

MINING — COAL

1993

## Duiker to expand its coal exports

215  
BIDM 5/11/93  
JONHO WATERS

LONRHO's Duiker Exploration was examining cost-effective methods to increase facilities for exporting coal, chairman Terence Wilkinson said in the company's annual report for the year ended September 30 1992.

This would enable the group to realise the export growth potential of the company's reserve base.

Improved facilities had been erected at three mines for upgrading coal products, and Duiker had some encouraging gold values at its Erfdeel and Klipwal mines, he said.

Record profit had been achieved in the past financial year and there had been an increase in the company's cash position equivalent to R4,71 a share.

The current financial year's results would depend on prices, particularly gold and coal, but the outlook was not good.

The bituminous coal division continued to be the major contributor to the company's profitability.

The division's turnover accounted for 78,5% of Duiker's, which Wilkinson said reflected improved grades at higher prices.

Gold production and developed ore reserves had reached record levels at the Klipwal gold mine. Underground drilling on the lower levels had revealed a footwall orebody of good grade over a width of several metres, he said.

# Coal producers plan export terminal

S. Times (B4S5) 10/1/93

By DON ROBERTSON (215)

A GROUP of SA's large coal producers is studying the possibility of establishing a new multi-million rand coal export terminal at Richards Bay.

Land for the terminal has already been secured in an area near the Richards Bay Bulk Storage facility and a feasibility study is due to be completed by the end of June.

Although the possibility of a new terminal has been discussed for some time, a significant aspect that has arisen is that the Richards Bay Coal Terminal (RBCT) has indicated it is not prepared to accommodate the joint venture in a "brown fields" expansion of its facilities. This would use the elements of the existing infrastructure

which are not fully extended.

In any case, members of the new consortium have said that the coal throughput capacity in a "brown fields" expansion would fall short of their expected export requirements.

The alternative is a "green fields" operation which would involve additional infrastructure as well as a new stockyard and quays.

The joint venture has held discussions with RBCT and is still negotiating with the group.

The consortium says it has about 12-million tons a year of coal for export which its members would market on an individual basis.

The Coal Export Joint Venture, as it will be called, consists of Anglovaal Coal Holdings, Gold Fields Mining and Development, Sasol Mining, Iscor, Agipcoal SA, Mac Phail Holdings, Duker Exploration and Tselentis Mining.

## Cost

The venture is headed by Peet Steyn, assistant general manager of Sasol.

Mr Steyn says various alternatives to a new terminal are being investigated. The cost of a new terminal will only be known when the report is completed.

He says that should a deci-

sion be taken to go ahead with the scheme, it could take between two to three years to complete.

RBCT has recently completed an expansion of its facilities, increasing export tonnages from 44-million to 53-million tons, making it the biggest single coal export terminal in the world.

This should be sufficient to meet export requirements until 1996. Export capacity could then be increased to about 65-million tons a year with minimal additional spending.

Demand for export coal from SA is expected to increase by 2-million tons a year for the next five to six years and should reach about 63-million tons by the year 2000.

## Rand Mines shareholders back restructuring

THE restructuring of the Rand Mines group was approved by 99,9% of shareholders at a special general meeting in Johannesburg yesterday *B10AM 13/1/93*

At a separate meeting, 98% of Randcoal shareholders voted in favour of the acquisition of the coal rights, Eskom contracts and coal mine management contracts held by Rand Mines.

A spokesman for the group said the final step in the Rand Mines restructuring pro-

JONO WATERS

cess would be the listing of Randgold & Exploration and PGM Investments on the JSE on February 1. *(214) (215)*

"Randgold and PGM Investments, together with Randcoal, Rand Mines Properties and PPC, are the key components of the new mineral resources division of Barlow Rand, which has assets of around R3bn and the capacity to generate profits of over R400m," he added

# Growth to boost SA coal exports

BIDA 13/1/93

JOHN DLUDLU (215)

INCREASED demand through natural growth was expected to boost SA's coal export market by 2-million tons a year over the next few years, Coal Export Joint Venture (Coalex) chairman Peet Steyn said in the latest issue of Portlink.

The growth would continue for the next five to six years in the international steam coal export markets, reaching about 63-million tons by 2000.

Steyn said his expectation of growth was based on recent market studies. "According to the Coal Information report of 1992 the seaborne steam coal trade will have average growth rates of 2,9% to 8,7% a year to 2000 or 3,0% to 6,0% a year to 2010."

His optimism stemmed from historical growth trends. World hard coal production had grown to 3 423-million tons in 1991 from 2 247-million tons in 1973, which was

equivalent to an annual growth rate of 2,4%.

He expected the cutback in coal production in European and Asian countries to lead to an increase in the seaborne coal trade. "The expected growth rate provided adequate market opportunities for new coal exports from SA."

Steyn said Coalex members, which included, Agipcoal, Anglovaal Coal, Gold Fields Mining and Development, MacPhail, Iscor, Duiker, Tselentis Mining and Sasol, were interested in exporting mainly steam coal.

He added that Coalex's coal would be marketed in the same geographical areas as that of Richards Bay Coal Bulk Terminal's members.

## Lower prices for coal producers

AN OVERSUPPLIED world coal market and poor economic conditions forced a number of SA coal producers to settle at lower prices with Japanese electricity utilities this year. *Blom 28/1/93*

Total Exploration GM Alan Rodes Innes confirmed the company had settled with EPDC in Japan, but said the prices were confidential.

However, there had been a 5% drop in prices compared with those agreed for in the 1992 financial year, he said.

Market sources said a number of SA producers had settled at between \$29/ton and \$31/ton freight on board with Japanese customers.

Amcoal MD James Campbell confirmed that contracts were lower

JONO WATERS (215)

than last year, but still had outstanding contracts to be finalised and therefore would not disclose prices.

Trans-Natal MD Mike Salamon said the corporation had settled a number of contracts, but still had to finalise with the Japanese.

Rumours that Portuguese utility EDP had asked SA producers to roll back on prices to those agreed to with Italian utility Enel were dispelled. Amcoal and Agipcoal settled at \$27,85 given as received with Enel.

Randcoal director David Michael said as far as he knew EDP did not have a problem with prices that had already been agreed to.

**DEPARTMENT OF MINERAL AND  
ENERGY AFFAIRS**

**No. 55** **15 January 1993**

**DECLARATION OF WORK IN NATIONAL  
INTEREST**

The Minister of Mineral and Energy Affairs has, in terms of section 9 (1) (f) of the Mines and Works Act, 1956 (Act No. 27 of 1956), declared that in his opinion the performance on Sundays of certain work, details of which appear in the Schedule hereto, is necessary in the national interest for a period of five years from 20 January 1993.

**SCHEDULE** 215

The removal of overburden by means of draglines or bucketwheel excavators and ancillary equipment at coal mines in the—

(a) Magisterial Districts of Amersfoort, Bethal, Carolina, Ermelo, Highveld Ridge, Middelburg, Piet Retief, Standerton, Volksrust, Wakkerstroom and Witbank, Province of the Transvaal;

(b) Magisterial Districts of Dannhauser, Dundee, Glencoe, Klip River, Newcastle, Paulpietersburg, Utrecht and Vryheid, Province of Natal; and

(c) Magisterial District of Sasolburg, Province of the Orange Free State,

where coal is mined by means of opencast methods, which mines have been identified and classified as such by the Director-General Mineral and Energy Affairs

**No. 74** **15 January 1993**

**DECLARATION OF WORK IN THE NATIONAL  
INTEREST**

The Minister of Mineral and Energy Affairs has, in terms of section 9 (1) (f) of the Mines and Works Act, 1956 (Act No. 27 of 1956), declared that in his opinion the performance on Sundays of certain work, details of which appear in the Schedule hereto, is necessary in the national interest for a period of six months from 15 January 1993

**SCHEDULE**

All work necessary for and incidental to the normal production of gold at the mine known as Loraine Gold Mines Limited in the Magisterial District of Odendaalsrus, Province of the Orange Free State

**DEPARTMENT OF NATIONAL  
EDUCATION**

**No. 66** **15 January 1993**

**BUREAU OF HERALDRY**

**APPLICATION FOR REGISTRATION OF HERALDIC  
REPRESENTATIONS AND A NAME, AND  
OBJECTIONS THERETO**

**SECTION 7A AND B OF THE HERALDRY ACT, 1962  
(ACT No. 18 OF 1962)**

The undermentioned bodies and persons have applied in terms of section 7 of the Heraldry Act, 1962 (Act No. 18 of 1962), for the registration of their heraldic

**DEPARTEMENT VAN MINERAAL-  
EN ENERGIESAKE**

**No. 55** **15 Januarie 1993**

**VERKLARING VAN WERKE IN NASIONALE  
BELANG**

Die Minister van Mineraal- en Energiesake het kragtens artikel 9 (1) (f) van die Wet op Myne en Bedrywe, 1956 (Wet No 27 van 1956), verklaar dat die verrigting op Sondae van sekere werk, waarvan besonderhede in die Bylae hiervan verskyn, na sy oordeel vir 'n tydperk van vyf jaar vanaf 20 Januarie 1993 in nasionale belang nodig is.

**BYLAE**

Die verwydering van boggrond deur middel van sleepgrawe of skepwielgraafmasjiene en bybehorende toerusting by steenkoolmyne in die—

(a) landdrostdistrikte Amersfoort, Bethal, Carolina, Ermelo, Hoefeldrif, Middelburg, Piet Retief, Standerton, Volksrust, Wakkerstroom en Witbank, provinsie Transvaal;

(b) landdrostdistrikte Dannhauser, Dundee, Glencoe, Kliprivier, Newcastle, Paulpietersburg, Utrecht en Vryheid, provinsie Natal, en

(c) landdrostdistrik Sasolburg, provinsie die Oranje-Vrystaat,

waar steenkool volgens oopmynmetodes ontgin word, welke myne as sodanig deur die Direkteur-generaal Mineraal- en Energiesake geïdentifiseer en geklassifiseer is.

**No. 74** **15 Januarie 1993**

**VERKLARING VAN WERK IN NASIONALE  
BELANG**

Die Minister van Mineraal- en Energiesake het kragtens artikel 9 (1) (f) van die Wet op Myne en Bedrywe, 1956 (Wet No. 27 van 1956), verklaar dat die verrigting op Sondae van sekere werk, waarvan besonderhede in die Bylae hiervan verskyn, na sy oordeel vanaf 15 Januarie 1993 vir 'n tydperk van ses maande in nasionale belang nodig is.

**BYLAE**

Alle werk noodsaaklik vir en bykomend tot die normale produksie van goud by die myn bekend as Loraine Gold Mines Limited, gelee in die landdrostdistrik Odendaalsrus, provinsie Oranje-Vrystaat.

**DEPARTEMENT VAN NASIONALE  
OPVOEDING**

**No. 66** **15 Januarie 1993**

**BURO VIR HERALDIEK**

**AANSOEK OM REGISTRASIE VAN HERALDIESE  
VOORSTELLINGS EN 'N NAAM, EN BESWARE  
DAARTEEN**

**ARTIKEL 7A EN B VAN DIE HERALDIEKWET, 1962  
(WET No. 18 VAN 1962)**

Ondergenoemde instansies en persone het kragtens artikel 7 van die Heraldiekwet, 1962 (Wet No 18 van 1962), aansoek gedoen om die registrasie van hulle

DUIKER <sup>FM</sup>  
**Better financed** <sup>22/1/93</sup> (215)

**Activities:** Mining company with interests in gold, coal and anthracite

**Control:** Lonrho Plc, through WPH investments 51,6%

**Chairman and MD:** T A Wilkinson

**Capital structure:** 14,4m.ords Market capitalisation R72m

**Share market:** Price 500c Yields 10% on dividend, 30,7% on earnings, p e ratio, 3,25, cover, 3,1. 12-month high, 750c, low, 500c

Trading volume last quarter, 200 000 shares

Year to Sep 30	'89	'90	'91	'92
Turnover (Rm)	138	141	161	177
Operating profit (Rm)	35,3	22,9	29,1	29,7
Taxed profit (Rm)	17,9	11,0	15,7	22,1
Earnings (c)	124,5	76,3	109,2	153,7
Dividends (c)	25	30	35	50
Net worth (c)	791	936	1 010	1 074

**Duiker Exploration** is one of the few companies in the mining sector to come through last year with anything resembling flying colours — earnings and dividends have risen to all-time highs and the balance sheet is looking good

For the first time in five years there is a positive cash balance. Liquidity improved, with R40,8m net cash on hand at end-September from borrowings of R4m a year ago. There was debt of R27m and R46m respectively at the 1990 and 1989 year-ends

The healthy cash position played a big part in the better-than-expected results. While Duiker's mining income was maintained at R29,7m (previous financial year, R29,1m) net financial income more than doubled to R17,2m (R6,9m). Chairman Terence Wilkinson attributes this jump mainly to interest earned on cash balances, though interest on the loans to Eastern Gold Holdings also increased, rising 74% to R10m (R5,7m).

The 43% increase in the dividend has been funded without the need to draw down the

COMPANIES

<sup>FM</sup> 22/1/93 (215)



Duiker's Wilkinson upgrading coal production

cover, which remains at 3,1. A year ago, Wilkinson hinted strongly that cover might be reduced to increase dividends. He says now that, given the present market outlook, a prudent policy of maintaining a high cover makes financial sense.

Still, the share has remained depressed. It slid during the year to a 12-month low of 500c, compared with 600c last January. One reason has to be investor worries over conditions in the coal business, to which Duiker is heavily exposed. Coal and anthracite sales accounted for 96% of last year's mining income and all of 1991's mining income.

Total coal and anthracite sales dropped to 4,5 Mt (5,3 Mt) and, while bituminous coal income rose to R27,6m (R24,5m), anthracite income plummeted to R1m (R5,1m). Duiker is a member of the Richards Bay Coal Terminal (RBCT), with an allocation of 1,6 Mt at an annual RBCT throughput of 44 Mt, which will rise to 1,9 Mt when the terminal expands to 53 Mt/year by about 1995.

Coal contracts for 1993 delivery settled so far in Europe have confirmed market fears of price cuts of around US\$4/t resulting from the current oversupply. Wilkinson acknowledges the grim state of the market but seems reasonably optimistic about this year's coal revenues. Duiker is upgrading a greater proportion of its output to produce higher-quality coal, which he says will be more readily marketable, though at depressed prices.

Duiker is also a partner in the Coal Export

Joint Venture looking at building a new coal export terminal at Richards Bay, which would compete with the RBCT. Any material benefits to Duiker lie several years away.

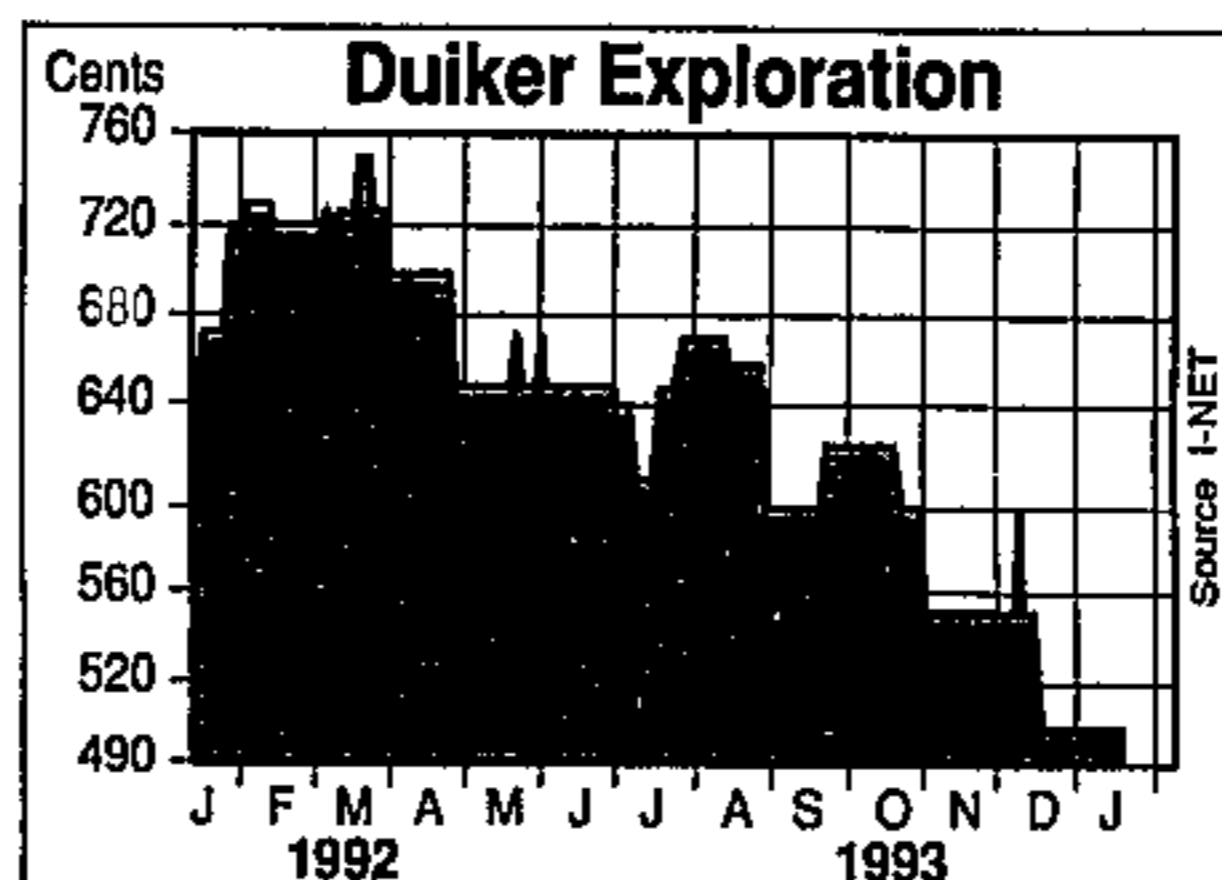
Prospects for Duiker's gold interests are not good. Duiker has 36% of Eastern Gold Holdings (Easthold), which, in turn, owns 85% of Freegold's Erfdeel division. Erfdeel reduced its working losses to R4,5m from a loss of R8m in 1991, thanks partly to mining operations at the No 5 shaft now being carried out by a contractor. Freegold has remained profitable mainly because of its extensive hedging programme. But the Erfdeel division has remained consistently unprofitable and Wilkinson says the division could be closed if the gold price remains unchanged.

Duiker also has 33% of Northern Gold Holdings (Northgold), giving it an effective 25,8% stake in the 3 026 ha area north of Freegold which could be brought into the mining complex.

When the gold market eventually improves, Duiker shares should respond like those of a marginal gold mine. Until then its fortunes are pegged to coal.

Wilkinson says if present market conditions continue through the year then Duiker's income will decline. He would like, to maintain the dividend, but it is too early to be definite. I rated the share a buy at 600c a year ago, and stick to that opinion.

Brendan Ryan





## 2 000 coal mine jobs in the balance

JOHANNESBURG — More than 2 000 employees could face retrenchment with Anglo American Coal Corporation's decision to close the mining and coke operations at the Vryheid Coronation colliery in Natal. *CT 23/1/93*

The mining corporation said last night the closure process would begin at the end of March. *(215)*

"A programme involving closure of the mining and the coke operations at Vryheid Coronation colliery will be implemented as from the end of March 1993

"Some 2 000 employees are affected and Am-coal has approached representative unions concerning the closure"

The statement said the colliery's available reserves had been substantially depleted and the remaining tonnage was proving increasingly costly to mine

CIP news 24/1/93

## 2 000 coalmen face the wall

ANGLO American Coal Corporation's decision to close the mining and coke operations at the mined out Vryheid Coronation colliery, near Vryheid in Natal, could cost 2 000 jobs.

The corporation said in a statement on Friday the closure would begin at the end of March

## Amcoal to close Vryheid operation

PETER GALLI

(215)

ANGLO American Coal (Amcoal) is to close the mining and coke operations at its Vryheid Coronation Colliery in Natal at the end of March, as viable operations can no longer be maintained, the group announced at the weekend.

The colliery employed about 2 000 people and Amcoal had briefed employees and trade unions, a spokesman said.

"The northern Natal region has been particularly hard hit by the present economic climate. Employees will be given normal, industry-accepted retrenchment packages," she said.

An Amcoal statement said the colliery's available cash reserves had been substantially depleted and the remaining tonnage was proving increasingly costly to mine.

