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# **Mining industry 2004**

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## Summary of findings for the year 2004

### Income, expenditure and net profit

The total income for the mining industry in 2004 was R168 752 million. The largest contributor to the total income was 'Mining of metal ores, except gold and uranium' (R70 603 million or 41,8%), followed by mining of coal and lignite (R39 064 million or 23,2%), mining of gold and uranium ore (R37 024 million or 21,9%), other mining and quarrying (R20 168 million or 12,0%), and service activities incidental to mining of minerals (R1 893 million or 1,1%) (see table 1, p.2).

The total expenditure for the mining industry in 2004 was R154 367 million. The largest contributor to the total expenditure was 'Mining of metal ores, except gold and uranium' (R63 430 million or 41,1%), followed by mining of coal and lignite (R38 720 million or 25,1%), mining of gold and uranium ore (R32 313 million or 20,9%), other mining and quarrying (R18 197 million or 11,8%), and service activities incidental to mining of minerals (R1 707 million or 1,1%) (see table 1, p.2).

The net profit before tax was R15 935 million. The largest contributor to the net profit before tax was 'Mining of metal ores, except gold and uranium' (R8 429 million or 52,9%), followed by mining of gold and uranium ore (R4 643 million or 29,1%), other mining and quarrying (R2 143 million or 13,4%), mining of coal and lignite (R534 million or 3,4%), and service activities incidental to mining of minerals (R186 million or 1,2%) (see table 1, p.2).

### Employment, salaries and wages

The total number of people employed in the mining industry in 2004 was 415 000. 'Mining of gold and uranium ore' employed the largest number of people (184 000 or 44,3%), followed by mining of metal ores, except gold and uranium (137 000 or 33,0%), mining of coal and lignite (50 000 or 12,0%), other mining and quarrying (40 000 or 9,7%), and service activities incidental to mining of minerals (4 000 or 1,0%) (see table 6, p.9).

Gross salaries and wages paid to employees in 2004 amounted to R39 624 million. Most earnings were paid to people employed in 'Mining of metal ores, except gold and uranium' (R15 893 million or 40,1%), followed by mining of gold and uranium ore (R11 856 million or 29,9%), mining of coal and lignite (R7 752 million or 19,6%),

other mining and quarrying (R3 856 million or 9,7%), and service activities incidental to mining of minerals (R267 million or 0,7%) (see table 3, p.4).

### Capital expenditure on new assets

Capital expenditure on new assets amounted to R23 264 million. The major contributor to the capital expenditure on new assets was 'Mining of metal ores, except gold and uranium' (R13 356 million or 57,4%), followed by mining of coal and lignite (R3 685 million or 15,8%), mining of gold and uranium ore (R3 391 million or 14,6%), other mining and quarrying (R2 462 million or 10,6%), and service activities incidental to mining of minerals (R370 million or 1,6%) (see table 1, p.2).

**P J Lehohla**  
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#### Note:

1. Since the last census of mining was conducted in 1996, the comparative figures are not informative. This survey serves as a benchmark for the mining industry and will be conducted every three years.
2. In this publication, employment does not include subcontracting. In other publications, employment may include subcontracting, which may make data not comparable.
3. For changes compared to the previous year (2003), please refer to the 2004 economic activity survey's publication (P0020).

**Table 1 - Principal statistics in the mining industry: 2004**

	<b>Mining of coal and lignite</b>	<b>Mining of gold and uranium ore</b>	<b>Mining of metal ores, except gold and uranium</b>	<b>Other mining and quarrying</b>	<b>Service activities incidental to mining of minerals</b>	<b>Total</b>
<b>Item</b>	<b>R million</b>	<b>R million</b>	<b>R million</b>	<b>R million</b>	<b>R million</b>	<b>R million</b>
Income	39 064	37 024	70 603	20 168	1 893	<b>168 752</b>
Opening inventory	3 011	867	7 905	1 732	31	<b>13 546</b>
Closing inventory	3 201	799	9 160	1 905	31	<b>15 096</b>
Expenditure	38 720	32 313	63 430	18 197	1 707	<b>154 367</b>
Net profit/loss	534	4 643	8 429	2 143	186	<b>15 935</b>
Book value of fixed assets at the beginning of the year	27 391	33 578	65 325	14 340	325	<b>140 959</b>
Capital expenditure on new assets	3 685	3 391	13 356	2 462	370	<b>23 264</b>
Book value of fixed assets at the end of the year	27 177	30 908	73 028	15 020	180	<b>146 313</b>

