the separation of SOEKOR to form the two separate entities, PetroSA and the Petroleum Agency
- Current functions performed by the Agency are accepted as good industry practice.
- Promotion function entails resource evaluation and the promotion of petroleum opportunities to the industry within regulatory prescripts
- No conflict between promotion and regulatory functions
- Other organisations which play a similar role to the Agency
  - Norwegian Petroleum Directorate
  - Crown Minerals New Zealand: Petroleum and Minerals
  - INP Mozambique





SOUTH AFRICAN AGENCY FOR PROMOTION OF PETROLEUM  
EXPLORATION AND EXPLOITATION

**PETROLEUM AGENCY SA**

**THANK YOU**

**ANNUAL  
PARLIAMMENTARY  
REPORT PRESENTATION  
2011/12**

**18 October 2012**

# iGas (Pty) Ltd



Fair Value of Company:	R 1,93 Billion
Cash :	R 104 million
Origin of Company:	Cabinet resolution to have a hydrocarbon as development company.
How established:	Government cabinet resolution in 2000
Major Financial Activity:	Financial loan from CEF presently being repaid.



# Performance Against Objectives

## 1. Manage iGas' interest in the Rompco Pipeline

- Oversee efficient operation and management of Rompco's assets
- New opportunities for gas usage in Mozambique investigated
- Ensure continued dividends to shareholders

## 2. LNG to Power

- Development of commercial case and support government decisions on LNG to power.
- LNG regasification plant supplying gas to a 2400 MW power plant.
- Designs complete and EIA specialist studies completed in previous years.

# Performance Against Objectives



3. Finalise the opportunity to import more gas from Mozambique.

Work progressed to a joint venture agreement draft, handed over to PetroSA to progress.

4. Investigate the viability of LPG usage in South Africa:

In October 2011 PetroSA were given this task to progress.

5. Start the feasibility of the supply of gas to markets:

Basic work complete, reported to Board and iGas was requested to continue with low expenditure.



# Performance Against Objectives



## 6. Progress the west coast gas transmission pipeline studies:

Worked with Forest Exploration, their focus changed to progressing a power plant onshore at Abraham Villiers Bay. Only phase 2 of Forest Exploration is planned to have a gas transmission pipeline.

## 7. Maintain an iGas presence in the natural gas communities:

iGas commented on all relevant NERSA documents on gas and attended and presented papers at a variety of conferences. iGas is the country representative of the International Gas Union (IGU). The IGU held a gas forum seminar at COP-17.





**Thank You**

# SASDA

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**SOUTH AFRICAN SUPPLIER DEVELOPMENT AGENCY (SASDA)**

PRESENTATION TO THE PORTFOLIO COMMITTEE ON ENERGY

THE CHAIRPERSON: MP. MR SISA NJIKELANA

18 OCTOBER 2012



# AGENDA

- Financial Performance FY2011/12
- Key Performance Indicators Against Objectives
- Feedback on AG Findings

# Financial Performance:

## Statement of Financial Position – FY2011/12

<b>Statement of Financial Position</b>	<b>Mar-12</b>	<b>Mar-11</b>
At 31 March	<b>R'000</b>	<b>R'000</b>
<b>Assets</b>		
<b>Non-current assets</b>	<b>421</b>	<b>448</b>
Furniture and fittings	166	214
Office equipment	15	15
Computer Equipment	208	167
Intangible assets	32	52
<b>Current assets</b>	<b>898</b>	<b>1 319</b>
Funds held by CEF (SOC) Ltd	-	567
Trade and other receivables	898	752
Cash & cash equivalents	-	-
<b>Total Assets</b>	<b>1 319</b>	<b>1 767</b>
<b>Equity &amp; Liabilities</b>		
<b>Equity</b>	<b>(46 729)</b>	<b>(28 416)</b>
Share Capital	-	-
Accumulated loss	(46 729)	(28 416)
<b>Liabilities</b>		
<b>Non Current Liabilities</b>	<b>40 598</b>	<b>26 350</b>
Loans CEF (SOC) Ltd	40 598	26 350
<b>Current liabilities</b>	<b>7 450</b>	<b>3 833</b>
Current tax payable	-	-
Trade and other payables	1 878	1 092
Deferred Income	1 062	-
Provisions	4 510	2 741
<b>Total Equity and Liabilities</b>	<b>1 319</b>	<b>1 767</b>

# Financial Performance:

## Statement of Comprehensive Income – FY2011/12

<b>Statement of Comprehensive Income</b>	<b>2012 ACTUAL R'000</b>	<b>2012 BUDGET R'000</b>	<b>VARIANCE R'000</b>	<b>COMMENT</b>
For the period ended 31 March				
Revenue	1 852	9 985	(8 133)	SRA fully operational 2 month for the year.
Other Income	860	5 684	(4 824)	Delayed projects and Income deferred
<b>Gross Revenue</b>	<b>2 712</b>	<b>15 669</b>	<b>(12 957)</b>	
Operating expenses	(20 930)	(30 897)	9 967	Savings on SRA and delayed projects
<b>Operating Loss before depreciation</b>	<b>(18 218)</b>	<b>(15 228)</b>	<b>(2 990)</b>	
Depreciation and Amortisation	(115)	(900)	785	
<b>Profit before interest</b>	<b>(18 333)</b>	<b>(16 128)</b>	<b>(2 205)</b>	
Interest received	20	-	20	
Interest paid	-	-	-	
<b>Profit before tax</b>	<b>(18 313)</b>	<b>(16 128)</b>	<b>(2 185)</b>	
Taxation	-	-	-	
<b>Profit for the year</b>	<b>(18 313)</b>	<b>(16 128)</b>	<b>(2 185)</b>	