Also, coke market conditions — affected particularly by the low level of activity in the ferroalloy industry — were such that viable operations could no longer be maintained at Vryheid Coronation.

An industry source said that, given the current economic climate and the fact that most of Amcoal's other collieries had undertaken cost-cutting exercises and reduced staff, it was unlikely employees would be placed elsewhere in the group.

The colliery closure will be phased as it cannot be closed overnight.

# Amcoal's Vryheid colliery to close

215

STAR

25/1/93

Finance Staff

Anglo American Coal Corporation (Amcoal) say it will close its Vryheid Coronation colliery which will result in the retrenchment of about 2 000 miners.

Amcoal says in a statement the closure of Vryheid's mining and coke operations will be implemented from April this year.

"The colliery's available coal reserves have been substantially depleted and the remaining tonnage is proving increasingly costly to mine.

"In addition, coke market conditions, affected particularly by the sustained low level of activity in the ferro-alloys industry, are such that viable operations can no longer be maintained at Vryheid."

The group has approached the miners' representative unions about the expected retrenchments.

Mining of coking coal at Vryheid Coronation started in 1923 and has been continuously carried out for more than 70 years, Amcoal says.

## COMPANIES

### Absa slashes estate agents' fees

**BANKING** and finance group Absa yesterday announced a large cut in membership fees for its Multi Listing Services subsidiary, intensifying the battle for estate agents' computer listing business.

Absa deputy CE Mike de Blanche said MLS would slash estate agents membership fees by 70% from May 1 and offer members automatic access to advanced property administration software — all for R88 a month. Estate agents would also be offered the lease of a PC and printer.

De Blanche said the full computerisation of MLS had made the cut in membership fees possible. However, industry sources said the move was designed to win market share from arch-competitor Comprehensive Property Services. *BIDM*

CPS was backed by most major financial institutions in SA, with the exception of Absa, they said. *27/11/93*

CPS MD Stefan Swanepoel said he was

**ANDREW KRUMM**

not concerned by the move, which was a "desperate attempt" by MLS to gain business. "This is the third or fourth cut in fees MLS has made in the past two years. All they have done is bring their fee structure in line at long last."

Swanepoel said the MLS fee would undercut his company's but said CPS was "fully booked for the next six months."

He said CPS's membership fees ranged from R150 to R250 a month, while the company leased out a range of computer hardware and software for between R280 and R340 a month.

De Blanche said MLS's service included the electronic processing of bond applications, the earlier registration of the property in the new owner's name, faster financial settlement to the seller and prompt payment of commission to estate agents.

### Telkom joins capital market's major league

*BIDM 27/11/93*  
**TELKOM** has emerged as the third biggest player in the capital market, after government and Eskom, with turnover from its market-making activities reaching R160bn in the current year.

Telkom GM Treasury Willie Landman said yesterday most of the funding for 1993/94 had been completed.

About R1,3bn had been sold through the medium-dated TK05 and the TK07 bonds to pay for the TK02 which falls due on March 31. Less than R1bn remained to be funded.

Landman said funding was done in the medium area as this was where the demand was. This area also offered the best opportunities on the yield curve.

Telkom currently has R4,525bn issued in bonds. This was reduced from R7,7bn through buy-back operations and switching out of money market investments into its bonds. Landman said Telkom might issue two new bonds in 1993/94. One could mature between 1998 and 2008 and the other around 2015.

A dealer said Telkom could be considering a high coupon bond in order to make it more attractive to foreigners.

Telkom was also developing an options market in its stock.

**TIM MARSLAND**

He said Telkom was also increasing its offshore marketing drive. About 4% of its bonds are held by foreigners and 90% by local institutions.

Landman said a number of offshore banks had approached Telkom with a view to making a market on its bonds. Telkom had taken no decision on this.

DM200m in German bonds matured in July, he said. Telkom would consider rolling over the loans, depending on costs. It had no plans at present to raise further cash offshore.

He said Telkom would be keen to roll over the bonds to retain its presence in offshore bond markets.

Finance costs, now projected at R1,5bn for 1992/93, were reduced by about R250m through Telkom's marketing operations. Revenue was projected at R7,5bn and expenditure at R5,2bn.

Telkom also plans to issue commercial paper in the current year. Landman said the extent to which this method of financing would be pursued depended on interest rates. Telkom had the advantage that its paper was guaranteed by government.

### Hanson gold-for-coal swap

**LONDON** — Anglo-US industrial conglomerate Hanson announced yesterday it had agreed to swap the gold assets of its US unit, Gold Field Mining Co, with the coal and quarry assets of Santa Fé Minerals Corp, which is linked to the US's Santa Fé Pacific Corp. *(215)*

Hanson said it expected no significant gain or loss from the trade, which is subject to government approvals. The Santa Fé mines and quarries have a tangible net asset value of about \$131m, while the Hanson gold assets have a similar value of \$150m.

Among the assets Hanson will receive are Santa Fé's Lee Ranch coal strip-mine in New Mexico. Hanson said some of those reserves were subject to leases that generated royalty income. *BIDM 27/11/93*

### EXECUTIVE SUIT



# Gencor head office staff face cuts

GENCOR chairman Brian Gilbertson confirmed yesterday that about 10% of the company's head office staff would be retrenched because of the recession.

The divisions affected were Trans-Natal and Samancor, he said.

Gilbertson declined to disclose the number of employees involved, as not all concerned had been notified. However, sources put the number of retrenchments at about 80 *BIDAM 28/1/93*.

"In line with the restructuring of head office and in the light of current economic circumstances, we had to retrench," Gilbertson said.

With Trans-Natal's operations concentrated in a smaller area, a reduced head office complement was needed to manage

JONO WATERS

the corporation, he added. Samancor's operations were running at less than 50% of capacity, also making head office retrenchments necessary.

Samancor has of late been hard pressed to maintain contract prices as a result of weak ferrochrome spot prices — pegged at around \$0,33/lb compared with the previous year's \$0,52/lb. *(215)*

Weak coal prices have also affected Trans-Natal's performance. Industry sources said contract prices had fallen sharply to between \$25/ton to \$30/ton fob.

In his annual review Gilbertson said the company would not be able to maintain its earnings in the current financial year.

## COMPANIES

# JSE axe looms over Smaldeel Coal

SMALDEEL Coal Ltd's JSE listing was under threat of suspension and termination as the company had failed to submit its annual financial statements within six months of year-end, the JSE warned in a statement yesterday. (215) ~~215~~

Should Smaldeel not submit its results by the end of February its listing would be suspended and could be terminated by a special meeting of the JSE general committee. B/DAM 3/2/93.

Meanwhile, the JSE committee yesterday resolved that Digoco Mining Ltd and Foston Ltd's listings would be terminated unless financial statements were made available. Digoco had until February 26 to

ANDREW KRUMM

comply, while Foston had until March 26, the committee said.

JSE executive president Roy Andersen said a campaign warning companies that their listings could be suspended or terminated due to late publication of results had had "impressive" response.

Of 31 cautionary letters issued, 29 reports had been received.

The listings of 10 companies had been annotated on JSE prices boards as being under threat, yet only Foston and Digoco had been suspended, he said.

Andersen thanked the companies for their co-operation.

# Trans-Natal stokes up export sales

Star 5/2/93

By Derek Tommey

Tough conditions in the export coal markets did not prevent major coal producer Trans-Natal increasing export sales and revenues in the six months ended December and also operating income from R108,4 million to R119,0 million.

But reduced interest income and higher amortization, a sharp jump in taxation from R21,4 million to R30,8 million as a result of the ending of exporters' allowances, reduced the taxed profit from R66,3 million to R55,5 million equal to 69,7c (83,2c) a share

A R21,0 million write-off further reduced attributable income to R34,5 million (215)

However, the interim dividend has been maintained at 23c a share. And although managing director Mike Salamon is expecting lower export coal prices, he says the company was keen to maintain the dividend, and the current view was this would be the case. Last year Trans-Natal paid a total dividend of 80c.

Salamon said that Trans-Natal was reaping the benefit of the R650 million investment in the past four years aimed at increasing productivity

In the past 12 months labour productivity had risen some 25 percent and output was now running at 292 tons of saleable coal a man a month — or some 3 500 tons a year. In the next year or so Trans-Natal hoped to raise this to about 4 500 tons which would not be far behind the current Australian "first world" figure of 5 000 tons a worker.

Also helping Trans-Natal had been its ability to gain an extra 3 million tons in exports sales in the past few years to 11 5 million.

The company expects capital

expenditure in the next two years to amount to about R250 million. Included in this will be a washing plant at Optimum Colliery which entered a new agreement with Eskom. Trans-Natal will benefit from additional safeguards regarding its investment in Optimum while Eskom is guaranteed enhanced long-term coal quality as well as security of supply.

Total sales for the six months were 2,3 percent higher owing to a 5,5 percent rise in exports and a 4,1 percent increase in sales to Eskom which was partly offset by a 6,9 percent drop in inland sales.



# Increased tax bill halves Trans-Natal Coal's profit

BIDM 5/2/93  
215

**JONO WATERS**

TRANS-NATAL maintained its interim dividend in the six months ended December 31, in spite of a fall in after-tax income and weak coal prices.

After-tax profit fell to R34,5m compared with R66,3m in the same period last year.

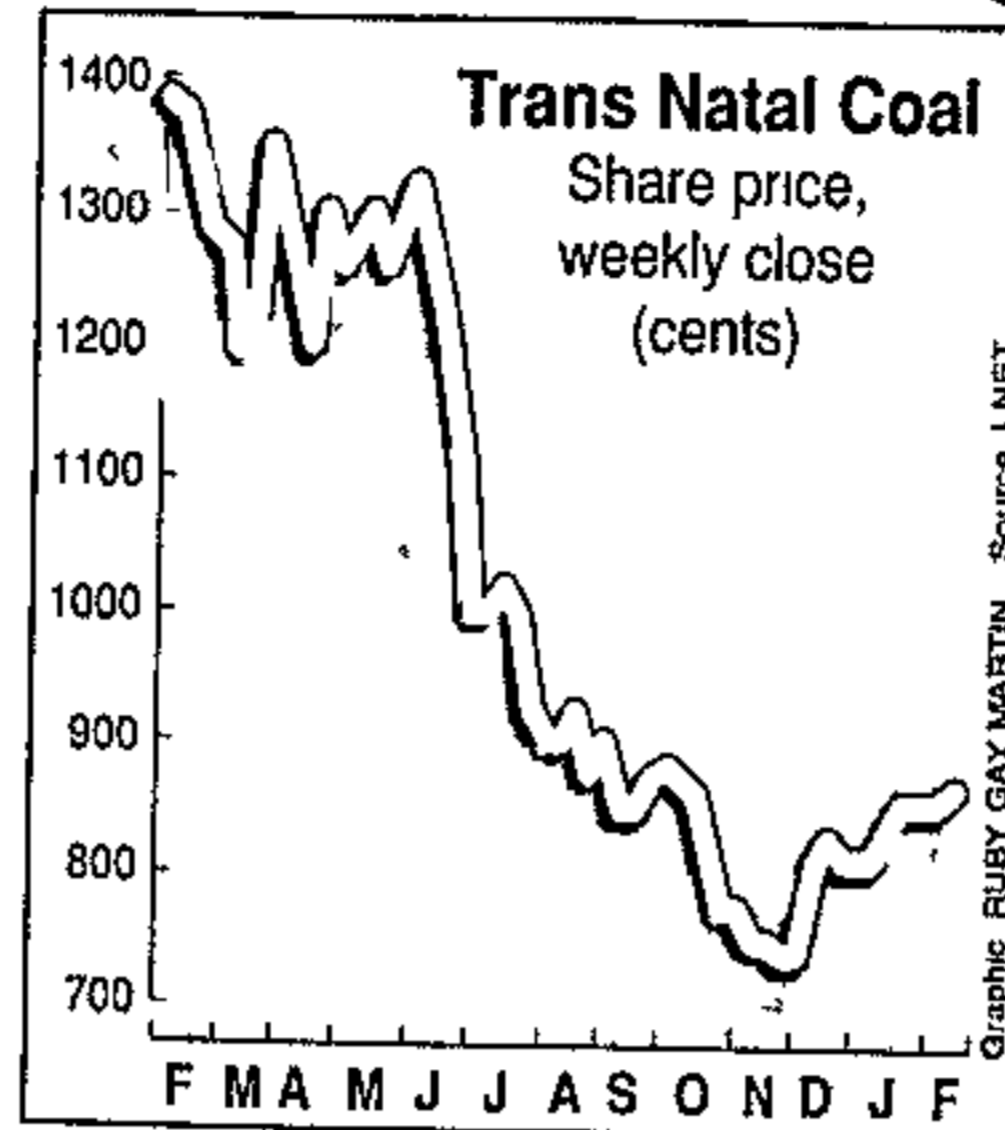
MD Mike Salamon said yesterday the fall in profits was due to an increased tax bill of R30,8m (R21,4m) as a result of government abolishing exporters' tax allowances last March. An extraordinary item of R21m related to the group writing down its net investment in Ermelo Mines to R10,2m

Turnover increased to R827m (R799m), but costs rose 7% to R708m. But, cost of sales a ton rose 4,7% while mining costs rose 5,5%

Overall tonnage rose 2,3% to 13,6 million tons. Export tonnage rose 5,5% to 5,8 million tons, of which 300 000t was anthracite and the balance steam coal. Steam coal prices had fallen to \$32/t, but anthracite prices had risen 21%, Salamon said.

The exchange rate in the six months was R2,91 to the dollar compared to R2,84 in the second half of 1991. Steam coal prices were still down in rand terms.

Sales to Eskom rose 4,1% to 5,1 mt tons, but inland sales dropped 7% to 2,7 million tons. Salamon said inland sales "took a hammering" as a result



of the weak state of the ferro-alloy and steel markets. "It is very tough and competitive"

Trans-Natal's productivity drive was bearing fruit and monthly saleable coal a ton rose 24% to 292 tons

Amortisation costs rose to R35,2m as a result of Trans-Natal's capital programme and lower interest payments of R10,4m (R15m), left pre-tax income almost unchanged at R94,2m (R95,2m)

Capex for the period amounted to R95m and a similar amount would be spent in the second half of the financial year. Trans-Natal was in the last stage of its expansion at Koorfontein and was to construct a washing plant and opencast reserve at Optimum. Capex requirements for the next two financial years would amount to R250m

A new supply agreement between Optimum and Eskom had been en-

tered into at the beginning of year to provide the power utility with a better quality coal.

International coal prices were expected to be weaker, but the rand should depreciate further and costs should be lower as a result of Ermelo's rationalisation.

However, the impact of the fall in dollar prices was likely to outweigh these factors and earnings should fall in the second half of the year.

Salamon said the corporation was keen to maintain the final dividend, but there could be unforeseen events before year-end.

Contracts for European customers were \$2 to \$4 down on last year, were rollover or 6% lower in the Far East and the corporation still had to settle contract prices in Japan. Indications from Australian producers selling to Japan were that prices would be about \$2,50 lower

Trans-Natal received prices that were \$4 lower for coal sold on spot market. In light of lower spot prices the group decided future steamcoal exports would be sourced largely from Optimum and Koorfontein

The corporation was looking at other ways of investing abroad since Reserve Bank restrictions had blocked Trans-Natal's acquisition of Australian producer Oakbridge

Rationalisations at Gencor head office had resulted in 20 Trans-Natal employees losing their jobs. In 1988 the corporation had 12 operating mines. It now it had nine

## Trans-Natal profits slip

STimes 10455 7/2/93

TRANS-NATAL managing director, Mike Salamon forecasts lower profits for the second half of the financial year, to June.

Trans-Natal's interim earnings before tax were little changed, at R94 million but the abolition of exporters' allowances led to a jump in tax rate from 30% to 41%. The dividend of 23c was, however, maintained.

Trans-Natal wrote down R21-million of its R31-million investment in Ermelo Mines because export steam coal will in future be sourced from Optimum and Koornfontein. (215)

Fm 12/2/93

FOX

**TOUGH TIMES**

Six months to	Dec 91	Jun 92	Dec 92
Sales volume (Mt)	13,3	13,2	13,6
Turnover (Rm) ...	769,1	795,0	826,6
Taxed profit (Rm)	66,3	77,3	55,5
Earnings (c) ... ..	83,2	97,0	69,7
Dividends (c) .....	23,0	57,0	23,0

Receiver of Revenue

(215)

As forecast in the annual report, the effective tax rate for the six months to December jumped to 41,1% (previous comparable period: 30,4%), following the abolition of exporters' allowances. Financial director Loutjie Smit says the higher tax rate is here to stay.

That knocked taxed profits down 16,2%, but there's worse to come in a R21m extraordinary charge against earnings, though this is another direct result of the grim trading conditions. Overall result is a 48% drop in attributable earnings to R34,5m (R66,3m).

TNC has written down its investment in Ermelo Mines by R21m and at present is taking no coal from this underground colliery, which is believed to be the highest cost producer in the industry. It's drawing coal to meet Ermelo contracts from Optimum and Koornfontein, which have much lower costs.

TNC continues to manage Ermelo which is producing 1 Mt coal annually for Total

\* cont ->

TRANS-NATAL COAL Fm 12/2/93

**Taxing times**

(215)

If never rains but it pours, runs the old adage, and interim figures from Trans-Natal Coal (TNC) bear it out — on top of the depressed coal export market has come a blow from the

Fm 12/2/93

FOX

**TOUGH TIMES**

Six months to	Dec 91	Jun 92	Dec 92
Sales volume (Mt)	13,3	13,2	13,6
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(215)

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TNC continues to manage Ermelo which is producing 1 Mt coal annually for Total

\* cont ->

Star 16/2/93

# Trying times for Fralex

(215)  
By Derek Tommey

Fraser Alexander (Fralex) had a difficult six months to December.

Although turnover dropped only 2,5 percent to R168,6 million, net income fell 33,4 percent from R8,57 million to R5,7 million because of losses sustained by the colliery, underground contracting and offshore coal trading operations.

Earnings a share dropped a similar percentage from 54,5c to 36,3c. The interim dividend has been cut by 33,3 percent from 12c to 8c.

Chairman Peter Flack says the core waste and materials handling businesses all met or bettered earnings projections.

But the continuing decline in the domestic ferrochrome industry severely reduced the expected offtake of coal from the colliery. An unusually mild European winter resulted in lower-than-expected sales by the UK-based coal trading operation.

The general cost constraints maintained by the mining industry mean that some expected underground contracting work did not materialise and that existing contracts continued at lower-than-expected rates.

Gearing rose from 45 percent in June 1992 to 58 percent in December, partly as a result of expenditure on fixed assets.

## COMPANIES

### Difficult winter for colliery

LOSSES sustained by Fraser Alexander's colliery, underground contracting and off-shore coal trading operations resulted in a 33% decrease in attributable income in the six months ended December 1992.

Earnings fell to 36,3c a share compared with 54,5c a share in the same period last year and the company cut its dividend by a third to 8c (12c) a share. Turnover fell 2,5% to R169m (R173m) and shareholders' attributable income before extraordinary items dropped a third to R5,7m (R8,57m).

Extraordinary items amounted to R93 000 (R688 000) and interest bearing debt rose about R10m to R28,3m.

Chairman Peter Flack said the group's core waste and material handling businesses had all met or bettered their earnings projections. *B/DAM 16/2/93*

JONO WATERS

However, the continuing decline in the domestic ferrochrome industry had reduced the expected off-take from the company's colliery severely. *(215)*

While operating conditions were expected to be unfavourable for the rest of the financial year, group earnings were expected to improve marginally in the second half due to cost reductions.

□ Fralex, whose sole investment is a 57,8% stake in Fraser Alexander, reported a 35% decrease in attributable income to R3,3m (R5,1m) in the six months to end-December. Earnings fell to 20,5c (31,7c) a share and the company cut its dividend to 4,5c (7c) a share.

SASOL

(215)

FM 26/2/93

# Balance sheet to the rescue

With low world oil prices, declining chemical prices and an unchanged rand/dollar exchange rate, Sasol has done well to maintain attributable growth. And, as in the last interim period, its sound balance sheet has come to the rescue.

A 46% reduction in the interest bill to R64m, helped by paying off a further R400m-odd on its Sasol 3 loan from increased cash holdings, and a 24% drop in the tax bill to R159m largely through using assessed tax losses from the collieries and Sasol 3, kept attributable profit roughly in line with inflation.