**Table 2 - Income in the mining industry: 2004**

	<b>Mining of coal and lignite</b>	<b>Mining of gold and uranium ore</b>	<b>Mining of metal ores, except gold and uranium</b>	<b>Other mining and quarrying</b>	<b>Service activities incidental to mining of minerals</b>	<b>Total</b>
<b>Item</b>	<b>R million</b>	<b>R million</b>	<b>R million</b>	<b>R million</b>	<b>R million</b>	<b>R million</b>
Sales and transfers-out	33 398	28 714	66 152	14 603	7	142 874
Income from services rendered	1 013	1 087	556	754	1 326	4 736
Income from mineral rights leases	0	0	181	0	0	181
Income from rental and leasing of land, building and other structures	6	23	42	14	8	93
Income from operational leasing and hiring of plant, etc	9	2	0	9	0	20
Income from operational leasing and hiring of motor vehicle and other transport equipment	0	0	0	5	0	5
Income received from mining leases	1	0	0	1	0	2
Interest received	660	659	860	294	98	2 571
Dividends received	243	1 438	57	2 098	0	3 836
Royalties, copyright, trade names, trade and patent rights received	0	0	3	1	0	4
Subsidies and incentives from government	0	20	4	0	0	24
Net profit from foreign loans	307	26	11	653	0	997
Profit from the redemption, etc, if credited	0	38	233	67	0	338
Profit from sales, etc, if credited	28	931	154	116	2	1 231
Other income	3 399	4 086	2 350	1 553	452	11 840
<b>Total income</b>	<b>39 064</b>	<b>37 024</b>	<b>70 603</b>	<b>20 168</b>	<b>1 893</b>	<b>168 752</b>

**Table 3 - Expenditure in the mining industry: 2004**

	<b>Mining of coal and lignite</b>	<b>Mining of gold and uranium ore</b>	<b>Mining of metal ores, except gold and uranium</b>	<b>Other mining and quarrying</b>	<b>Service activities incidental to mining of minerals</b>	<b>Total</b>
<b>Item</b>	<b>R million</b>	<b>R million</b>	<b>R million</b>	<b>R million</b>	<b>R million</b>	<b>R million</b>
Purchases	11 613	6 928	22 465	5 128	656	46 790
Gross salaries and wages	7 752	11 856	15 893	3 856	267	39 624
Severance, termination and redundancy payments	34	320	92	98	0	544
Payment to subcontractors	1 628	1 548	1 735	428	0	5 339
Skills development levy	18	55	33	7	0	113
Payment to outside organisation for staff training	22	93	19	13	1	148
Stock option to employees	0	0	33	8	0	41
Rental of land, building and other structures	18	65	109	77	5	274
Operational leasing and hiring of plant, machinery, equipment and vehicles	215	32	172	116	3	538
Insurance premiums	392	154	336	141	3	1 026
Interest paid	2 422	977	1 527	626	6	5 558
Bank charges	12	7	135	18	1	173

**Table 3 - Expenditure in the mining industry: 2004 (continued)**

	<b>Mining of coal and lignite</b>	<b>Mining of gold and uranium ore</b>	<b>Mining of metal ores, except gold and uranium</b>	<b>Other mining and quarrying</b>	<b>Service activities incidental to mining of minerals</b>	<b>Total</b>
<b>Item</b>	<b>R million</b>	<b>R million</b>	<b>R million</b>	<b>R million</b>	<b>R million</b>	<b>R million</b>
Depreciation provided for during the year	3 859	1 927	4 422	2 051	25	12 284
Municipal payments for services	307	2 565	1 568	167	1	4 608
Property taxes paid	4	37	23	4	0	68
Regional services council levies	41	50	89	24	0	204
Excise and customs duties paid	13		6		0	19
Railage and transport out	2 721	47	2 436	554	2	5 760
Motor vehicle running expenditure, including parts and fuel	89	44	332	269	11	745
All repair and maintenance expenditure	2 299	287	2 093	942	8	5 629
Paper expenditure	19	32	28	17	1	97
Postal, mail and courier	35	22	40	50	2	149
Travel expenditure	71	37	85	35	2	230
Advertising expenditure	9	1	631	429	0	1 070
Security services	48	125	184	44	0	401
Staff amenities	4	44	53	6	0	107
Containers and packaging materials	2	0	22	42	0	66