# Performance Indicators Against Objectives

Objective	Weight	Output	Indicator	Progress
Undertake Supplier Development initiatives	20	Selection of suppliers & Assess	Supplier Shortlist & complete Assessments	Completed. Training programme to commence.
Establishment of SASDA as supplier Dev. Of choice	20	Appointed by PetroSA for CSDP & DoE input on LFC	Appointment by PetroSA. Input document to LFC	Appointment not done by PetroSA. SASDA participation withdrawn by DoE.
Development of existing & new suppliers with participating SOE's	10	Develop 15 companies with SOE's	Approved ED plan with committed budget	No progress on this front with SOE's.

# Performance Indicators Against Objectives (2)

Objective	Weight	Output	Indicator	Progress
Development of existing & new suppliers with participating SOE's	20	Develop 30 companies with participating oil companies	Approved ED plan with committed budget	Developed 44 companies with approved ED plan and budget
Operate a sustainable Verification unit	30	Obtain SANAS accreditation and achieve turnover target	SANAS accreditation. Achieve revenue target	SANAS accreditation attained. Revenue target not met.
<b>Total</b>	<b>100</b>			

# Feedback on AG Findings

Internal control and Procedure Deficiency	Corrective Measure	Target date for Implementation
1. Completeness of Revenue and debtors.	Management to implement a system of pre-numbering contracts, and invoices. These are all controls which can be implemented to ensure completeness. Missing numbers can then be followed up and it can be ensured that all revenue is accurately recorded.	Finance has communicated the default to the SASDA management for correction. In future a request for invoice will be sent to Finance to generate the invoice in AccPac and then that invoice would be sent to the relevant customers. Implementation Date:26/06/12
2. Expense invoices that were processed inclusive of VAT.	All valid business expenses should be allocated to the general ledger using the amount exclusive of VAT and the appropriate VAT amount should be claimed as input VAT on the VAT returns	Audit finding noted and ledger corrected. Implementation date: 27/06/12



## Feedback on AG Findings (2)

Internal control and Procedure Deficiency	Corrective Measure	Target date for Implementation
3. Not all employee files are complete with the required documents.	Management should ensure that all the employee files contain all the compulsory information as required by the Human Resource Policy.	Documents are now in the employees' personal files. Implementation Date: 08/06/12
4. Suppliers list not updated quarterly	Management will ensure that the listing of suppliers is updated on a regular basis.	CEF (SOC) LTD is in the process of advertising in both the national and local newspapers to update the suppliers database for the CEF group of companies to ensure that competition is encouraged and a relevant and updated supplier database is in place Implementation date: 31/08/12

# Feedback on AG Findings (3)

Internal control and Procedure Deficiency	Corrective Measure	Target date for Implementation
5. Difference between schedule of prepayments obtained and the general ledger.	Prepayment reconciliation is required to be performed to reconcile both balances on a monthly basis. Reconciliations should be reviewed by senior personnel.	Implemented: 28/08/2012
6. Not all employee files are complete with the required documents.	Management should ensure that all the employee files contain all the compulsory information as required by the Human Resource Policy.	Documents are now in the employees' personal files. Implementation Date: 08/06/12
7. Completeness of Intangibles	The annual financial statements should include a note for Intangible assets that discloses all movements, including a detailed reconciliation of the carrying amount at the beginning and end of the period, including any additions and disposals.	The financial statements has been corrected to include the note: Implemented: 27/06/2012



# Feedback on AG Findings (4)

Item	Deviation from Laws and Regulations	Comments
1	The audit committee members have not been elected at the AGM	The AGM of the company will be held after the next Board meeting and the members will be elected.  Implementation date: 30/09/2012
2	The Audit Committee members are not directors of the company	Once the members are elected they will be registered as directors of the company.  Implementation date: 31/10/2012
3	The Annual Financial Statements have not been signed by the Board of Directors.	The Annual Financial Statements has now been signed and in future this will be done.  Implementation date: 22/06/2012

# Feedback on AG Findings (5)

Item	Performance Against Objectives	Comments
6	Actual targets not consistent with planned targets	<p>The targets were changed following the review by Ernest and Young. However, the amended plan was not resubmitted to the department of energy.</p> <p>Implementation date: 28 February 2013 (2013 plan)</p>
7	Targets not consistent with the SMART criteria,	<p>Even though the targets were changed following the E&amp;Y audit the AG felt that we need to expand on the explanations so that it is clear.</p> <p>Implementation date: 28 February 2013 (2013 plan)</p>
8	Not all (100%) of the targets were met	<p>There were other targets that were not met. The participation of SASDA in the review of the charter was withdrawn by DoE.</p>

*Thank you*

**Questions and  
discussions**