The 4,7% increase in EPS comes from Sasol deducting from attributable earnings the after-tax interest cost of the 56m convertible debentures, which raised R1,03bn last year.

That leaves the impression Sasol is marking time. Yet, despite management's conservative prediction that second-half profit growth should roughly equal that of the first, there are encouraging signs that it could improve.

For one, the rand is weakening, with economists estimating an average R/\$ rate of 3,20-3,30 over the next six months. That compares with the average of about R2,85 Sasol was getting for exports in the first half.

Also, full benefits of the cost control programme will only be fully felt in the second half and next financial year, though most of the one-off costs of rationalisation have been absorbed. And tax benefits from the R3,5bn

## SQUEEZING THE BARREL

Six months to	Dec 25 '91	Jun 25 '92	Dec 25 '92
Turnover (Rm)	3 963	3 891	4 080
Operating income (Rm)	869	890	822
Attributable (Rm)	533	620	584
Earnings (c)	94,6	107,4	99
Dividends (c)	36,5	41,5	38

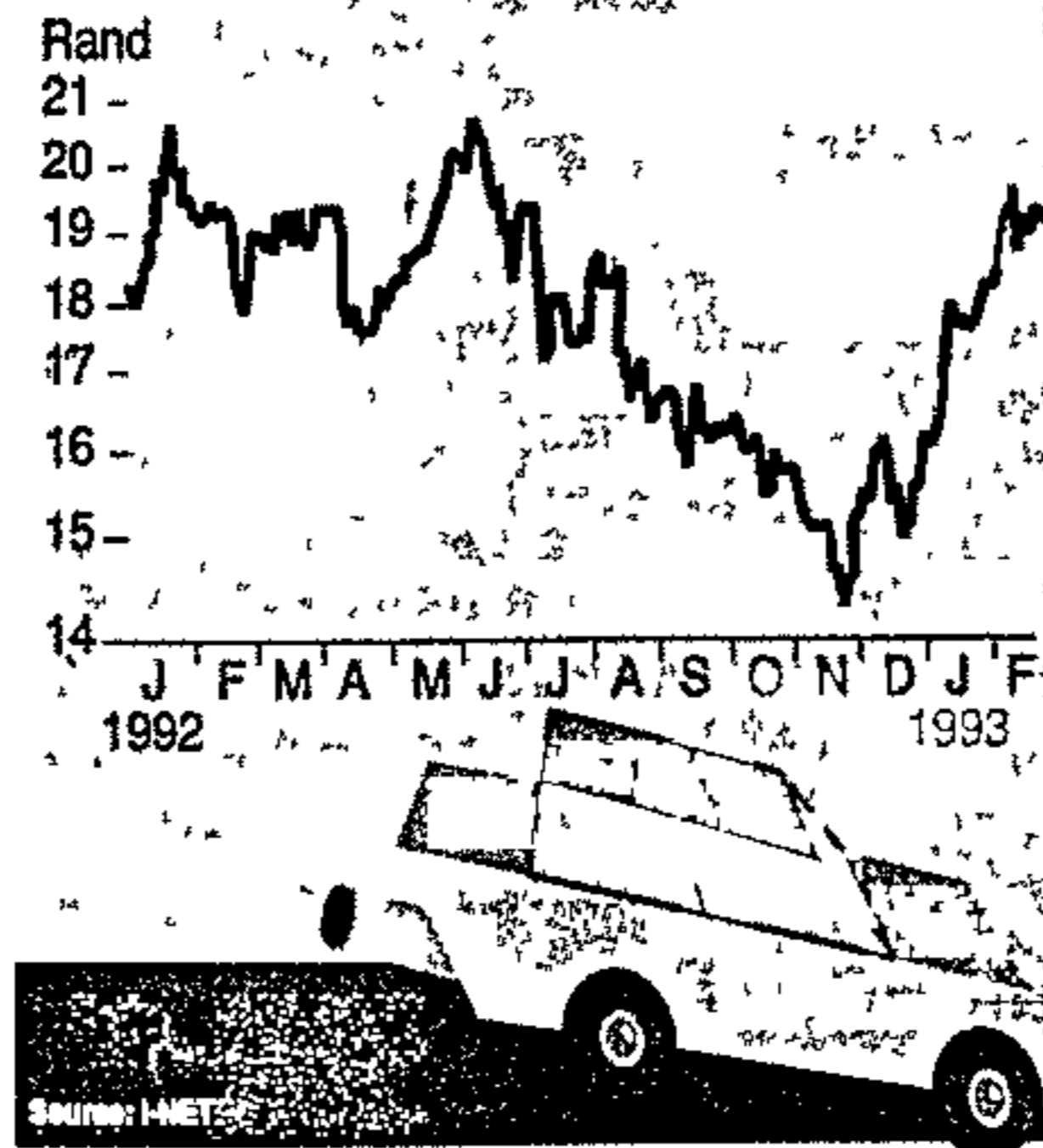
capital programme will be enjoyed over the next two years.

But investors must be starting to wonder when the benefits will start to be seen from that ambitious programme. GM Russell Kennedy admits there was little in the first half, pointing out most new projects will be commissioned in the 1994 year. "That's when the benefits will start, with the major surge coming in the 1995 year," he says.

That won't be the end of Sasol's capital spending. Kennedy says Sasol has more potential projects than it can handle and announcements on new ventures will be made this year.

All of which makes it look like Sasol will

## Rewing up Sasol's share price



remain extremely capital-hungry. Yet Kennedy says the group is confident it can fund most new projects from its own resources.

"We have a strong cash flow," he says. "New projects provide a home for that cash." He says Sasol has no plans for a further rights issue, which should draw a collective sigh of relief from shareholders.

At operating level, Sasol had a difficult first half, largely for reasons beyond its control. It can do little about depressed local and international conditions.

### High production volumes

That must have been frustrating for the strong performers, such as Secunda Collieries, Sasol 2 and 3, Polymers and Explosives. All are reported to have maintained high production volumes, some in the face of declining prices.

It shows in Sasol's operating margins, which have narrowed to 20,2%, from the year-ago 21,9%.

The export market can't be too attractive now, though Kennedy says businesses like Polymers have improved volumes and exported a lot. "We have marketed our products successfully and established a foothold in international markets. All we need now is for the world economy to turn," he says.

Since last November, the market seems to have regained some confidence in Sasol. The share has climbed from 1 450c to 1 910c, close to the high of 2 075c.

The rating has improved but is still below the sector average and well below competitor Engen's. Part of this can be ascribed to negative sentiment about tariff protection which Sasol enjoys, though the larger insti-

tutions — believed to be behind the recent price recovery — seem to be discounting this influence.

Shaun Harris

## PREMIER GROUP

### Biting Bonnita

Premier's venture into the dairy industry seems to make sense, given its policy of focusing on branded staple foods. Spending R100m for a 28,6% share is not a large outlay, only about 3% of Premier's market cap. But for Bonnita — formerly Cape Dairy Co-operative (CDC) — it's a much needed injection of capital.

Strong cash flow from Metro Cash & Carry has helped Premier cut borrowings, as has partial disinvestment in underperforming assets. Gearing is now conservative, at about 10%. That suggests plans to raise the Bonnita interest later to 40% at a cost of R50m, through a cash offer for some 26m convertible debentures, will not unduly pressure the balance sheet. Premier CE Peter Wrighton says gearing will stay below 30%.

Information on Bonnita, as the restructured CDC was renamed last June, is scarce. Annual turnover in the year to February 1993 was R680m and is forecast at around R750m this year. But this gives no clear insight into profitability or competitiveness.

Says an analyst, "Co-ops don't have bottom lines, so they tend to overpay farmers. This may be a problem with a private company," Wrighton insists. "Farmers are crucial to operations, so must always be viable." He adds that Bonnita is profitable, margins are equal to or better than Premfood's.

The market has little experience with this industry and examples on which it can draw are not particularly comforting. Tiger Oats's investment in fruit and vegetable canning co-operative Langeberg Holdings brought years of restructuring and losses before it proved highly profitable. ICS's dairy division has underperformed for several years.

"To use these as benchmarks is unfair," says Wrighton. "Bonnita's management is strong, entrepreneurial and — more important — proactive. This, in particular, is borne out by the decision to move towards a private company." He feels Premier and Bonnita have similar cultures.

Technology is good. Wages are in line with industries in which Premfood operates. Bonnita is responsible for a quarter of SA milk production and operates southern Africa's largest milk powder and cheese factories.

Wrighton contends that, for Bonnita, the chronic problem of excess milk production is reduced by powdered milk operations. How-

**COMPANIES**

**Drought statistics show grim reality**

*BIDA 3/3/93*  
 RECENT trade statistics confirmed the severe effect of the drought and local and international economic conditions on SA's food industry, sources said yesterday.

The latest trade figures show that imports of vegetable products increased by 139% in January over the previous year.

Vegetable products worth R178m were imported compared with R74,4m in 1992 and R55,2m in 1991. Vegetable product exports, which rose sharply in 1992 over 1991, have slowed dramatically in January to R115,7m, from R229,9m in 1992.

Both imports and exports of prepared foodstuffs, beverages, and tobacco slowed in January compared with the previous year. Sources said the figures were a direct result of drought and pressure on consumer demand both locally and internationally.

The huge increase in imported vegetable

products reflected lower local output due to the drought

Drought conditions also meant that export volumes were significantly lower

Prepared foods, beverages and tobacco, which industry sources classified as luxury products, were affected largely by the global recession. Exports were affected by reduced demand in European markets and SA's weaker currency.

One food company spokesman said that dumping was becoming a major problem.

Food products were being exported to SA at a lower cost than local production costs, and this "short term windfall" for consumers would run SA's largely agricultural economy in the long term by cutting jobs, closing manufacturing facilities and destroying herds.

MARCIA KLEIN

**Coal earnings down as competition takes toll**

*BIDA 3/3/93*  
 FIERCE competition in the coal market gnawed at the profit margins of distributor MacPhail and caused an 8% drop in earnings to 48,5c in the year to end-December 1992 from 52,7c a share in 1991, said CE Sid Weintroub.

The lower profit margins were reflected in today's published results which show turnover up 5% to R252,4m (1991 R239,9m), but operating profit down 14% to R10,5m (R12,2m). Attributable income was

**EDWARD WEST**

8% lower at R6,9m (R7,5m)

The final dividend was maintained at 13,5c, bringing the total dividend for the year to an unchanged 19c.

MacPhail, a 63% subsidiary of W & A Investment Corporation, remained un-gearred and had cash resources of R16,4m at the end of financial 1992. Directors did not expect a material change in earnings in 1993.

Weintroub said deepening recession, continuing township unrest and the mild winter caused coal consumption to decline further last year.

This had led to fierce competition which had intensified pressure on profit margins. MacPhail managed to counter the worst effects of these conditions by extending market share, he said.

Market penetration improved by the opening of a Western Cape depot and entry into the Natal market. Factors which improved

turnover were a marginal increase in the pithead price of coal and a greater proportion of transport costs in its sales, he said.

Investment in new technology for information and technical services, cash and asset management and expense controls — would be relied on to maintain market share.

However, as coal demand was derived from purely external factors, no improvement in the market could be expected until the economy recovered, said Weintroub.

**EXECUTIVE SUITE**



**Demand hikes earnings 65%**

MARCIA KLEIN  
 Primary health care products saw a 65% increase in earnings to 5,6c in the year to end-December. The company makes and distributes health care products. Compared to 1991, as financial 1992 actually covered, earnings were 4,8c a share. The company said that it would shortly embark on a new view of "the strong organic growth in the industry and in order to maintain the long term objectives". Revenue rose by 43% over the previous year to R15,6m. MD Don McArthur said the result of strong demand for primary health care products. Revenue grew by 39% to R2,9m from R2,1m. An increase in the interest bill resulted in a net profit of R2,8m from R1,9m. Income tax expense was higher at R1,8m from R992 000. The net profit of R497 000 comprises goodwill from the acquisitions of surgical glove manufacturer Hygenic Trading. Macmed showed an accumulated loss for the year, compared with a loss of R1,1m last year. The company issued a final scrip dividend, where one share was issued for every 115 shares held, closing yesterday at 110c.



**MACMED**

(Registered)  
 Incorporated

**AUDITED RESULTS for the year ended 31 December 1992**

**STRUPP**

Consolidated Income Statement

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Star 3/8/93

## MacPhail in slight decline

By Stephen Cranston

215

After years of good earnings growth coal distributor MacPhail reported a decline of eight percent to 48,5c in earnings per share in the year to December. The dividend was maintained at 19c.

CE Sid Weintraub says that fierce competition in the coal market intensified the pressure on margins. But he adds that in the current tough market conditions the results are reasonably

satisfactory.

Market penetration was improved by the new Western Cape depot opened last year and the company's entry into the Natal market. It now has 16 depots countrywide.

MacPhail will rely on internally generated efficiencies, such as improved expense control, to maintain its market position and support its earnings.

The company is totally un-gearred with cash resources of R16,4 million.



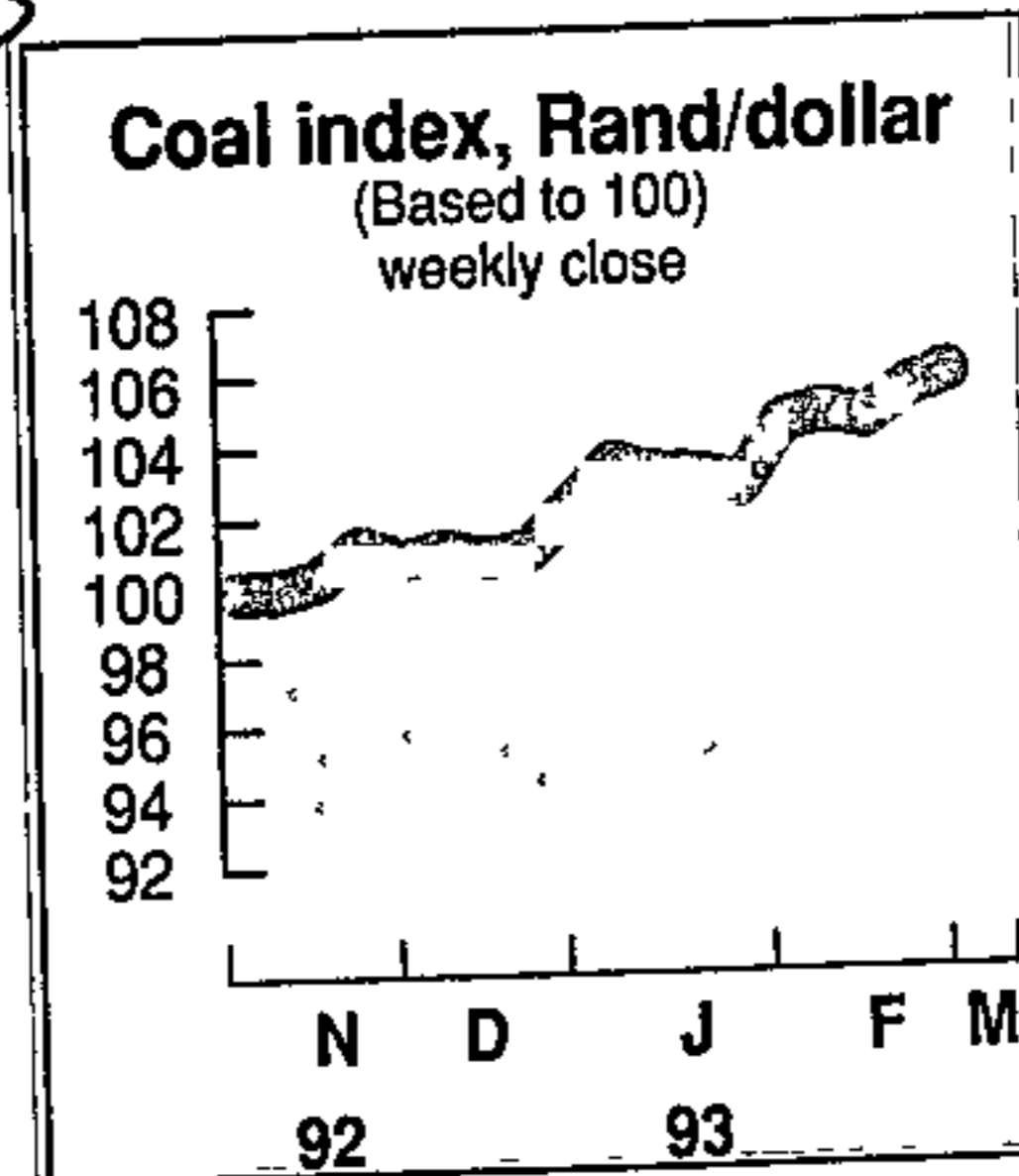
# Falling rand gives coal exporters a welcome lift

Blomby 8/3/93  
MATTHEW CURTIN

THE rand's loss in value against the dollar is helping SA's coal producers and sending some investors scurrying back to the lowly-rated coal board in the search for good value stock on the JSE.

Gloomy forecasts for world steam coal prices knocked coal shares in 1992 as producers' margins were squeezed by lower export prices, the relatively strong rand, a depressed local market and rapidly rising mining costs. The fall in the rand/dollar rate from R2,82 six months ago to R3,16 has brought welcome relief to exporters, whose revenues will receive a welcome boost.

The coal index, largely reflecting the performance of market leader Anglo American Coal Corporation (Amcoal), has climbed 24% since early November to 2 417 points. The revival represents a small recovery after the index fell 50% in 1992 from a



Graphic LEE EMERTON Source I NET

high of more than 3 800 to a low of 1 950 points

SA coal exporters have completed long-term sales contracts for 1993 in which prices fell about 7% on average to \$29 a ton.

Frankel Pollak Vinderine analyst Kevin Kartun said at the weekend that Trans-Natal sold 200 000 tons from its Optimum colliery to Japan-

ese steel mills for \$32,20 a ton FOB, down \$2,50. Japanese power utilities bought SA coal for \$30,59 a ton — \$2,49 down from 1992 — while Italian utility Enel bought for \$29,40 from Randcoal and Total.

He said that in spite of increases in seaborne steam coal trade in 1992, new supply continued to outpace demand, aggravated by aggressive marketing from new producers in Indonesia and Venezuela and productivity improvements at Australian mines. These factors contributed to weak prices.

One analyst said SA exporters would reduce overall sales in 1993 because they could not afford to do spot market business at ruling prices of \$24 a ton.

Kartun said high expectations that the lifting of sanctions would provide a strong fillip to SA coal exports had evaporated, as the global recession made SA's return to old markets more difficult. New business had been offset by falling prices.

# Poor sales, unprofitable coal hit Gefco

810AM 12/31/93  
ASBESTOS and coal producer Gefco reported a 5% fall in earnings a share to 7,8c (8,2c) in the year ended December 1992. The rand's loss in value against the dollar mitigated falling asbestos sales and the unprofitability of Gefco's Annandale colliery.

The group declared a 3c total dividend, up from 2,5c in 1991.

The strength of its cash reserves and a likely improved performance in the current year meant shareholders could "look forward to a possible improvement in dividend distribution", said chairman Pat Hart.

(215) 3  
MATTHEW CURTIN

Gefco closed its Penge asbestos mine last year because of poor demand for its amosite asbestos fibre. The material has been phased out by US customers, in particular, recently Gefco has compensated for lower asbestos production by moving into coal mining, acquiring the Annandale colliery in 1991.

However, the open-cast mine has been dogged by high costs. Gefco will phase out opencast operations and investigate underground mining at a

nearby "coal source" in the short-term.

Turnover from asbestos operations fell to R45,8m from R87,9m in the year, while coal sales rose sharply to R12,4m from R4,2m. Asbestos sales were partially hit by "a shortage of foreign currency in some countries importing blue fibre", Hart said.

Despite higher sales, Annandale reported a R6m loss. Overall operating profit rose to R2,67m (R796,000), but investment income dropped to R1,23m (R3,18m). After-tax income stood at R2,81m (R2,96m).