**Table 3 - Expenditure in the mining industry: 2004 (concluded)**

	<b>Mining of coal and lignite</b>	<b>Mining of gold and uranium ore</b>	<b>Mining of metal ores, except gold and uranium</b>	<b>Other mining and quarrying</b>	<b>Service activities incidental to mining of minerals</b>	<b>Total</b>
<b>Item</b>	<b>R million</b>	<b>R million</b>	<b>R million</b>	<b>R million</b>	<b>R million</b>	<b>R million</b>
Payment on mining leases	0	10	0	1	0	11
Royalties, franchise fees, copyright, trade names and trade and patent paid	33	533	503	34	0	1 103
Total expenditure: Research	304	3	232	50	27	616
Transfers to working costs reserve, etc	349	5	0	1	0	355
Losses from the redemption, liquidation of liabilities at a value higher than book value, if debited, e.g. foreign exchange	400	18	1 734	1 536	0	3 688
Losses on assets or investment sold or devalued	78	767	32	29	172	1 078
Other expenditure	3 909	3 724	6 368	1 396	514	15 911
<b>Total expenditure</b>	<b>38 720</b>	<b>32 313</b>	<b>63 430</b>	<b>18 197</b>	<b>1 707</b>	<b>154 367</b>



**Table 4 - Company tax, dividends, current assets, liabilities and owners' equity in the personal services industry: 2004**

	<b>Mining of coal and lignite</b>	<b>Mining of gold and uranium ore</b>	<b>Mining of metal ores, except gold and uranium</b>	<b>Other mining and quarrying</b>	<b>Service activities incidental to mining of minerals</b>	<b>Total</b>
<b>Item</b>	<b>R million</b>	<b>R million</b>	<b>R million</b>	<b>R million</b>	<b>R million</b>	<b>R million</b>
Company tax paid or provided for during this financial year	573	1 688	2 923	1 076	12	<b>6 272</b>
Cash dividends paid or provided for	346	632	5 598	3 481	92	<b>10 149</b>
Other dividends	5	0	0	23	0	<b>28</b>
Current assets and investments	21 489	45 129	38 136	9 529	1 282	<b>115 565</b>
Current liabilities	13 126	12 719	23 111	10 322	287	<b>59 565</b>
Long-term liabilities	16 533	25 113	36 171	8 801	108	<b>86 726</b>
Owners' equity	18 500	38 306	45 799	5 369	1 067	<b>109 041</b>

**Table 5 - Book value of assets by type of asset in the mining industry: 2004**

	<b>Mining of coal and lignite</b>	<b>Mining of gold and uranium ore</b>	<b>Mining of metal ores, except gold and uranium</b>	<b>Other mining and quarrying</b>	<b>Service activities incidental to mining of minerals</b>	<b>Total</b>
<b>Type of asset</b>	<b>R million</b>	<b>R million</b>	<b>R million</b>	<b>R million</b>	<b>R million</b>	<b>R million</b>
Land	62	122	306	289	8	787
Residential buildings	7	29	1 017	347	0	1 400
Non-residential buildings	1 318	138	4 480	241	1	6 178
Computers and other IT equipment	55	106	2 269	170	8	2 608
Motor vehicles and other transport equipment	169	34	407	1 228	34	1 872
Plant, machinery and other office equipment	21 665	22 974	43 803	7 816	129	96 387
Intangible fixed assets: Computer software	142	0	77	13	0	232
Intangible fixed assets: Other	47	0	466	609	0	1 122
Intangible non-produced assets	882	141	7 630	3 606	0	12 259
Mineral and mining rights	378	2 558	2 404	194	0	5 534
All other mining assets	2 452	4 806	10 169	507	0	17 934
<b>Total</b>	<b>27 177</b>	<b>30 908</b>	<b>73 028</b>	<b>15 020</b>	<b>180</b>	<b>146 313</b>