## Alternative resources are mooted for Majuba project

EDWARD WEST

215

COAL producers have submitted proposals to Eskom for the supply of alternative coal resources after the cessation of construction of the R8,5bn Majuba power station, says Majuba project manager Ben Steyn

Work on the power station near Volksrust in the eastern Transvaal halted last year after dolomite dykes which would have made coal exploitation prohibitively costly were discovered at the feeder Randcoal colliery

Steyn said the new proposals — he declined to name coal companies concerned — were being investigated and a decision on a possible site for the remaining three unbuilt generating units would be made in September or October following a meeting of Eskom's controlling body, the Electricity Council

Each unit would generate 600 megawatts and consist of a boiler and turbine. The first, second and third generating units at Majuba were virtually complete, and would be commissioned from 1996. Existing coal reserves were enough to supply the three generating units, said Steyn. Contracts for construction of the fourth, fifth and six generating units had not been cancelled, but suspended until alternative coal resources were found.

BIDAY 15/3/93

# Bright future for SA coal mines

B/DAM 15/3/93 (215)  
 EDWARD WEST

SA COAL producers should take advantage of an upsurge in coal demand in the longer term in spite of the current low prices, Krupp Fordertechnik chairman Heribert Wiedenhuës said at the weekend.

Krupp Fordertechnik is the bulk materials handling division of the R60bn German-based Fried Krupp AG Hoesch-Krupp group, also one of the largest steel producers in Europe.

Speaking at a function in Johannesburg, Wiedenhuës said nuclear powered utilities had come under increasing fire from environmental lobbyists and coal would probably remain the main feedstock for electrical power stations. The effects of coal burning emissions could be minimised with technology, he added.

He said SA's coal mines, especially low-cost open-pit mines, had a bright future in spite of the current oversupply on world markets.

European underground coal mines were inefficient and the only factors keeping them in business were historical and political reasons, and to

maintain employment

German mines, which produced coal at around R450 a ton — about three times the international price — and which employed about 25 000 people, were only kept open "for the time being" for political and social reasons. Output would be reduced by about 25% this year and a further 50% next year.

He said if SA wanted to grow overseas markets, it was essential that — like coal producers in countries such as Venezuela, Colombia and Indonesia — it further develop harbour facilities to be able to export more coal.

He also predicted that by the turn of the century mainland China would become a leading coal exporter.

SA, with its mining and technology base, could play a key role in mainland China, as it was in the process of establishing power stations above feeder mines such as those found in SA, said Wiedenhuës.

He said the merger of Krupp and Hoesch — the largest merger in Germany which became effective on December 16 — was in retrospect a blessing for the world steel industry suffering from 20% overcapacity and low prices.

German producers were taking steps to cut back production to tackle world oversupply, exports from eastern European countries at below viable market prices and the preliminary steel import duties imposed by the US, he said.

The merger would enable the group to lower smelting production, rationalise operations and move into more lucrative special steel markets. Joint ventures with Germany's other major producer Thyssen was also being investigated.

Further steel production cutbacks could be realised from the fact that Kloeckner-Werke had gone under receivership and the east German steel-making joint venture between Krupp and Thyssen, Eko Stahl, was heavily in debt, said Wiedenhuës.

# Randcoal forced to accept price cuts

8/10 AM 17/3/93 (215)  
RANDCOAL shipped 12-million tons of export coal generating R1bn in foreign exchange in 1992, marketing director Rob Turner said yesterday

However, the coal corporation was likely to suffer in the current year as export prices were down on last year and likely to remain low, he said

"When we started negotiating our 1993 term or contract prices in November last year, we had to do so against the background of a drop in term prices from \$31/\$32 a ton at the start of 1992 to spot prices of around only \$24/ton by the end of the year"

The result was that Randcoal had to accept cuts in 1993 contract prices

JONO WATERS

of between \$0,50/ton and \$5/ton, he said

Turner said the underlying reason for the price reduction was the worldwide economic recession which had led to underdemand and was exacerbated by a variety of other factors.

These included a reduction in consumption by Italian utility Enel as a result of local environmental pressures, resulting in a drop in their coal purchases by about 4-million tons a year, and an increase in Indonesian exports to 14-million tons from 9,5-million tons in one year

A rise in exports through Richards Bay to 48,6-million tons in 1992, from 45,3-million tons in 1991 also had "a particularly profound effect on world prices", Turner said.

The longer-term picture was more encouraging as international seaborne steamcoal trade would grow by 6% a year for the rest of this century, he said.

SA was expected to be shipping 64-million tons of export coal by the turn of the century which meant that Randcoal could participate in a growth in SA coal exports of about 2-million tons a year, Turner said

# Coal terminal loads record export tonnage

Richards Bay Coal Terminal (RBCT) saw record export and railed tonnages of coal during 1992, says the company's latest annual report.

Coal exports through RBCT increased from 45,3-million tons in 1991 to 48,6-million tons last year. A milestone in the history of the SA coal export industry was reached in May 1992 when RBCT reached the 500-million ton mark in the coal loaded since commissioning of Phase 1 of the export programme in 1976.

Coal railed to RBCT during 1992

**TRACY SCHNEIDER**

reached a record tonnage of 48,3-million tons, compared with 46,2-million tons in 1991. (215)

Authorised and issued share capital was increased from R44 000 to R53 000 and cost of fixed assets stood at R761,8m compared with R739,3m in 1991. BIDAY 223193

The company focused on increased operational performance, refurbishing and upgrading the plant. "Despite the resultant expenditure, stringent

financial management and productivity improvements over the past nine years resulted in a 2,2% per annum real decrease in cost per ton," said RBCT MD Mike Dunn.

Stockpile re-arrangements completed in August 1992 uprated throughput capacity to 54,5-million tons without additional capex.

RBCT recorded significant productivity improvements, with a staff reduction from 777 to 607 through voluntary early retirement and retrenchment.

Star 24/3/93  
**Richards Bay**

**expansion**

**mooted** (215)

By Derek Tommey

Prospects look brighter for a major expansion of coal exports through Richards Bay. Richards Bay Terminal Company (RBTC) handles all current coal exports through Richards Bay.

Managing director MB Dunn says in the company's annual report that a number of potential new coal exporters, as well as existing RBTC members (the Coal Export Joint Venture, Coalex), have asked for export capacity through Richards Bay.

After discussions with Coalex, RBTC offered to carry out a feasibility study on behalf of the Joint Venturers aimed at accommodating their requirements in a greenfields terminal.

Dunn says that at the time of writing, RBTC's offer had not been accepted by the Joint Venturers.

Instead, they are understood to be carrying out a study for a 10 to 12 million tons a year independent facility.

He says that coal railed to RBTC in 1992 reached a record tonnage of 48,3 million tons — up from 46,2 million tons in 1991.

Exports through the facility were also at a record, rising from 45,3 million tons in 1991 to 48,6 million tons.

A stockpile re-arrangement enabled an additional 1,5 million tons of capacity to be achieved.

This re-arrangement was completed in August and the throughput capacity of RBTC has been uprated to 54,5 million tons a year without further capital expenditure.

# Bumper growth for coal exports

From JOHN CAVILL

LONDON — SA's R4,4bn-a-year coal exports will grow from 50m tons to 120m tons by 2020, it was forecast here yesterday

Speaking at the World Coal Institute conference, Hugh Lee of the consulting group WEFA Energy, said that rapid growth in electricity generation in the newly industrialised countries and the developing economies could see global exports of steam coal rise from 225m tons in 1990 to 850m tons over 30 years

Lee said that while the increase in power consumption in the 24 industrialised nations of the Organisation for Economic Cooperation and Development (OECD) was likely to slow from the 3,4% rate of the past two decades to 2%, the potential prospects in the rest of the world were enormous

Electricity generation per capita of 8 083 kWh (kilowatt hours) in the OECD economies compared with only 1 600 kWh in the

newly industrialised nations (NICs) of the Pacific Rim — Hong Kong, Malaysia, Philippines, Singapore, South Korea, Taiwan and Thailand — and just 595 kWh in the developing world

If electricity use per head in the rest of the world rose to "only half that of the OECD, this would require a four-fold increase in their electricity generation. A staggering additional 4 000 million tons of coal equivalent (Mtce) per year of fuel would be needed," he said

215

CF25/B/93



# Low demand defeats coal producers' efforts

FALLING dollar prices and flat demand for coal are placing local producers in a difficult position as they attempt to raise productivity and curb costs.

The final round of negotiations with Japanese customers for this year's coal contracts resulted in an average cut of \$2/ton — a decline of about 5% on last year's \$32/ton

Although the producers have been obliged to agree to cuts ranging from \$0,50 to \$4 a ton from European producers, this year's exports through Richards Bay are expected to be marginally ahead of last year's record 48,6-million tons SA's largest export markets are in the Europe and the Far East

World demand for steam coal remains strong, but the increase in supply from Third World producers is outstripping demand from mainly industrialised countries

SA producers had hoped the end of sanctions would see them regaining some lost market share, but this has not materialised

Frankel, Max Pollak, Vinderine mining analyst Kevin Kartun said free on board (fob) cost comparisons for the major producers regions differed considerably SA costs were estimated at between \$20/t to \$30/t, Indonesia \$20/t, Columbia \$25/t, US from \$26,20 to \$55,80, Queensland between \$14,20 and \$36,50 and New South Wales between \$24,50 and \$56,50

8/10M 2/4/93

JONO WATERS

(215)

However, Dave Russell of Irish Menell Rosenberg said SA producers could not compete readily in terms of quality with emergent producers such as Indonesia's Kalteen Prima The cash cost a ton for Kalteen's 7 100kcal/kg low sulphur, low ash coal was \$19/t and the Indonesian coal could fetch as much as \$40/t on long-term contracts The cash cost a ton for 6 000kcal/kg SA coal was about \$30

Industry leaders expect coal dollar prices to rise from 1995 Meanwhile the weak rand has provided producers with some relief as they are able to maintain coal prices in rand terms

Agipcoal MD Johan Jooste-Jacobs said spot prices of about \$24/t meant that rand prices were little changed from last year as a result of the depreciation of the rand

Producers have been forced to become more productive and cut costs to stave off inflation In its latest results for the six months ended December 1992, Trans-Natal increased productivity by 25% in the period to 292 tons of saleable coal a man a month

Nevertheless, the fall in prices has squeezed margins of SA producers trying to compete with exporters in low labour cost countries such as Indonesia and Colombia

Anglo American Coal Corporation (Amcoal)

MD James Campbell said SA had lost some its market share to Indonesia He said world demand was not keeping pace with supply from Indonesia and other exporters

Russell said Indonesian coal production was set to rise to 42-million tons a year by 1995 from its current level of 16-million tons

Amcoal produced 42,4-million tons for the year ended March 1992, of which 10,3-million tons was exported SA's largest exporters Randcoal and Trans-Natal also expect a minimal change in their 1992 exports of 10,5-million tons and 11,3-million tons respectively

Kartun said the coal industry was not in "great shape" at operating level, but deferred tax benefits could result in earnings marginally better than average expectations

The areas of hope for the local industry were the demise of the European coal industry, the falling rand and the new tax structure.

Some hope for the local industry comes from northern hemisphere countries' heating requirements, and this provides a market for continual growth At the UK Coal '92 conference last year, BHP Minerals Europe MD Vaughan Williams said worldwide seaborne trade in steam coal would rise to 300-million tons by 2000 from the current 187-million tons

Steam coal makes up about 90% of SA coal exports

BIPAY 2/4/93  
White union  
goes to court

~~124~~  
DIRK VAN EEDEN ~~71~~

THE Mineworkers' Union (MWU) is taking Randcoal to court after Rietspruit coal mine refused to recognise the whites-only union because of its racial policy.

A Randcoal spokesman said this was the first time a company had refused to recognise a union because of racism, and he expected it to be a test case. (215)

The MWU, representing 54 of Rietspruit's total staff of 1514, applied for recognition a year ago.

When Rietspruit refused to recognise the MWU, the matter was referred to a conciliation board where further deadlock was reached. The MWU then said it would take the matter to the Industrial Court.

MWU general secretary Peet Ungerer yesterday declined to comment other than saying "The MWU does not fight its battles in the newspapers. The lines between the MWU and Business Day's readers have been drawn."

Rietspruit is reviewing the recognition of another whites-only union, the Amalgamated Engineering Union which has 44 members at Rietspruit.

# Gold price's outlook improves

THE prospects for higher gold prices in the coming year will improve enormously if central bank selling and producer hedging does not cap the recent bull run

Gold Fields Mineral Services says in its yearly review of the gold market "If the price does start to improve some time this year from what is increasingly regarded as a cyclical low, the subsequent trend may thus be determined by the reaction of the official sector and hedging activities of the producers"

The group's Gold 1993 report, released worldwide yesterday, said net disposals of 599 tons of gold by central banks was the highest since 1968

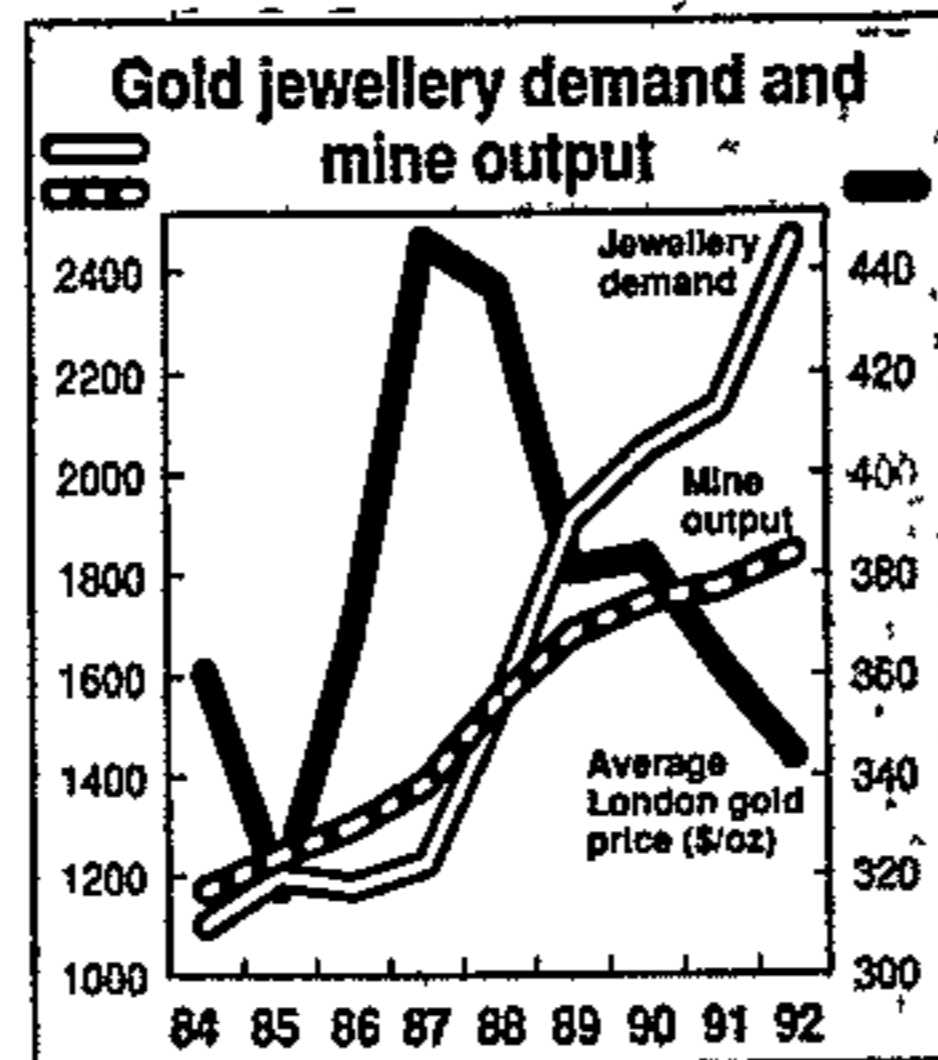
Had the Asian banks not purchased the greater portion of the 400 tons released by the Netherlands' central bank last year, prices at year end would have been even lower Gold prices averaged \$343.95 in the year, compared with \$362.26 the previous year

Mine production continued to

BIDM 11/5/93  
JONO WATERS

rise, increasing by 66 tons to 1 841 tons Sales from the former eastern bloc countries fell to 66 tons from 222 tons Overall supply, which included gold production, official sales, scrap, gold loans, forward sales and option hedging, amounted to 3 182 tons — 12% above 1991's level

The report said that while average prices continued to fall, the gold market in 1992 clearly underlined the strength of physical gold



Graphic: RUBY-GAY MARTIN Source: GOLD FIELDS MINERAL SERVICES

demand. Jewellery demand increased by 329 tons to 2 461 tons — the third largest increase in the past 25 years

"Consumption of the metal may rise further if the economic recovery in the US is consolidated and if Europe and Japan escape a full-scale recession."

Chinese consumption, one of the biggest areas of growth, looked to remain strong, but the possibility of the authorities trying to deal with inflation by introducing austerity measures might result in a sharp drop in demand

Reuter reports that some of the largest gains seen on the world market were

□ Italy — official imports increased to just under 380 tons, the second highest to date;

□ Turkey — sales into the domestic market by the central bank increased to 130 tons from 112 tons the year before;

□ Dubai — imports leapt to a record 280 tons, surpassing the previous peak of 259 tons in 1970;

□ Saudi Arabia — imports sub-

stantially exceeded the 1991 level of 118 tons;

□ India — official imports by non-resident Indians expected to reach 130 tons this year, up from 93 tons last year;

□ Singapore — bullion imports surged 57% to 414 tons,

□ Hong Kong — imports increased 15% to 340 tons;

□ Taiwan — official imports jumped 65% to 174 tons;

□ Vietnam — the leading market in Indochina Consumers buying as a hedge against inflation and reported imports at Ho Chi Minh city airport were 35 tons, but supplies through other channels had to be added to this, and

□ Cambodia — the State Bank issued the first official import licence in November 1991, and since then gold had been arriving in Phnom Penh to satisfy strong local demand, and the country had emerged as a significant market.

SA's cash costs fell to \$286/oz (\$292/oz) and remained the second most expensive major producer after the Philippines

# Trans-Natal sees few prospects for growth

TRANS-Natal Coal Corporation would achieve real earnings growth only through acquisitions, MD Dave Murray said yesterday "Capacity constraints at the Richards Bay Coal Terminal (RBCT) and weak domestic demand provided the corporation with little scope for growth based on existing operations

The coal producer is SA's largest exporter with a 21% share in RBCT However, international

JONO WATERS (215)

coal prices are weak — current prices are the same in nominal terms as they were in 1986 and the depreciating rand does not fully compensate for this dollar price standstill

In an interview yesterday, Murray said demand in the domestic market was decreasing, Eskom had stopped building new power stations and Trans-Natal was

already exporting its total entitlement of nearly 11-million tons

Murray said the possibility of an overseas acquisition was not likely at this stage Trans-Natal's attempt to buy Australian producer Oakbridge last year was blocked by the Reserve Bank.

"Oakbridge was a sound company, but it is not the only one out there," Murray said.

He said the corporation could

fund any acquisition through the issue of shares or cash but there

was nothing Trans-Natal was seriously considering at the moment. He ruled out the possibility of Gencor helping its subsidiary

"We don't want to go to Big Brother," he said.

The capacity of RBCT in theory was capable of expansion to 65-million tons from 53-million tons but was unlikely

# Boland Bank predicts growth

CAPE TOWN — Boland Bank has adopted a bullish view on interest rates, predicting another one percentage point drop within the next three months.

The bank's group economist, Louis Fourie, believed the economy would grow marginally this year, with growth possibly rising to 3% next year if there was political progress and a pick-up in foreign growth

"The economic downturn is slowly starting to bottom out and the basis for the next upswing is slowly establishing itself, notwithstanding sporadic setbacks

"The most positive factors which form part of this basis are indications of an improvement in the country's foreign reserve position, the positive effect of a declining rand on export earnings and an improved agricultural season A breakthrough in the negotiating process is necessary to give these factors an extra boost"

LINDA ENSOR

Fourie's optimism came despite the recent political turmoil which had knocked business confidence He believed foreign reserves would improve from the second quarter, mainly as a result of an anticipated more favourable trade surplus.

An improvement in reserves would enhance the chances of a cut in Bank rate, especially where the prime rate of 16,25% exceeded the inflation rate by a comparatively high 6,55 percentage points compared with the 10,4% annual increase in credit extended by monetary institutions.

Fourie said increases in indirect taxes and the depreciation in the exchange rate would push up the inflation rate by about two percentage points during the next 12 months He forecast an average inflation rate of 11,5% for 1993 and 12,5% for 1994.



Plate Glass Industries

**MACPHAIL**

**Keeps home fires burning**

**Activities:** Markets and distributes coal  
**Control:** W & A 63%  
**Chairman:** T Rolfe, MD S Weintraub  
**Capital structure:** 14,3m ords. Market capitalisation. R33,5m.

**Share market:** Price: 235c Yields 8,1% on dividend, 20,6% on earnings; p/e ratio, 4,8; cover, 2,6 12-month high, 260c, low, 165c  
 Trading volume last quarter, 236 000 shares

Year to Dec 31	'89	'90	'91	'92
ST debt (Rm)	0,07	0,06	0,4	0,07
LT debt (Rm)	0,2	0,7	0,8	0,7
Debt equity ratio	n/a	n/a	n/a	n/a
Shareholders' interest	0,33	0,32	0,33	0,32
Int & leasing cover	n/a	n/a	n/a	n/a
Return on cap (%)	24,1	20,6	18,9	15,5
Turnover (Rm)	153,4	211,8	239,9	252,4
Pre-int profit (Rm)	9,2	10,1	9,9	9,7
Pre-int margin (%)	6,0	4,8	4,1	3,8
Earnings (c)	41,5	50,5	52,7	48,5
Dividends (c)	16,5	19	19	19
Net worth (c)	83,8	102,8	120,3	136,2

**MacPhail**, southern Africa's largest marketer and distributor of coal, is inherently as strong as it was a year ago. If anything, the balance sheet has strengthened. Borrowings are down to a negligible R738 000, matched by cash which rose 22% to R16,4m. Total assets grew 20% to R72,5m. Yet, for the first time since the listing in 1981, earnings dipped. There also appears to be little management can do about this till some life comes back to the oversupplied coal market and the economy turns.

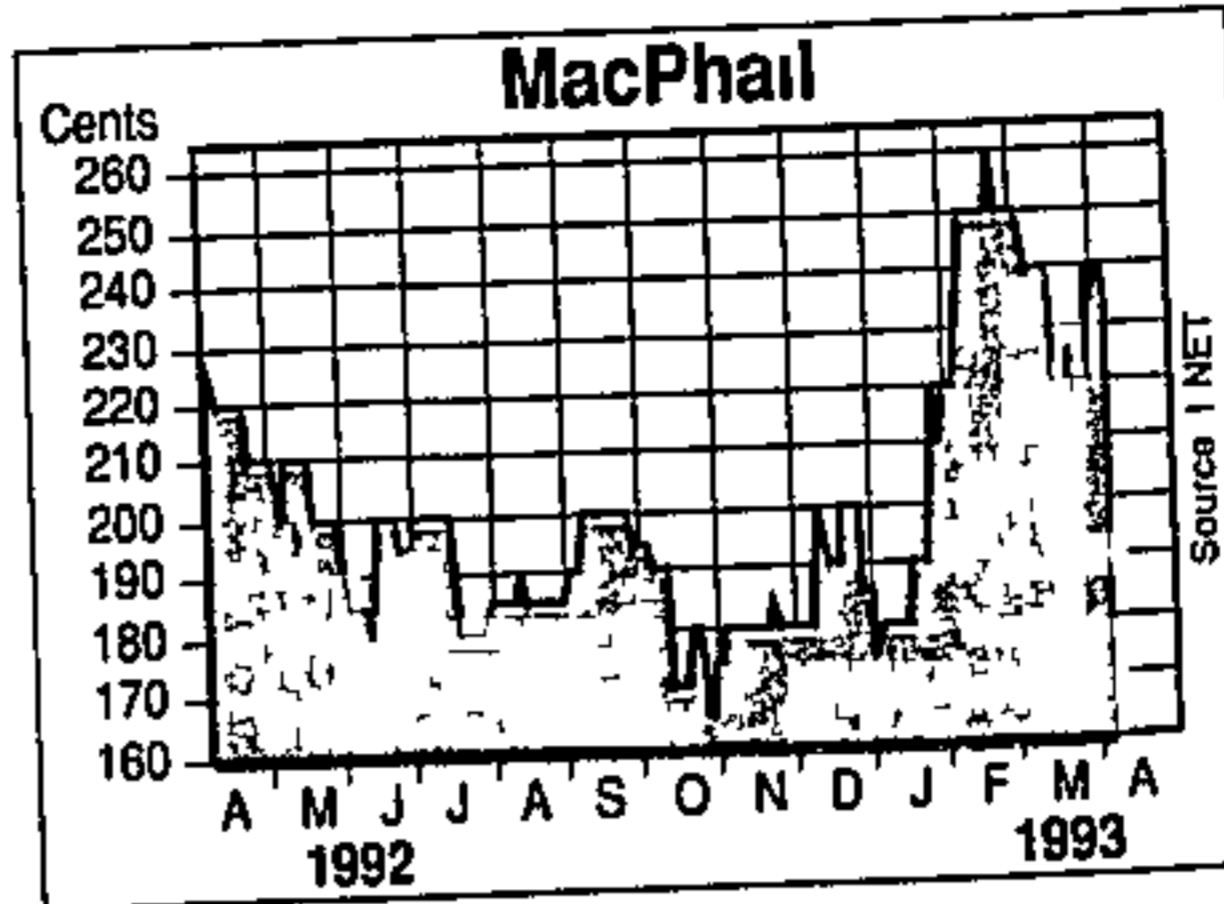
The dividend was again pegged at 19c on cover slightly reduced to 2,6 times. Another difficult year lies ahead and, though it's unlikely the dividend will be cut, it's possible.

The past year — particularly the second half — turned out worse than expected. Interim EPS were up 7% and CE Sid Weintraub was still predicting a marginal increase in full-year earnings. But declining consumption of coal because of recession, worsened by the drought (some water-dependent clients had to close plants), a mild winter and fierce competition finally took their toll.

It shows in the operating margin — which fell to 4,1% from 1991's 5,1% — and in

shareholders' equity which fell from 35% to 28%.

At least Weintraub says market share increased. With 16 depots stretching from the Reef and all the way along the coast from Durban to Walvis Bay, MacPhail enjoys cost efficiencies because of its size. But that has



come to the attention of the Competition Board, which is investigating MacPhail's strength in the industry.

Chairman Terry Rolfe argues that while the group is a leading distributor of coal, it is not large compared with producers like the collieries, which often have their own distribution systems and supply bulk coal directly to customers. He adds that MacPhail's share of the total energy market — of which industrial and domestic coal account for only a small proportion — is negligible.

While MacPhail simply has to batten down the hatches and ride out the recessionary storm, it has used some cash to improve information technology systems. Benefits will flow from this in an upturn.

It also wants to export more. MacPhail supplies some African states but the amount is insignificant. The problem is a suitable export facility. The major one now is Richards Bay Coal Terminal and that is controlled by major exporters. MacPhail, with other players, is therefore investigating the feasibility of a second coal terminal at Richards Bay. The study has met resistance but if it goes ahead MacPhail will be able to look at niche export markets.

At 220c, the share appears undervalued. It has great recovery potential once the coal industry picks up, but that's hard to read. Timing will be crucial.

Shaun Harris

## Duiker capex eats at profit

8/10/93 JONO WATERS (215)

LONRHO's Duiker Exploration reported a fall in bottomline profit to R3,64m (R4,1m) after it doubled its capex requirements in the March quarter.

Earnings fell to 25,3c a share compared with 28,6c in the December quarter following an increase in Duiker's capex to R1,61m (R898 000). It declared an unchanged interim dividend of 18c a share.

Operating income rose to R8,71m (R6,24m) as a result of a sharp rise in mining income to R6,96m (R3,29m). Other income fell to R1,76m (R2,24m).

A spokesman for the company said revenue from sales did not accrue evenly over the year. Steam coal and gold production but anthracite production fell.

Income from associates fell to R1,33m (R2,86m).

Pre-tax income improved to R10m (R9,1m) and tax and the state's share of profit rose to R4,79m (R4,1m). After-tax profit was R5,25m (R5m).

FM 23/4/93

GOLD FIELDS COAL

**Caveat venditor** (215)

**Activities:** Coal mining for sale on export and domestic markets

**Control:** Gold Fields 61%, Vogels 14%

**Chairman and MD:** J G Hapwood

**Capital structure:** 16,8m ords Market capitalisation R109,2m

**Share market:** Price 650c Yields 13,8% on dividend; 21,2% on earnings, p e ratio, 4,7, cover, 1,5 12-month high, 875c, low, 600c Trading volume last quarter, 62 000 shares

Year to Dec 31	'89	'90	'91	'92
Coal sales (Mt)	8,5	8,2	7,6	7,8
Turnover (Rm)	232	259	271	284
Taxed profit (Rm)	21,2	27,2	27,9	24,7
Earnings (c)	96	120	166	147
Dividends (c)	95	90	100	90

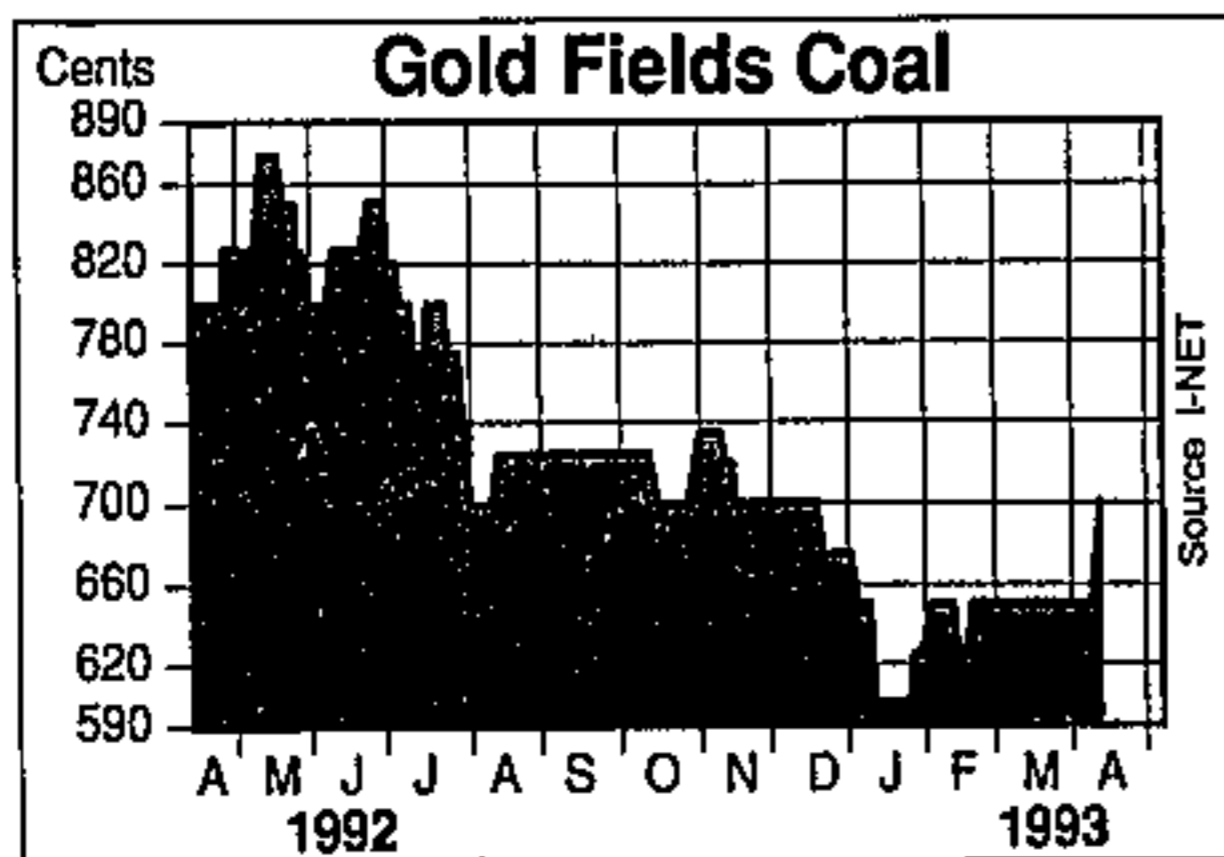
**A 24% gain** in exports to 1,19Mt (960 000 t) put a nice sheen on Gold Fields Coal's results That was largely thanks to a jump in total throughput at Richards Bay Coal Terminal to 48,6Mt (1991: 45,3Mt) but GF Coal continues to be hamstrung by its minor league status in the terminal

Exports should rise again this year, with the terminal's target tonnage set at 50Mt, of which GF Coal's 2,3% would be 1,16Mt. It manages to get extra coal out by selling to other exporters, such as Shell, which cannot meet their quotas from their own production.

Despite this, and the boost to earnings that should be provided by the sharp drop in the rand against the dollar since January, GF Coal is in for another grinding year after last year's 11% drop in earnings and 10% dividend cut Coal exporters took a hammering as oversupply saw spot prices f o b Richards Bay dive from above US\$30/t at the end of 1991 to below \$25/t by end-1992

That was serious enough but was followed by more bad news in the price cuts consumers managed to force through on contract business for 1993 delivery SA exporters try to sell as much as possible on contract because it locks in sales volumes and prices above the spot rates Most consumers are prepared to pay a premium for security of supply But major exporters are coy about their vital statistics none reveals the split between contract and spot business

Typically, 75%-90% of an exporter's business is on contract, so it really hurt when European contract prices for 1993 delivery fell on average \$4/t Far Eastern customers negotiated a \$2,5/t drop on most contracts. The rand has fallen by about 7% against the



FM 23/4/93 (215)

US\$ since the end of 1992, when most contract sales were negotiated That should help a little

However, the weak rand is actually driving spot prices even lower Spot prices f o b Richards Bay have gone below \$24/t as some exporters shave dollar prices to move coal because they can maintain rand revenues through currency depreciation That practice doesn't bode well for any recovery in contract prices later this year

GF Coal has a further problem in that its only export colliery, Greenside, is a relatively high-cost producer It sells mainly low ash coal but also produces large volumes of power station smalls coal which must be stockpiled because it cannot be exported.

That resulted in a write-down in the value of stocks as Greenside's operating profit slumped to R9,2m (R23,7m)

Chairman John Hopwood forecasts another drop in profits this year He hopes the dividend can be maintained but that will depend largely on earnings from Eskom's Matla power station GF Coal gets 50% of the profits of Matla Colliery, which is managed by Trans-Natal.

The share is on a mouth-watering historic dividend yield of 13,8%, which has to be attractive for those who believe the dividend can be held The big question, of course, centres on the currency The further the rand slides, the more likely it is that GF Coal will maintain its payout

Coal is still a world growth industry but GF Coal will remain hobbled by its limited access to export markets The development to watch is the company's involvement in the proposed 12Mt/year South Dunes Export Terminal at Richards Bay, which has excited opposition within the mining community

Brendan Ryan

GEFCO FM 23/4/93

## Impetuous adventures

**Activities:** Mines blue and amosite asbestos. Holds 32,9% of Msauli asbestos and 50% of the Von Brandis gold prospect

**Control:** Directors 51,6%

**Chairman:** H P Hart.

**Capital structure:** 35,9m ords Market capitalisation R14,4m

**Share market:** Price 40c Yields 7,5% on dividend, 19,5% on earnings, p e ratio, 5,1, cover, 2,6 12-month high, 40c, low, 20c

Trading volume last quarter, 1,2m shares

Year to Dec 31	'89	'90	'91	'92
Turnover (Rm)	99	108	92	58,2
Taxed profit (Rm)	30,8	9,2	3,0	2,8
Earnings (c)	66	24	8	7,8
Dividends (c)	22,5	8	2,5	3,0

**It wasn't** a happy year for Gefco. The depressed asbestos market stimulated management to move away from it. They celebrated their resolve by jumping neatly from the frying pan into the fire. Gefco decided it would do better in coal mining and promptly ran up operating losses of R5,5m.



Hart raking around for an alternative

Without that loss Gefco would have shown pre-tax profits of about R8m, instead of R2,6m, and its shares would probably have performed like those of sister company Msauli. True, coal markets both at home and abroad are depressed, but the main cause of Gefco's losses appears self-inflicted in the form of operating problems at the Annan-

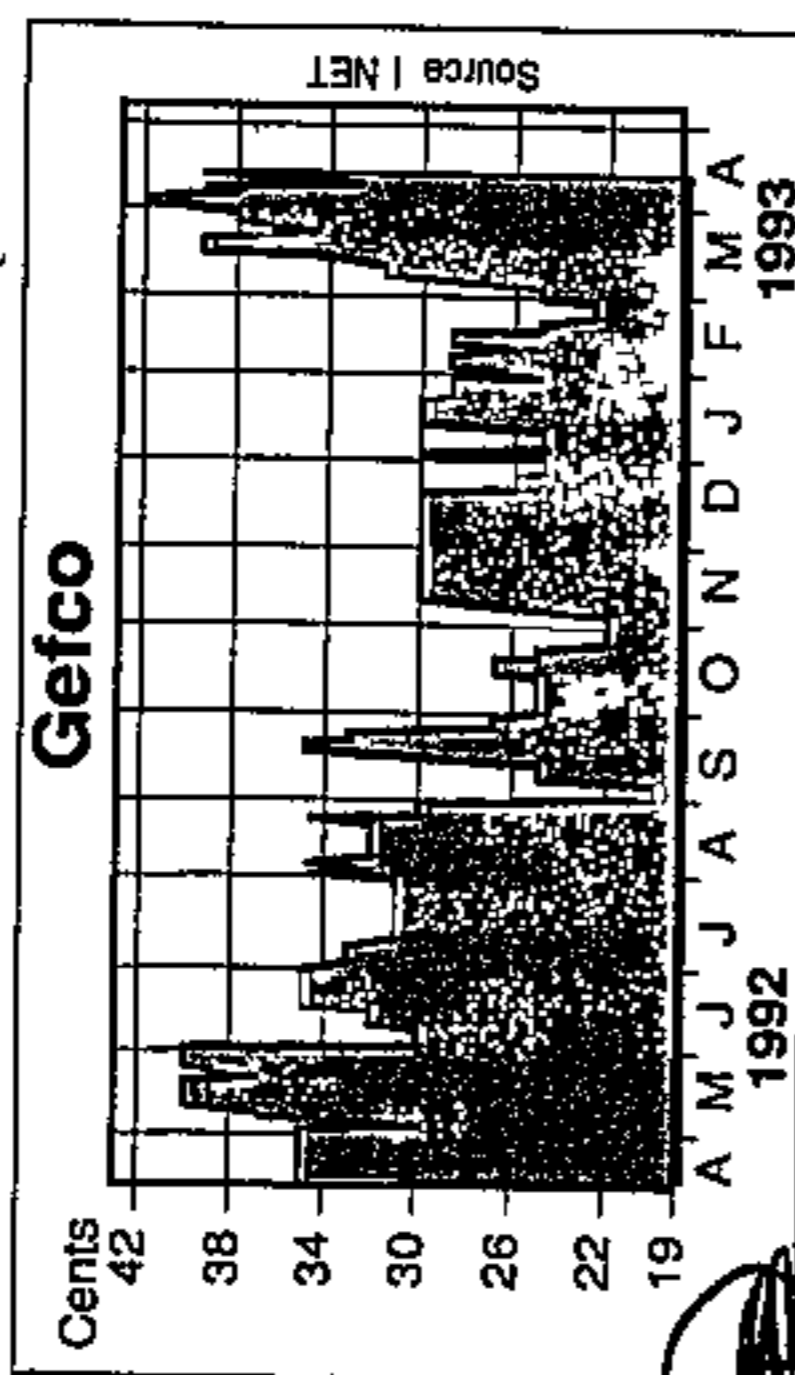
dale Colliery near Newcastle.

Gefco spent R4m buying Annandale and building a washing plant that should have been commissioned by August 1991 but instead came into production only in early 1992. In the hard business of coal mining, deferments like that are seized on with glee by competitors. The delay cost Gefco several sales contracts negotiated for 1992.

Just to compound matters, chairman Pat Hart reports the opencast mine couldn't produce coal of the required quality, so working costs soared. It all sounds like a catalogue of sins. He says the opencast mine is being phased out and operations are moving into a nearby underground mine should have lower operating costs.

The reason Gefco wants to diversify is the long-term decline in demand for its amosite and blue asbestos, whose traditional uses are being replaced by other materials because of health pressures. Hart confirms the diversification policy to get into coal remains in place. "We'll make it profitable," he vows.