**Table 6 - Employment by gender and employment status in the mining industry: 2004**

	Mining of coal and lignite	Mining of gold and uranium ore	Mining of metal ores, except gold and uranium	Other mining and quarrying	Service activities incidental to mining of minerals	Total
Item	'000	'000	'000	'000	'000	'000
<b>Female</b>						
Full-time	4	6	7	4	0	21
Part-time	0	0	0	0	0	0
Total female	4	6	7	4	0	21
<b>Male</b>						
Full-time	46	174	128	34	4	386
Part-time	0	4	2	2	0	8
Total male	46	178	130	36	4	394
<b>Total employment</b>	<b>50</b>	<b>184</b>	<b>137</b>	<b>40</b>	<b>4</b>	<b>415</b>

**Note: Employment does not include subcontracting.**

## Explanatory notes

### Background

The results presented in this publication have been derived from the 2004 mining large sample survey. This is a periodic survey, which measures economic activity in the mining industry of the South African economy. This survey is based on a sample of private and public enterprises operating in the mining industry.

The sample was drawn from the new business register. The new business register is based mainly on the income tax (IT) and value-added tax (VAT) databases. All enterprises in the business register are legally bound to register for either VAT or IT or both. That is, enterprises that are registered for tax are included on the new business register, and hence were given a chance of selection in the sample for the survey.

The last census of the mining industry, namely 'Census of mining' was conducted for the year 1996.

### Reference period

The information was collected from enterprises for their financial year, which ended on any date between 1 July 2003 and 30 June 2004.

### Purpose of the survey

Results of the survey are used within Stats SA for compiling South Africa's National Accounts, e.g. the Gross Domestic Product (GDP) and gross fixed capital formation. These statistics are also used by the private sector in analyses of comparative business and industry performance.

### Scope and coverage

This survey covers private and public mining enterprises conducting activities in -

- (i) Mining of coal and lignite including
  - Extraction of crude petroleum and natural gas, and
  - Service activities incidental to oil and gas extraction, excluding surveying.
- (ii) Mining of gold and uranium
- (iii) Mining of metal ores, except gold and uranium
  - Mining of iron ore, and
  - Mining of other metal ores such as chrome, copper, manganese, platinum group metals (PGM's), and other metal ore mining.
- (iv) Other mining and quarrying
  - Stone quarrying, clay and sand-pits,
  - Mining of diamonds (including alluvial diamonds), and
  - Other mining and quarrying.
- (v) Service activities incidental to mining of minerals

**Classification by industry** The 1993 edition of the *Standard Industrial Classification of all Economic Activities (SIC)*, Fifth Edition, Report No. 09-09-02, was used to classify the statistical units in the survey. The SIC is based on the 1990 *International Standard Industrial Classification of all Economic Activities (ISIC)* with suitable adaptations for local conditions. Statistics in this publication are presented at SIC division (2-digit) level. Each enterprise is classified to an industry, which reflects its predominant activity.

**Statistical unit** The statistical unit for the collection of the information is an enterprise. An enterprise is a legal unit (or a combination of legal units) that includes and directly controls all functions necessary to carry out its production activities.

**Size groups** The enterprises are divided into four size groups according to the value of their ‘business register’ turnover. Large enterprises are enterprises with an annual ‘business register’ turnover of R39 million and more. Table A presents the size groups defined using the Department of Trade and Industry (DTI) cut-off points,

**Table A – Size groups for the mining industry**

Size Group	Turnover
Large	Turnover > R 39 000 000
Medium	R 10 000 000 < Turnover < R 39 000 000
Small	R 4 000 000 < Turnover < R 10 000 000
Micro	Turnover < R 4 000 000

**Note:** The large enterprises in the mining industry contributed more than 95% towards the total ‘business register’ turnover.

**Survey methodology and design** The survey was conducted by mail, fax, telephone and personal visits.

A sample of approximately 465 enterprises was drawn using stratified simple random sampling. The enterprises were first stratified at 2-digit level according to the SIC and then by size of enterprises. All large enterprises are completely enumerated. ‘Business register’ turnover was used as the measure of size for stratification.