Hart says world demand for amosite fell 50% as former major users phased out the material. Blue asbestos sales dropped 33%.



mainly because its use was banned in a major Middle East country. The amosite mine at Penge in the eastern Transvaal was closed in 1992 after 80 years and Gefco will sell the last stockpiled amosite this year.

The group produces blue asbestos from mines around Kuruman in the northern Cape but only one of the original three mining complexes remains in production. This unit, Merencor/Coretsi, is being run at the lowest economic rate of production.

However, operating costs were cleverly contained and Gefco maintained earnings from asbestos despite markedly lower sales volumes. Hart is confident it can maintain this profitability for the foreseeable future on remaining asbestos operations.

The only good news was an extraordinary item of R6,9m from past overprovisions on the cost of the Penge mining assets. That money is in the bank. As a result, Hart says, the financial position is sound and there may even be an increase in this year's dividend.

The long-term problem remains to diversify successfully from the dwindling core asbestos business. The two diversifications looked at so far — coal and (through the proposed Von Brandis project) gold — have been singularly barren.

Brendan Ryan

COMPANIES FM 23/4/93

# Rand weakness no help to Randcoal

8/00M 27/4/93  
RANDCOAL's earnings a share fell 28% in the six months ended March 1993 as the drop in the rand during the period was not enough to offset weak dollar coal prices.

Earnings fell to 68c a share compared with 95c a share in the same period in 1992. The company reduced its interim dividend 3c to 20c a share.

Randcoal CEO Allen Cook said yesterday the domestic market had been weak for a number of years. The drop in earnings was mainly the result of a fall in international coal prices. "Despite a marginal increase in export tonnage, the weaker rand was not enough to offset the fall in

JONO WATERS

contract prices"

215  
Export tonnage for the period rose to 5,08-million tons (5,04-million tons previously) and inland demand dropped 13% as a result of weaker demand and fierce competition. Coal purchases by Eskom rose 2% to 7,54-million tons (7,4-million tons), largely as a result of an increase in consumption at the Kendal power station. Production at Duvha fell because of a water shortage in the Witbank area.

Cook said the group would receive an

□ To Page 2

## Randcoal 8/00M 27/4/93

answer from Eskom on the future of the Majuba power station by the end of the year. The coal producer announced in November that its Eskom-tied Majuba colliery in the southeastern Transvaal had geological problems, making efficient longwall mining impossible. Eskom, which would have to pay about 25% more than was expected for its coal, then deferred construction of the rest of the multibillion-rand Majuba power station.

Turnover rose 3% to R791m (R766m), but a 7% rise in costs and reduced margins on exports saw operating profit fall to R152m (R165m). Finance charges fell R7,24m to R16,1m with lower interest-bearing debt of R89,5m (R98,7m). Amorti-

215 □ From Page 1  
sation rose to R46m (R42m).

Pre-tax profit fell 7% to R95,5m (R99,6m) and the introduction of the secondary tax on companies saw tax payments increase to R4,5m (R2,4m). Attributable profit was 9% lower at R88m (R97m).

Cook said coal prices from exports to Europe and the Far East would be "substantially lower" in the second half of the year. Profits from Eskom-tied collieries were expected to remain at current levels.

It was "very likely" that the group would cut its final dividend, as profits for the year were expected to be lower, he said.

The coal producer declared an unchanged total dividend of 60c for the year ended September 1992.



## Coal ash may give farmers a boost

MARIANNE MERTEN <sup>2/5</sup>

COAL ash is a potential economically viable agricultural fertiliser which will have beneficial effects also on soil nutrient content and water retention capacity. <sup>B/D/M</sup>

The ash is a waste by-product from Eskom's coal power stations, which produce about 18-million tons of ash annually. The coal has an ash content of up to 43%. <sup>27/4/93</sup>

Ash resources manager, new business development, Richard Kruger said yesterday that, depending on soil conditions, farmers needed between two and five tons of ash a hectare to achieve optimal crop yields.

However, transport cost considerations would be an important factor in making the product commercially available. At present it cost R30 to transport one ton of ash for 50km, Kruger said.

Talks with the Agriculture Department to authorise its use as an agricultural fertiliser would start soon.

# Higher coal prices cushion Wankie

3/MAY 3/5/93  
ANDY DUFFY

WANKIE Colliery, Zimbabwe's largest coal mine, more than doubled earnings for the year to February, as price increases shielded it from a collapse in sales.

Pretax profits more than doubled from Z\$22,4m to Z\$51,9m.

After capital expenditure appropriation of Z\$48,9m (Z\$22,6m), this pushed earnings per share up to 109c, against 47c last time. The dividend was held at 5c.

The company said price increases in March and September which had left revenues 35% higher at Z\$284m had cushioned it against declining demand.

The poor economic climate hit coal sales, which dropped 10% to 4,36-million

tons and sales of coke which dropped 31% at 105 195 tons. A year's delay in commissioning the Zimcam plant hit both tar and benzol sales.

A group spokesman said it expected a slight improvement in trading conditions over the next year.

But, Wankie was likely to rely heavily on price increases which came through last month — ranging from 28-80% — to underpin it.

The improvement in the profit and loss account overshadowed a severe deterioration in Wankie's balance sheet.

A refinancing plan will be put to shareholders in an extraordinary general meeting

later in the year.

Current liabilities rose by nearly Z\$30m to Z\$149m, while long and medium term loans moved from Z\$31,8m to Z\$44,5m.

The company refused to detail its overdraft commitments, but said it was paying interest rates of 28-30% on the debt.

Total interest charges rose 146% on the year to Z\$21,8m.

The refinancing would involve swapping its costly short term overdraft for long term debt.

Wankie's share capital would also be reviewed, though with the mine trading on the JSE at 80c on Friday — giving a price to earnings ratio of just 1,6 — a rights issue had been ruled out.

215

B/DAM 3/5/93

# Reserve Bank 'helped to scupper Gencor strategy'

BLOOM 515793  
215  
MATTHEW CURTIN

RESERVE Bank exchange control policy and the politically sensitive and shaky financial have combined to undermine the drive by mining house Gencor to establish itself as an internationally based resources group.

Chairman Brian Gilbertson admits the group "failed" in the past year to achieve what remains a key objective: ensuring Gencor becomes a conglomerate internationally diversified in its assets and shareholders. The group's increasingly high profile new business team has little to show for its efforts.

Coal producer Trans-Natal almost clinched a deal to acquire a controlling stake in Australian colliery Oakbridge Coal in December last year. The deal would have turned the coal group into one of the world's biggest coal exporters. But Trans-Natal was unable to get Reserve Bank approval for financing the deal from SA.

After a Finance Ministry directive in late November aimed at curbing the alarming descent of the financial, the Reserve Bank said it would approve only offshore acquisitions yielding an immediate benefit to SA. New investments or deals already signed would have to be financed with loans raised abroad.

Gilbertson says resources projects, by their nature, have a long lead time before they generate cash, there are few commercially viable deposits up for grabs, while Gencor's limited financial resources overseas make raising funds offshore difficult. He says a second deal was also scuppered by the Bank's new policy.

In contrast, Anglo American and JCI already have significant offshore interests, Gold Fields has strong links to the US gold mining industry, while Anglovaal has moved towards consolidating its successful industrial and consumer businesses in SA.

Sappi's successful acquisition of German paper producer Hannover Papier in June 1992 was a step forward for Gencor.

However, the subsequent collapse in pulp and paper markets, the financial's plunge and a crash in Sappi's share price sent foreign investors scuttling. Analysts believe most of the new Sappi shares acquired by European institutions have returned to SA investors.

However, Gencor is pressing on even if the current exchange controls amount to "a blanket veto on financial deals", says one analyst. The policy leaves mining houses in an unenvia-

ble position because significant local opportunities — Gencor is already involved in new aluminium, gold and steel projects — are limited. Their gold and coal operations will "waste away" without gaining access to new offshore resources.

Minerals projects which provide immediate returns are rare, but they do exist, and Gencor theoretically has no difficulty in handling an offshore acquisition financed 100% by borrowings. The problem is it is impossible to service the debt from SA. Finding a project which has a significant self-funding component is not impossible, but such a venture is likely to be high-risk, exposed to fluctuations in commodity prices, and deterring commercial banks from providing necessary finance.

The World Bank's private sector arm, the International Finance Corporation, has backed new gold projects in Ghana and Zaire, but its resources relative to major new developments like a Columbus or Alusaf are small.

Exploration can be financed through the commercial bank, and management services can be supplied in exchange for equity in a project. However, greenfields mining projects are likely to take at least three or four years to develop.

## IB Joffe sells off three loss-makers

ANDY DUFFY

BLOOM  
BESIEGED retailer I B Joffe has sold three loss-making businesses as part of its strategy to strip itself back to the core.

The company, which in the 12 months to December 1992 suffered attributable losses of R2m, raised R1,75m by selling kitchen furniture manufacturer Telek, leisure chair subsidiary LLB, and the operations' holding company Joffe Saddlery to private individual Goos Lustig.

I B Joffe, which had flagged up the disposals in its year-end results, said Telek had underperformed since its acquisition in 1988. The poor economic climate had led to the other sales.

Had the sales gone through during 1992, Joffe said this would have cut its losses a share from 12,8c to 4c. Net asset value would have slipped from 33,2c to 23,2c.

The disposals, effective from January 1, reduce I B Joffe to a manufacturer and seller of leather, camping, backpacking and outdoors products.

## Experts expect Nedcor to record strong growth

BLOOM 515793  
NEDCOR is expected to report strong growth in first-half earnings tomorrow and may declare an alternative scrip dividend to a higher interim cash payout, analysts said.

"We'll see good results from them," Doug Elish of stockbroker Anderson Wilson Partners Inc told Reuter.

Wider interest rate margins before the current squeeze affecting the second half, and recent tax changes, would more than offset its continued high level of bad debt as the recession dragged on, analysts said.

Analysts forecast growth in share earnings of at least 15% to 117 cents plus in the six months to March 31, 1993.

The interim dividend was expected to be increased to 24c per share from a previous 21c.

Analysts said Nedcor may offer a scrip dividend as an alternative to the usual cash payout as this would escape the new 15% secondary company tax on distributed profits (cash dividends).

The recent reduction in the com-

pany tax rate to 40% from 48% would be a windfall for Nedcor, as seen recently in First National Bank Holdings Ltd's first-half results, they said.

An analyst who declined to be identified said although Nedcor had half the size of First National's deferred tax reserve, the corporate tax change would allow it to release a substantial amount. "The final results depend how they show the tax windfall. They will be cautious anyway in the first half."

David Southey of Edey Rogers Co forecast continued heavy growth in expenses because of its computerisation programme despite the fact that its three-year rationalisation plan was coming to an end. Expenses were R846m in the previous first half.

Analysts did not expect a major increase in Nedcor's specific and general risk provision from last year's R103m.

"The Perm Building Society is not the problem child it used to be, although it is not out of the woods yet," Elish said. — Reuter

RAND COAL <sup>FM</sup> 7/5/93. (215)

## Worse than it seems

The drop in operating profit is actually worse than the nominal 8% shown in first-half results. That's because earnings must have been helped by extra income from the coal interests acquired from parent Rand Mines.

Randcoal issued 26m shares worth R225m to acquire the Eskom coal contracts for Majuba and Khutala, as well as management contracts with various coal mines and extensive coal mineral rights, yet earnings were lower. EPS fell 28% to 68c (1992. 95c) because of the larger share capital.

There could be worse to come in the second six months. Full effects of the lower dollar prices will come through and, if gold continues to run, the rand should strengthen. That has already happened, with the currency back from lows of US\$1/R3,17 to around R3,14 as gold moved above \$350.

CE Allen Cook says annual profits will be considerably lower than in 1992. The final dividend will reflect this.

Eskom and exports are the pillars of the industry. Randcoal is in the fortunate position of getting real growth from Eskom business despite the utility's surplus generating capacity crisis.

The sixth and final generating set at Kendal power station, supplied by Randcoal's Khutala Colliery, will be commissioned this

FM 7/5/93

year. The first three sets at Majuba are due to kick in from 1996 through to 1998.

Tonnage to Eskom for the six months rose 2% to 7,5Mt (7,4Mt), despite lower generation at Duvha because of water restrictions. Analysts reckon Randcoal earns 60% of profits from Eskom and 40% from exports.

That's why the study into resolving the problems of supplying coal for Majuba's second three generating sets is so important. It affects expected long-term growth. Geological problems belatedly discovered in coal reserves Randcoal had contracted to supply to Majuba threaten to drive the cost beyond levels acceptable to Eskom. (215)

Randcoal is looking at other reserves around Majuba that could be mined, while an option is to relocate the last three generating sets and add them on to Kendal. Cook's only comment is "A solution is expected to be announced by the end of the year."

However, rumours are that competitors are pitching to supply these last three sets. It all creates an aura of uncertainty which is harming investor perceptions. An analyst forecasts a total 1993 dividend of 50c. That would give a not-unattractive yield of 7%. However, some analysts feel investors wanting coal shares should rather stick with Amcoal or TNC till final details of the Majuba issue are known.

*Brendan Ryan*

**Eskom awards contract**

4 Times (Bus)  
9/5/93

ESKOM has awarded a contract to Basil Read Mining for the loading of the Camden power station coal stockpile which has been

sold to Shell SA's mineral division. Between 20 000 and 70 000 tons a month will be moved from Ermelo to Richards Bay (25/25)

# Majuba colliery is to close

JONO WATERS

215

RANDCOAL is to close its Eskom-tied Majuba colliery near Amersfoort, Transvaal, because of geological problems

Eskom said yesterday coal supply for the half-completed R8,5bn Majuba power station would now be railed from Randcoal's Khutala colliery near Ogies in the eastern Transvaal. Randcoal CEO Allen Cook said about R560m would be spent at Khutala to increase capacity

Majuba colliery's projected total cost would have amounted to R1,4bn, with 60% paid by Randcoal. To date, the coal producer had spent R200m, of which R80m was recoverable. The balance would be amortised over a number of years. Cook said most of the 490 employees at the colliery would probably be retrenched.

Majuba colliery had been expected to supply the power station at about R30 a ton at a rate of 2-million tons a generating unit. But geological disturbances had made relatively cheap longwall mining

impossible, and the cost would have risen sharply. Eskom, faced with perhaps paying more than R40 a ton, deferred the building of an additional three generating units.

Eskom energy manager Brian Statham said coal would now be railed 227km along the Richards Bay railway line. A 70km line, costing about R300m, would be constructed from the main line to the power station. The new line would carry 6- to 7-million tons a year, or 12- to 14-million tons a year once Eskom built the three additional units.

Khutala supplies the six-unit Kendal power station and has an expected life of about 40 years with the Majuba contract.

Cook said coal cost half as much to mine at Khutala compared with Majuba, but refused to be drawn on exact costs. Eskom pays an average price of R27 a ton for coal from collieries tied to power stations.

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# Randcoal to close

## Majuba colliery

(215) CT 12/5/93  
Own Correspondent

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## Rand Mines Star 12/5/93 earns less

(215)  
pays same

By Stephen Cranston

Profits from Rand Mines, which holds the controlling interest in Randcoal, slumped from 510c to 455c a share in the six months to March. The interim dividend is unchanged at 100c.

Rand Mines says 1993 profits will be considerably lower than those achieved in 1992, and that the final dividend will reflect this.

Although profits from Eskom-tied collieries are expected to remain stable, prices received for coal exported to Europe and the Far East will be substantially lower in the second half.

Operating profit fell by 15 percent to R101,1 million, mainly as a result of reduced margins on exports.

Interest payments fell by R22 million to R16,3 million as a result of lower bank borrowings and reduced interest rates.

Inland sales were 13 percent lower because of weaker demand and fierce competition.

Demand from Eskom grew at Kendal power station, but the severe drought and water shortage in the Witbank area forced Duvha power station to operate below capacity for part of the period.

Capital expenditure for the six months was R118,7 million and capex for the remainder of the year will be R173,2 million.



Star 12/5/93

# Majuba coal mine comes to grief

By Sven Linsche

(215)

Randcoal yesterday announced the closure of its Majuba mine because geological snags had made coal supplies to Eskom's Majuba power station too expensive.

About 490 workers faced retrenchment, said chief executive Allen Cook.

(210)

In November Eskom suspended construction at Majuba because the geological problems would affect supply and cost of the coal from the feeder colliery.

Eskom manager, energy management, Brian Statham said yesterday construction of all six sets would now proceed, because different coal supply contracts were

being negotiated.

The first set would be commissioned in 1996, as planned. Commissioning of the others would depend on details of the supply contracts and electricity demand patterns, Statham said.

Coal for the first three sets at Majuba will be supplied from Randcoal's Khutala mine, near Ogies.

Cook said discussions on supplies to the remaining Majuba sets were continuing.

Randcoal, originally contracted to supply all the coal to Majuba, had been given three months to finalise its offer.

Randcoal had planned total investments of R1,4 billion at Majuba, of which R200 million had already been spent, Cook said.

"R80 million worth of equipment will be salvaged and used to expand facilities at Khutala." Total cost of the Khutala expansion would be R560 million.

Neither Eskom nor Randcoal is expected to incur financial losses as a result of the closure.

Statham said the cost of the coal supplied would be in line with the original 1981 contract between Eskom and Randcoal.

The coal would be railed to Majuba on the existing Richards Bay line and a new 70 km link from Ermelo to Majuba.

The line, tippler and auxiliaries, would be built at a cost of R300 million.

Spoornet had offered a commercially attractive tariff to Eskom, Statham said.

## COMPANIES

### ICS to list 62%-held Sea Harvest

ICS is to list Sea Harvest on the JSE, it said yesterday. This move follows the investment of a further R72m in the fish product company.

Sea Harvest has become a 62%-held subsidiary of food group ICS after its acquisition of an additional 12% stake in the company for R72m in cash from Spanish-registered Pescanova SA.

ICS and Pescanova previously each held 50% of Sea Harvest.

ICS would seek a listing for Sea Harvest in July. *BIDM 12/5/93*

Pescanova would divest itself of a further 28% interest in Sea Harvest by way of a private placing, diluting its remaining stake to 10%, a statement said.

Sea Harvest operates a deep sea trawler fleet from Saldanha Bay and processes a wide range of fresh and frozen fish products.

It has fresh fish distribution terminals at City Deep, in the Transvaal, and at Epping in the Cape.

EDWARD WEST

ICS MD Nick Dennis said the increased shareholding in Sea Harvest was a strategic move into an associate which had been a major contributor to profits in the past.

"The value-added nature of Sea Harvest's products, and its access to international markets is in line with ICS's strategy of growing the branded and value-added component of the portfolio," Dennis said.

ICS's earnings-a-share would have increased 2,3% to 150,4c from 147c a share had the deal been effective in ICS's financial year to end-September 1992.

ICS's net asset value would have fallen 11,9% to 1060,8c from 1204,1c a share based on its and Sea Harvest's balance sheets as at September 30 1992.

The listing, for which a prospectus was being prepared, was conditional on Reserve Bank and JSE approval, the statement said.

### Rand Mines interim dividend unchanged

*BIDM 12/5/93* *215*

JONO WATERS

RAND Mines, now the holding company of Randcoal following its restructuring last October, declared an unchanged interim dividend of 100c a share for the six months ended March 1993.

The figures have been restated for comparative purposes.

Rand Mines was broken up into four separate entities — Randgold & Exploration, PGM Investments, Rand Mines Properties and Randcoal with effect from October 1.

The group's only investment now is a 71% stake in Randcoal.

Turnover in the period amounted to R791m compared with the restated figure of R766m for the six months ended March 1992.

Operating income before interest fell to R101m (R120m) and finance charges were lower at R16,3m (R38,3m), leaving operating income of R84,8m (R81,3m).

Interest bearing debt

had decreased to R92,6m (R129m).

Investment income fell to R10m (R21,8m), and pre-tax profit was lower R94,8m (R103m).

Tax payment of R4,5m (R2,4m) included R3,9m for the payment of the Secondary Tax on Companies.

After-tax profit fell to R90,3m (R101m) and R20,4m (R22,5m) was paid to outside shareholders. Preference dividends were lower at R2m (R2,2m).

Attributable income dropped to R67,9m (R76m) or 510c (455c) a share.

Chairman John Hall said the international coal market was depressed and prices and demand were weak because of the world recession.

Inland coal sales were 13% lower but Eskom demand had grown.

Profits from the Eskom-tied collieries were expected to remain at current levels for the second

half of the year.

However, the prices received for coal exported to Europe and the Far East in the current six months would be lower than those received in the period to March.

Although the rand was expected to remain relatively weak against the dollar, this would not compensate for the lower prices.

The final dividend was likely to be cut as a result of the expected lower earnings, Hall said.

### EXECUTIVE SUITE



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# Short-term Star 13/5/93 decline for Amcoal

By Sven Lünsche

Anglo American Coal (Amcoal) forecasts lower earnings growth in the current financial year, after attributable income, before abnormal items, declined by 6,4 percent in the 12 months to end-March.

Chairman David Rankin says contributions from exports in the year ahead will be lower

As largely unchanged earnings are expected from collieries supplying Eskom, Rankin forecasts a decline in both operating and taxed profits in financial 1993/94

In the past year exports increased from 10,3 million tons to 11,2 million tons, but this was offset by lower dollar prices.

Sales to Eskom over the same period dropped by 1,8 million tons to 28,1 million tons:

(215)

## Turnover

Group turnover rose 2,4 percent to R1,94 billion, comprising R1,68 billion in sales from the coal division and R261,7 million from the Verref division.

After amortisation and depreciation, operating profit fell 3,1 percent to R406,1 million, and attributable income 6,4 percent to R252,3 million.

Abnormal items, however, added R209,6 million (R51,7 million) to the bottom line.

These resulted from adjustments to deferred tax after a cut in the tax rate from 50,88 to 49,44 percent in April 1992 and to 40 percent last March.

But Amcoal also had to pay R11,7 million in Secondary Tax on Companies (STC) on its final dividend.

After abnormal items, attributable income thus showed a R140,8 million rise to R461,9 million (R321,1 million).

Amcoal's total dividend has been maintained at 465c a share

Rankin estimates capital expenditure for 1993/94 to total R342,5 million (1992/93 R368,8 million), of which a substantial portion will be funded by Eskom for the completion of the New Denmark colliery

# Amcoal dividend stays unchanged

BIDAM 131593. 245  
**JONO WATERS**

ANGLO American Coal Corporation (Amcoal) declared an unchanged final dividend of 315c a share and total dividend of 465c a share was maintained for the year ended March 1993.

Turnover increased to R1,94bn compared with R1,9bn for the year ended March 1992, and operating profit before amortisation and depreciation fell marginally to R486m (R490m).

Coal mining turnover of R1,68bn represented the sale of 41,6-million tons; a decrease of 800 000 tons on last year's figure, largely as a result of a 1,8-million-ton decrease in sales to Eskom. Export tonnage rose to 11,2-million tons (10,3-million tons). Colliery unit costs increased by 8,3%.

Amortisation and depreciation amounted to R79,5m (R70,6m) and operating profit was 3,1% lower at R406m (R419m).

Interest and investment income fell to R72,3m (R91,4m) because of the lower interest rate. Pre-tax profit declined 6,3% to R478m (R510m).

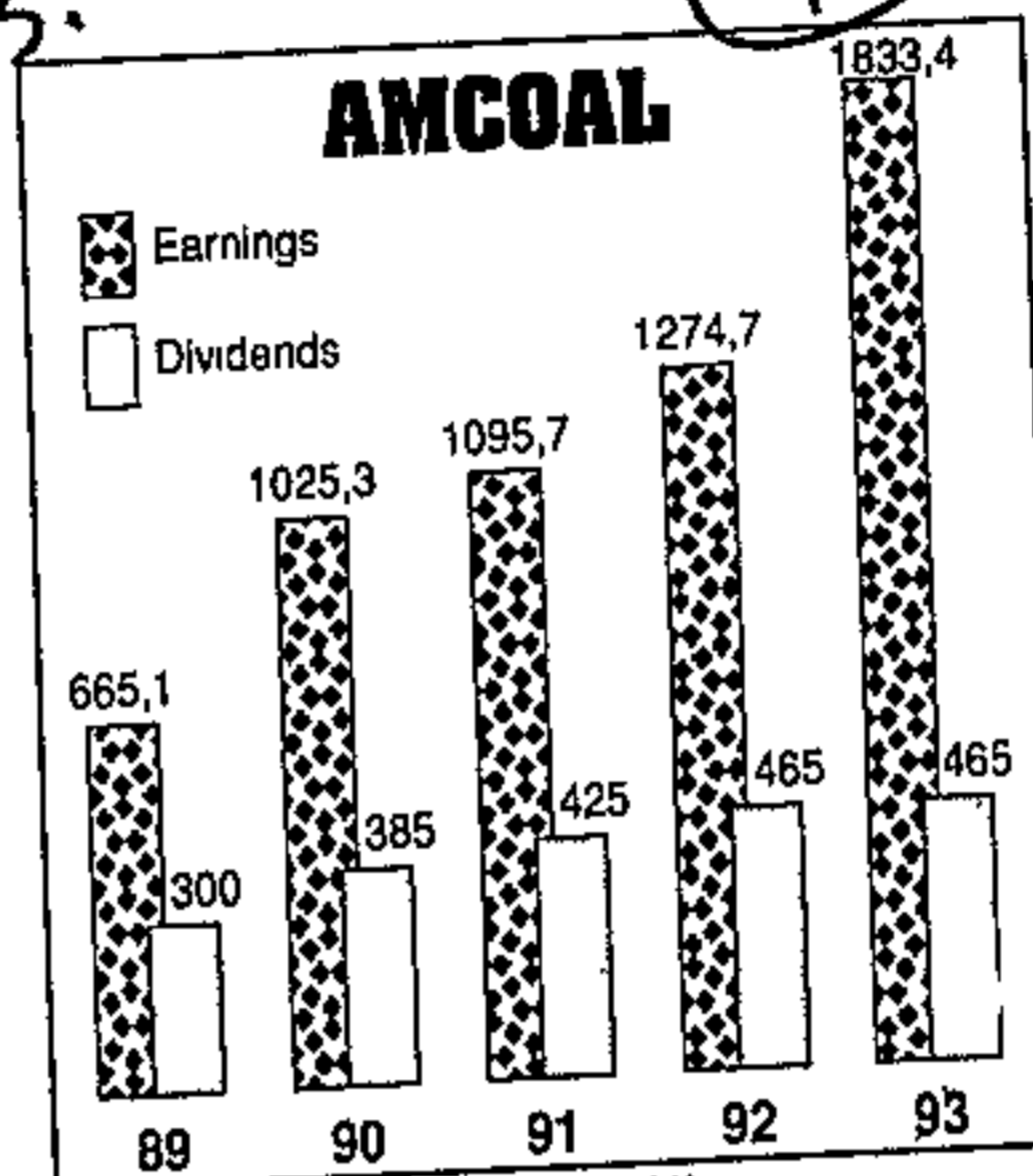
Tax was lower at R226m (R241m) and earnings before abnormal items were 6,4% lower at R252m (R269m).

As a result of reduction in the corporate tax rate to 40%, the adjustment to deferred tax under abnormal items amounted to R221m. Secondary tax on companies totalled R11,7m, resulting abnormal items credit of R210m (R51,7m).

Shareholders' attributable earnings rose to R461m (R321m), or 1 833c (1 274c) a share.

Capital expenditure amounted to R369m (R479m), of which R11,3m was funded by Eskom.

Capex commitments were forecast at R342m and was to be mainly spent on the final construction at New Denmark colliery and the completion of the Landau replacement project. Ca-



Graphic: LEE EMERTON Source: AMCOAL

Capex for the construction of the colliery to supply Eskom's proposed Lekwe power station was excluded as coal supplies would only be required in the next decade.

In his annual review, chairman David Rankin said weak dollar prices and oversupply had persisted into 1993. Contract prices for both steam and metallurgical coals had continued to be set at lower levels and spot prices were on a downward trend.

"World prices appear once again to be approaching the levels last reached in 1987 when the economic viability of certain SA exporting collieries was called into question."

Although Eskom's electricity sales declined by 0,4% in 1992, sales had grown by 3% in the first quarter of 1993. Eskom had forecast a growth in sales of 2% in the current year.

Industrial and metallurgical coal sales improved by 5% to 2,3-million tons over the past financial year. This was due to an increased marketing effort by the corporation, he said.

After-tax profit was expected to be lower in this financial year as the contribution from exports was forecast to fall as a result of weak prices. Eskom-tied collieries were expected to turn in unchanged earnings while domestic demand was expected to improve marginally, Rankin said.

# Unchanged div from Amcoal

215

Own Correspondent

CT13/5/93

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## Randcoal fall hits colliery

510 am  
145773 JONO WATERS

(215)

ANGLO Transvaal Collieries' after-tax profit fell to R3,9m (R4,14m) in the half-year to end-March after a fall in dividend income from its sole investment in Randcoal.

The Anglovaal subsidiary declared its interim dividend of 231c (245c) a share in October last year. It declared a final dividend of 122c last month.

Dividend payments from its 10,5% stake in Randcoal was R4m compared with R4,22m in the same period last year. Interest received dropped to R12 000 (R18 000), but expenditure was higher at R90 000 (R75 000).

Pre-tax profit amounted to R3,91m (R4,15m), with a lower tax bill of R6 000 (R9 000). After-tax income of R3,9m (R4,14m) translated into 232c (245c) a share

RANDCOAL

FM 14/5/93

(215)

## **Victory at Majuba**

**The solution** to the problem at Randcoal's Majuba colliery seems almost too good to be true — despite spending around R350m on this mine which will now be closed, apparently neither Randcoal's shareholders nor Eskom's electricity consumers will suffer

Sceptical reaction to these claims is that the confidential terms of power station coal supply contracts and the financial treatment of power station capital costs spread over 50 years give opportunities for creative accounting

Coal for the first three generating sets at Majuba will now be mined at Randcoal's Khutala Colliery, which supplies Eskom's

FM 14/5/93 (215)

Kendal power station. It will be railed to Majuba along the Richards Bay line to Ermelo. From there a new 70 km line will be built to Majuba.

Eskom and Spoornet will spend some R300m on the line and coal loading facilities. And a total R560m, of which Randcoal will provide 60% and Eskom the balance, will be spent on expanding Khutala mine.

The justification is that the capital cost of expanding Khutala colliery will be considerably less than that of completing the Majuba mine, while the operating cost of mining coal at Khutala will be about half that of producing it from Majuba.

Neither Cook nor Statham will give a precise figure on forecast working costs at Khutala. Statham declines to provide the tariff Spoornet will charge to rail the coal.

He adds that the cost of coal delivered to Majuba power station will be marginally lower than originally expected from Majuba Colliery. That figure was estimated by Randcoal at about R28/t in 1992 money before geological problems lifted it to an unacceptable R38-R42/t.

A key point is that Randcoal will continue to get a return from Eskom on the R200m it has invested in Majuba. That amount will not be written off. In return, the group has relinquished its contractual right to supply the second three generating sets.

This has been thrown open to general tender. Another 16 companies have offered to supply these sets in competition to Randcoal sending their coal along the railway line.

Brendan Ryan

# DIAGONAL STREET

## Defeat turns into victory for Majuba

S1 Times (Buss)

16/5/93

215

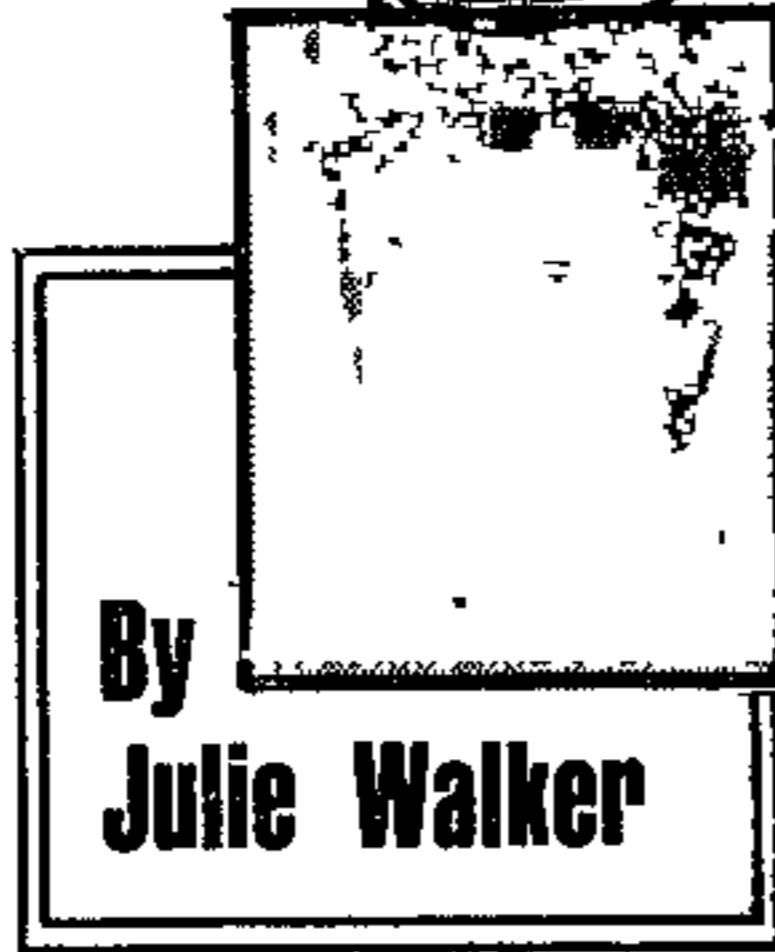
RANDCOAL and Eskom have made the best of a bad job in reaching agreement on the future of Majuba colliery

Not only do they appear to have lost none of the R500-million and more invested in a colliery which is to be closed, they managed to come up with a solution about the supply of coal to the power station and largely absolve themselves of blame. Pollution-control authorities are the unwitting villains.

In brief, in 1981 Eskom invited tenders for a large power station to be built away from the Witbank coalfield. It had been told by pollution officer Martin Lloyd that any new stacks would have to be fitted with equipment to prevent the addition of more filth into an already burdened atmosphere.

Eskom accepted Randcoal's tender for Majuba, south of Amersfoort in the south-eastern Transvaal. At that time, no coal was being mined in the vicinity and the field was relatively unexploited.

The field was big and its coal of acceptable power-station quality. It was also deep — 300m against about 80m at Witbank. It was a single seam split into two blocks.



By  
**Julie Walker**

There was some devolatilisation — the burnable bits of the coal having been driven off.

But the 181 boreholes drilled by then did not tell the whole story. By 1986 another 200 boreholes enabled Randcoal geologists to recognise the potential for a dolerite problem, although no new disturbances were uncovered.

Only in 1989, when the shaft had been sunk, allowing access to the coal seam, did the full picture begin to emerge.

A series of horizontal boreholes into the coal seam disclosed high levels of dolerite dykes and sills around the shaft pillar.

Subsequently, a series of geological testing methods, previously unavailable, con-

firmed that the whole coalfield was riddled with dolerite dykes and would never be suitable for the planned and cheap long-wall mining method.

In Australia, longwall mines simply plough through the dykes, but Majuba's dolerite is far too hard for that.

Conventional room-and-pillar mining would be too wasteful because large pillars would be needed for support at that depth. Working costs would be too high, the amount of mineable coal jeopardised.

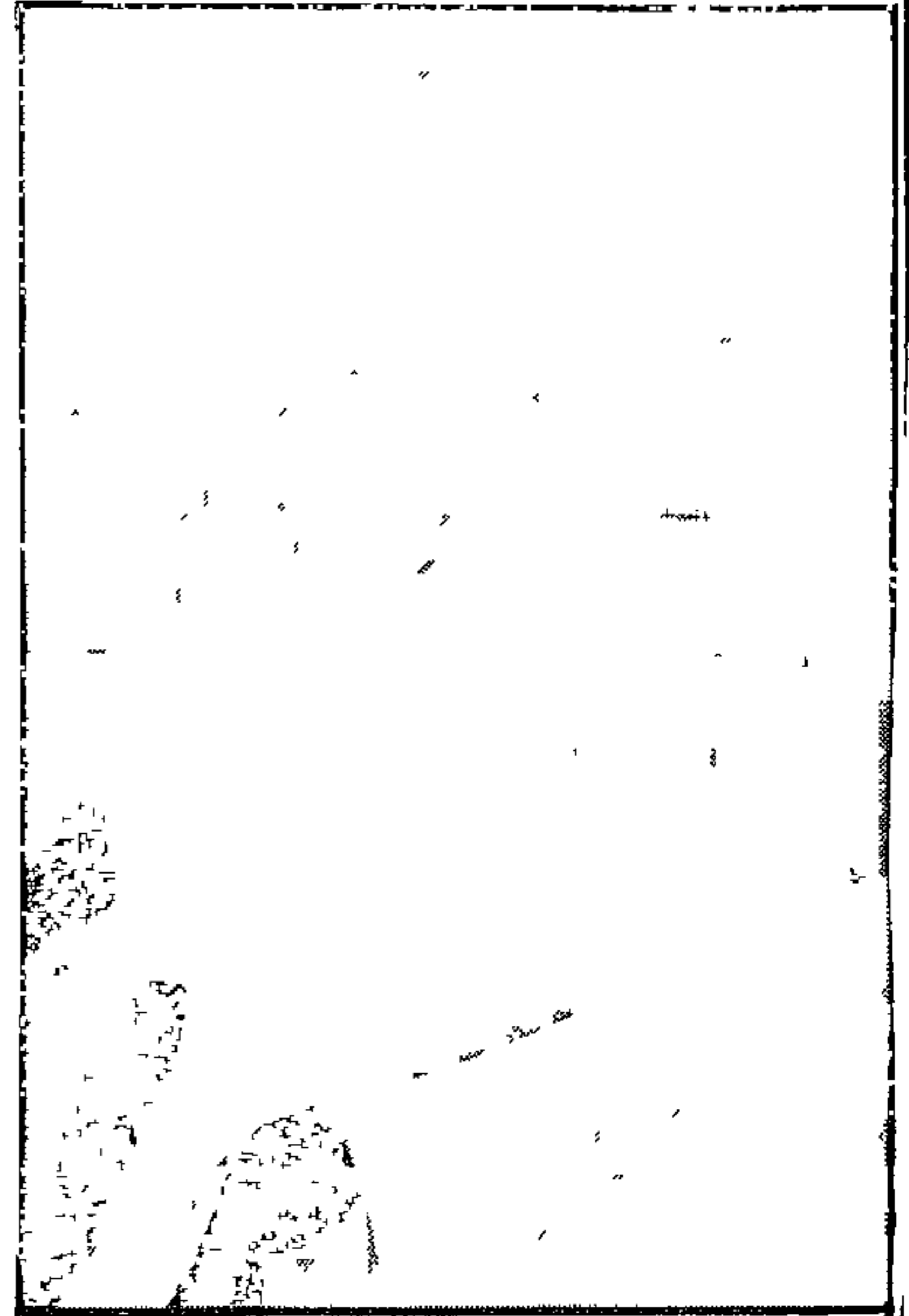
### Consistent

Moreover, the dykes caused devolatilisation of nearby coal, making it unsuitable for a power station.

The Majuba field could never economically yield enough coal to run six generating sets, three of which are nearly complete and three on hold.

This year, on the admission of disaster, Eskom asked suppliers if they could bring in coal from outside Majuba. It received 17 worthwhile offers, several from Witbank producers.

Eskom accepted Randcoal's proposal to increase the size of the consistent Khutala coalfield — it supplies Kendal power station — and rail the coal to Majuba, partly along the upper



ALLEN COOK: How a colliery miracle came about

stretches of the Richards Bay line.

A 70-kilometre link will have to be built, as will loading and offloading facilities.

The Majuba mine will be closed and stripped. Mining would have been hazardous at best because of poor roof conditions, methane gas and the need to treat high-fluoride water pumped out.

But neither Randcoal nor Eskom will be worse off financially. Randcoal chief executive Allen Cook explains "the secret of how this miracle happens".

Mining costs at Khutala are about R20/ton — half the expected cost at Majuba had it gone ahead. This cost differential is enough to absorb the cost of railage and still service return on capital for the original Majuba invest-

ment and additional money required to expand Khutala.

"In a weird sort of way, the R200-million Randcoal spent at Majuba will still be an asset," says Mr Cook.

It will cost R560-million to extend Khutala, against which R80-million of salvageable equipment from Majuba can be offset.

There will be short-term cash-flow benefits to Randcoal. Eskom says it will build all six sets at Majuba now.

"With 17 viable offers to rail coal to Majuba, there is more scope to build power stations away from the Highveld," says Mr Cook.