**Weighting methodology** For those strata not completely enumerated, the weights to produce estimates are the inverse ratio of the sampling fraction, modified to take account of non-response in the survey. Stratum estimates are calculated and then aggregated with the completely enumerated stratum to form division estimates. These procedures, which are in line with international best practice, are described in more detail on the Stats SA website at [www.statssa.gov.za/publications/publicationsearch.asp](http://www.statssa.gov.za/publications/publicationsearch.asp).

**Relative standard error**

Data presented in this publication are based on information obtained from a sample and are, therefore, subject to sampling variability; that is, they may differ from the figures that would have been produced if the data had been obtained from all enterprises in the mining industry in South Africa.

One measure of the likely difference is given by the standard error (SE), which indicates the extent to which an estimate might have varied by chance because only a sample of enterprises was used. The relative standard error (RSE) provides an immediate indication of the percentage errors likely to have occurred due to sampling, and thus avoids the need to refer to the size of the estimate.

**Table B – Estimate of total income in the mining industry within 95% confidence limits: 2004**

<b>Division</b>	<b>Lower limit R million</b>	<b>Estimate R million</b>	<b>Upper limit R million</b>	<b>RSE</b>
Mining of coal and lignite	38 860	39 064	39 268	0,3
Mining of gold and uranium	34 007	37 024	40 041	4,2
Mining of metal ores, except gold and uranium	70 208	70 603	70 998	0,3
Other mining and quarrying	19 553	20 168	20 783	1,6
Service activities incidental to mining of minerals	1 850	1 893	1 936	1,2

**Non-sampling errors**

Inaccuracies may occur because of imperfections in reporting by enterprises and errors made in the collection and processing of the data. Inaccuracies of this kind are referred to as non-sampling errors. Every effort is made to minimise non-sampling errors by careful design of questionnaires, testing them in pilot studies, editing reported data and implementing efficient operating procedures. Non-sampling errors occur in both sample surveys and censuses.

**Comparability with previously published information**

The information in this statistical release and previous mining surveys is not strictly comparable. This large sample survey was conducted from a sample drawn from a new business register of **all** enterprises registered for either VAT or IT or both.. The new register has better coverage of the small and micro enterprises.

**Rounding-off of figures**

The figures in the tables have, where necessary, been rounded off to the nearest final digit shown. There may therefore be slight discrepancies between the sums of the constituent items of the totals shown.

<b>Symbols and abbreviations</b>	DTI	Department of Trade and Industry
	GDP	Gross Domestic Product
	ISIC	International Standard Industrial Classification of all Economic Activities
	IT	Income tax
	PGM's	Platinum group metals
	RSE	Relative standard error
	SARS	South African Revenue Services
	SE	Standard error
	SIC	Standard Industrial Classification of all Economic Activities
	SNA	System of National Accounts
	VAT	Value-added tax
	0	Nil or less than half the final digit shown

## Glossary

<b>Employees</b>	Employees are those people employed by the business or organisation who received payment (in salaries, wages, commission, piece rates or payments in kind) for the last pay period ended on or before 30 June 2004.
<b>Enterprise</b>	The enterprise is a legal entity or a combination of legal units that includes and directly controls all functions necessary to carry out its production activities.
<b>Full-time employees</b>	Full-time employees are those employees (permanent, temporary or casual) who usually work for the agreed-upon hours for a full-time employee in a specific occupation. If agreed hours do not apply, employees are regarded as full-time employees if they work 35 hours or more per week.
<b>Industry</b>	An industry is made up of enterprises engaged in the same or similar kinds of economic activity. Industries are defined in the <i>System of National Accounts (SNA)</i> in the same way as in the <i>Standard Industrial Classification of all Economic Activities, Fifth Edition, Report No. 09-90-02 of January 1993 (SIC)</i> .
<b>Net profit or loss before tax</b>	Net profit or loss before tax is derived as:  Total income <i>plus</i> Closing stocks <i>minus</i> Total expenditure <i>minus</i> Opening stocks
<b>Part-time employees</b>	<b>Part-time employees</b> are those employees (permanent, temporary or casual) who are not full-time employees as defined above or who normally work less than 35 hours per week.
<b>Statistical unit</b>	A statistical unit is a unit about which statistics are tabulated, compiled or published. The statistical units are derived from and linked to the South African Revenue Service (SARS) administrative data.
<b>Stratum</b>	A stratum is constructed by concatenating the SIC classification and size group variables.



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