"But if anyone had suggested that 10 years ago, he would have been laughed out of sight. The sums were not right at that time."



# Sasol coal mines have top safety rating - manager

Star 17/5/92

By Michael Sparks

All Sasol coal mines including the Middelbult mine at Secunda where a methane gas explosion killed 53 people on Thursday — have the highest safety rating accorded to mines, Sasol communications manager Jan Krynauw said yesterday.

Middelbult coal mine was given the five-star rating in 1986, he said.

And just two days before the disaster, Middelbult was given a Noscar — the mining industry's highest award for safety awarded by the National Occupational Safety Association.

The explosion occurred at 2.15 pm on Thursday, and mining teams searched until Saturday to find the bodies of the last missing miners. There were no survivors.

Krynauw said coal mines around the world, including Sasol's mines at Secunda, used various sophisticated mechanisms for detecting the lethal gas.

One of the difficulties with methane detection was that the gas was colourless, tasteless and odourless.

It was found only in coal mines and was a by-product

of the process of decomposing wood and leaves under pressure which resulted in the production of coal.

He said all coal miners were equipped with special lamps which were attached to their helmets. These lamps flashed when the gas was detected.

Asked why the methane gas had not been detected before the blast, Krynauw said he could not comment because the matter was being investigated.

He added that part of the investigation was to see what had caused the explosion, since the gas needed a spark to ignite.

He said other mechanisms used to detect methane included panels connected to computers to continuously monitor the quality of air, including air that was in the ventilation system.

There were also various devices that were used before a shift began to ensure the air was safe before miners went underground, he said.

The death toll from Thursday's explosion was the highest in South Africa since 1937, when 62 miners died at St Helena gold mine near Welkom.

# Sasol coal mines have top safety rating - manager

Star 17/5/93

By Michael Sparks

All Sasol coal mines including the Middelbult mine at Secunda where a methane gas explosion killed 53 people on Thursday — have the highest safety rating accorded to mines, Sasol communications manager Jan Krynauw said yesterday.

Middelbult coal mine was given the five-star rating in 1986, he said.

And just two days before the disaster, Middelbult was given a Nascar — the mining industry's highest award for safety awarded by the National Occupational Safety Association.

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The death toll from Thursday's explosion was the highest in South Africa since 1987, when 62 miners died at St Helena gold mine near Welkom.

61007 17/5/92

### Randcoal angers NUM

THE NUM has lashed out at Randcoal for announcing that its Majuba colliery would be closed with immediate effect. (218)

The union said the move was an "unacceptable deviation from the accepted — and legally required — process of consultation with workers on decisions that vitally affect their future"

REPORTS Sapa, Business Day Reporter

# Major cold-shoulders quick return to ERM

LONDON — Prime Minister John Major yesterday put off indefinitely sterling's re-entry into the European Exchange Rate Mechanism (ERM) and made clear that Danish approval of the Maastricht treaty would not change Britain's stand against monetary union.

Ahead of an expected revolt by Conservative MPs over the treaty, Major said the right conditions for considering ERM re-entry did not apply at the moment and were unlikely to apply for some time.

## Prospects

Major said the prospects of a rapid move towards European economic and monetary union had drifted away very substantially.

He did not rule out the possibility of other countries moving to a single currency without Britain.

His refusal to contemplate Britain's rejoining the ERM cheered Conservative Euro-sceptics and came close to endorsing a prediction by

Home Secretary Kenneth Clarke that Britain would not re-enter until after the next general election.

In practice, any early move would split the Cabinet.

Despite euphoria among many European Community leaders at the Danish referendum result, Major believes that there is support throughout the EC, including Germany, for wholesale reform of the ERM.

"The ERM, as it was when we left it, is an inadequate instrument that we could not re-enter," Major said on BBC radio.

Officials rejected suggestions that the Prime Minister was implying Britain might never re-join, but said there remained big problems with the ERM, although at least it was no longer regarded as a quasi fixed rate system.

Officially, re-entry depends on conditions set by the Treasury on correcting faultlines in the ERM and on bringing UK and German monetary policies into line — Financial Times.

# Putting paid to pollution at coal dumps

By Derek Tommey

Techniques devised by Fraser Alexander should mean that that any new coal discard dumps will not start burning and pollute the atmosphere as is happening today.

Andy Visagie, chairman of Fraser Alexander's bulk materials handling division, says there is a growing awareness of the need to handle coal discard responsibly.

In the past three years his division has been handling 600 000 tons of discard a month for Amcoal, JCI and Trans-Natal.

He says it is essential that discard dumps are properly managed, otherwise spontaneous combustion occurs.

The resultant fires are almost impossible to extinguish and burn for years at high temperatures, polluting air and water.

The coal cannot be reclaimed later.

To prevent combustion, each layer of coal has to be properly compacted, while testing of compacted dumps for evidence of heating has to be continually carried out.

3/10/77 21/5/73  
215

## Iscor would produce a 'fair' profit in plan to export coal

JONO WATERS

ISCOR'S plan to export metallurgical coal from its Grootegeluk colliery in the northern Transvaal would produce a "fair" profit, a senior industry source said this week.

The steelmaker hopes to export through Richards Bay despite the distance by rail from Ellisras and is believed to have acquired capacity at the coal terminal.

The source said railage costs from the top of the Richards Bay line to the coast amounted to about R30/ton. Additional railage to the railhead from the colliery at Ellisras would probably add R20/ton and mining costs would be in the region of R25/ton. At prices of about \$34/ton (R108/ton) for metallurgical coal and deductions of about R10/ton for storage, the use of the line and terminal costs, Iscor's revenue would be about R20/ton.

Market watchers are interested as the Waterberg field is estimated to contain about 46% of SA's 121-billion tons of in situ coal reserves. Recoverable reserves in the field are estimated at 18-billion tons and the Waterberg is seen as the export successor

to the eastern Transvaal coalfields when those reserves are exhausted.

With Eskom unlikely to build a power station for the next decade and weak domestic demand, Iscor with its huge coal reserves is looking to the export market to grow. Unlike Sasol which is also looking to export coal, sources said Iscor had purchased the right from Shell to use 300 000 tons of its capacity at Richards Bay Coal Terminal.

Shell is entitled to export 6,8-million tons of coal through the terminal when it reaches full capacity of 54,5-million tons a year, but annual production at Rietspruit is only 5,5-million tons. Shell directors were not available for comment.

Grootegeluk is a multi-product coal mine, supplying the Eskom-tied Matimba colliery with steam coal and Iscor sources 2-million tons of coking coal for steelworks.

The source said operating costs were lower at Grootegeluk because of the division of overheads.

AMCOAL FM 21/5/93

## Bearing up (215)

Coal mining leader Amcoal held up well in tough conditions in the year to March, holding the drop in EPS before abnormal items to 6,3%. That's the best measure of performance, despite a R221,3m boost from deferred tax adjustments following the cut in effective tax rate on coal companies from 49,44% to 40% in the Budget.

By comparison, Randcoal's nominal attributable earnings fell 8% but that translated into a 28% fall in EPS because extra shares were issued to acquire assets from parent Rand Mines (Fox May 7).

The tax windfall pushed EPS after abnormal items up 43,8% but the money has been retained. Total dividends are pegged at 465c.

Reason for the coal industry's declining profits is a combination of lower domestic demand for coal, mainly from Eskom, and falling US dollar prices on the export market which have not been compensated for by the devaluation of the rand.

Reflecting this, turnover rose 2,4% but operating profit margins slipped 0,8%. Exports rose to 11,2 Mt (1992 10,3 Mt) but sales to Eskom dipped to 21,8 Mt (23,6 Mt) because three of the six generating sets at Arnot have been put into reserve storage. Sales by Arnot colliery consequently dropped by 3 Mt but this was partially offset by higher offtake from Kriel and New Vaal.

Eskom is the pillar on which major coal

FM 21/5/93

(215)

groups like to base operations. Chairman David Rankin says Amcoal is making a strong bid to supply the last three generating sets at Majuba. The first three sets will be supplied by Randcoal but geological problems with the Majuba coal reserves have forced Eskom to make radical changes to the original contract (Fox May 14).

It appears Eskom has thrown the supply for the second three sets open to tender, with Randcoal losing its automatic right. Randcoal chairman Allen Sealey denies this but Rankin says Eskom requested a tender from Amcoal to supply the last three sets and the bid was tabled early in May. "Adjudication should take place by year-end," he says.

Rankin expects "a significantly reduced contribution" from exports this year, with overall normal earnings "somewhat" lower. He continues to warn about the consequences of the proposed "Red" terminal at Richards Bay, which could eventually export up to 12 Mt/year, saying the export of significant tonnages through the Red terminal before the year 2000 "can only be at the expense of coal prices."

The share has rallied to around R95 from December's 12-month low of R78,50. On Rankin's forecast of lower earnings it looks fully valued to expensive, but remains the JSE's blue chip coal stock.

Brendan Ryan

### ABNORMAL BOOST

Year to March 31	1992	1993
Turnover (Rm)	1 895	1 942
Coal sales (Mt)	42,4	41,6
Pre-tax profit (Rm)	510,5	478,5
Attributable profit (Rm)*	321,1	461,9
Earnings (c)*	1 274,7	1 833,4
Dividends (c)	465,0	465,0

\* After abnormal items

ISCOR & COAL EXPORTS  
 FM 21/5/93  
**Railage on the cheap?**

Iscor is to break into coal export markets with metallurgical coal from its Grootegeluk colliery near Ellisras in the northern Transvaal. The scheme sets several precedents. Iscor has bought the right from Shell SA to 200 000 t of its Richards Bay Coal Terminal (RBCT) quota and has an option on a further 100 000 t. The agreement is effective for 1993, neither party will comment on the possibility of its renewal (215) ~~215~~

Shell has an effective 12,5% shareholding in RBCT, which gives it an annual quota through the terminal of 6Mt rising to 6,8Mt when the new annual capacity of 54,5 Mt is attained. Spokesman Andre Liebenberg denies Shell has sold part of its RBCT quota to Iscor. "From time to time we enter into agreements with third parties to allow them to use some of our capacity," he says.

He refuses to provide further details. It's common knowledge that Shell buys in coal from other SA producers because it can't meet its full export entitlement from own production. But this is the first time it has confirmed it allows other parties to use part of its entitlement.

Iscor's Neels Howatt won't say how much his group laid out for the export entitlement. He confirms Iscor intends exporting metallurgical coal from Grootegeluk but will name neither customers nor expected prices.

And he is determinedly silent about the tariff to be charged by Spoornet to move the coal. Industry sources say Iscor must have come to very favourable terms to permit the export of coal from such a remote location.

The distance between Ellisras and Richards Bay is about 900 km of which about 500 km is on the Transvaal-Richards Bay line. The railage rate for RBCT users is negotiated on a contract basis, far below standard Spoornet rates. It now costs about R30/t to rail coal from Witbank.

Even if Iscor managed the miracle of negotiating a Richards Bay-line rate for the whole distance, it'll still cost around R52/t at best to get the coal to the coast.

Rail rates are crucial to the development of the Waterberg field, where Grootegeluk is situated. The Waterberg contains 46% — some 55bn t — of SA's total coal reserves of about 121bn t.

The distance from Richards Bay has always been viewed as a major obstacle to exports. Grootegeluk, the only operating colliery on the field, is a multipurpose mine supplying about 2Mt coking coal annually to Iscor. It is developing production capacity to 12Mt steam coal a year by 1996 to supply Eskom's Matimba power station.

The lucrative export market has long beckoned Iscor, which is a member of the consortium involved in the so-called Red terminal, intended to export up to 12Mt a year in competition with RBCT. Iscor's deal with Shell gets it into the export markets that much faster.

Brendan Ryan

## Trans-Natal

### cuts jobs

*BUSINESS DAY*  
JONO WATERS

TRANS-Natal Coal Corporation is to cut its Delmas colliery workforce by 450 following a reduction in production 7/6/93

Senior manager Johan Kriek did not know how many employees would be retrenched as the coal producer was trying to place them elsewhere in the Gencor group. Saleable output of 3-million tons would be cut by 23% because of a slump in local demand. Kriek said the colliery had been making losses as a result of reduced margins.

MD Dave Murray said alternatives had been explored, without success. The colliery will operate on a single shift basis (2/11)

In the six months ended December 1992 Trans-Natal reported a 7% drop in domestic demand to 2,7-million tons. Inland sales in the year ended June 1992 declined by 5% to 5,4-million tons. Inland revenue amounted to 17% of its income from coal. (2/15)



# Coal mine job losses feared

Buss. Day 8/6/93

ANDY DUFFY

THE downward spiral in coal export prices could lead to more job losses this year, the industry warned yesterday

Coal exporters Amcoal, Randcoal and Gold Fields of SA said that the collapse in spot prices and competition from the Pacific Rim and South America would force the SA industry to cut costs

Though more than 80% of SA's exported coal is sold on fixed contract prices, the fall in spot prices to their lowest level for six years would drag contract prices down when the contracts came up for renewal later this year. This could threaten the viability of several mines, the companies added, and would lead to the widespread rationalisation of surviving operations

The companies were unable to name threatened mines, nor say how many jobs could be lost. The Chamber of Mines said 5%-6% of the 46 000-strong workforce

(2 300-2 800 jobs) could go, but industry sources said the number would almost certainly be far higher

"Everybody's looking at where they can save labour," said Randcoal MD Rick Mohrling. "The pressure on prices will have to be countered with increased productivity"

Amcoal chairman David Rankin added that the falling spot price was hitting the whole industry, and that it "could not sustain current price levels" (215)

Gold Fields coal chairman John Hopwood said the company was planning to shunt staff to other operations, though he refused to give numbers.

The closure in March of Amcoal's Vryheid Coronation Colliery in Natal led to

□ To Page 2

## Job losses

□ From Page 1

about 2 000 job cuts. This was followed by the announcement that Trans-Natal had put its Delmas colliery on a single shift, which was likely to affect the mine's 430 staff. Trans-Natal MD Dave Murray was not available for comment. (215)

Exports account for a major proportion of SA coal earnings, but prices for steam coal — which forms 90% of SA's exported coal production — have been hit by sluggish economic performance in Europe and the Far East and the emergence of low-cost producers in Indonesia, Venezuela and Colombia. Contracts let earlier this year are thought to have averaged around \$29 a ton, down 7% on the previous year. Spot

prices have averaged around \$25/t, though industry sources say the actual average is now \$20/t. One director said "It's coming to the point where people will just stop selling coal" (215)

European customers have already said they want the gap between spot and contract prices narrowed in anticipation of contract price negotiations.

Chamber of Mines coal economist Roger Baxter said demand was likely to show some recovery in the latter part of next year. But Edey Rogers mining analyst Keith Bright said that even when demand did pick up, SA exporters' costs would still be above those of the new entrants.

# Producers maintain coal exports

JOMO WATERS  
9/16/92

LOCAL coal producers maintained export levels in 1992 despite the poor state of the world market, Chamber of Mines president Bobby Godsell said yesterday. "Exports amounted to 50,1-million tons last year compared with 49,3-million tons in 1991. (215)

"Internationally, steam coal prices are again under pressure from oversupply, including production from low-cost producers such as Indonesia, Colombia and Venezuela."

Godsell said low rates of economic growth restrained the ability of the world market to absorb more supply.

The domestic market also remained depressed because of the low level of economic activity. In addition, Eskom continued to reschedule plans to expand electricity generation.

In the Chamber's 1992 annual report, CE Tom Main said companies linked to the Chamber would eventually have their own boards of directors instead of being controlled directly by the Chamber. These included the Rand Refinery, the Rand Mutual Assurance company, the Rand Mutual Hospital, The Employment Bureau of Africa (TEBA) and TEBA-CASH.

"Good progress is being made with this process of what could be termed unbundling," Main said.

# Gold Fields Coal slashes dividend

Business Staff

(215) APR 11/6/93

GOLD Fields Coal has declared an interim dividend of 40c a share, compared with a payment of 90c a share for the whole of last year.

Gold Fields Namibia has followed the same practice as last year and passed its interim dividend, though last year it paid a final of 15c a share.

The company's profits are closely related to the copper price, which has been depressed in recent weeks. It produces other base metals whose prices have also been weak.

Gold Fields Namibia had a turnover of R318 million last year, against R291 million in 1991.

Pre-tax profit was R10,9 million, against a loss R7 million in 1991.

Earnings last year were 68c a share after losses of 44c a share in 1991.

Rooiberg Tin, the country's only remaining listed tin producer, has passed its dividend again.

Rooiberg last paid a dividend in 1989.

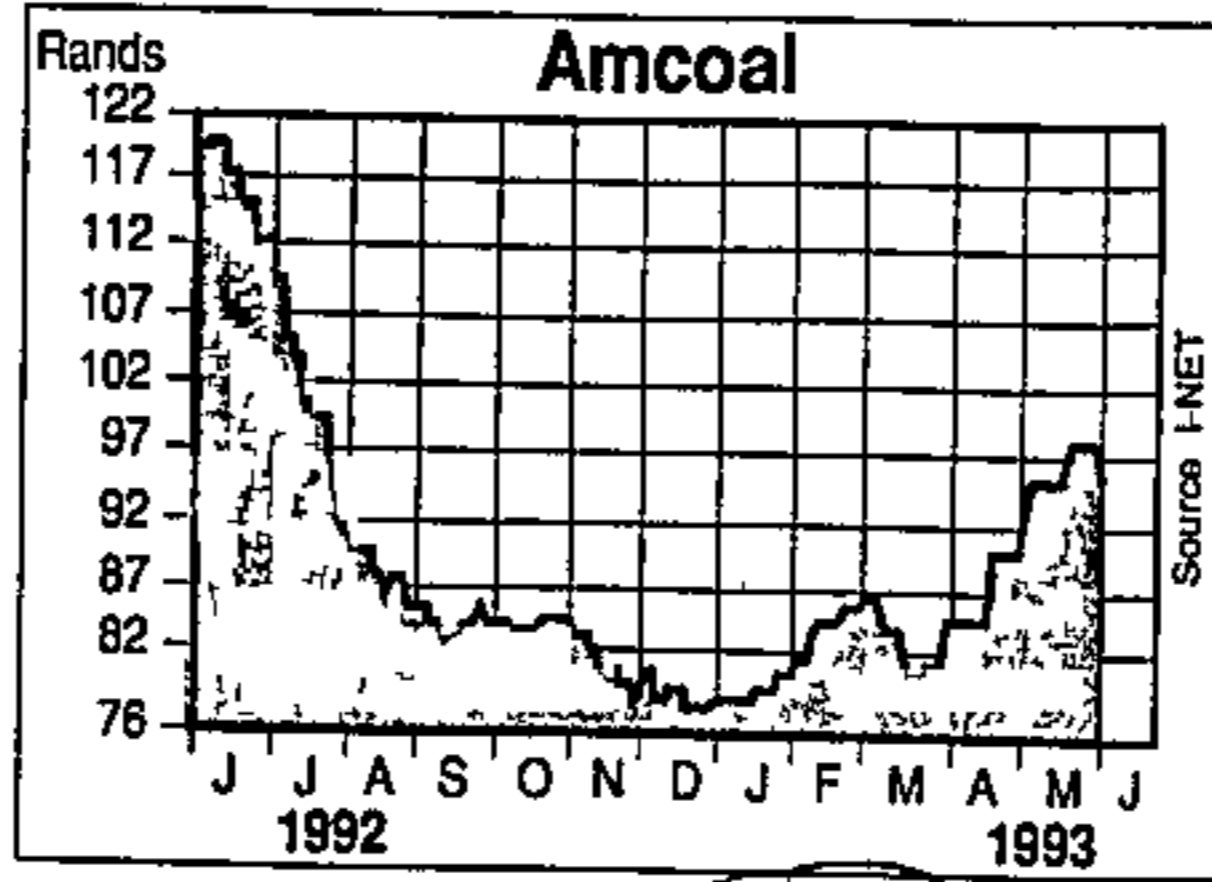
■ Chubb Holdings reported a 32 percent gain in attributable earnings to R9,1 million in the year to end March — thanks mainly to a strong showing from the physical security division.

Directors said operating margins were bolstered by holding sales volume but increasing selling prices.

Earnings a share came in at 165,2c a share, from which a final dividend of 20c a share was declared.

Total payout to shareholders for the period under review was 34c a share

Fm 11/6/93



215

World War 2 Amcoal's total sales to Eskom fell by 6% to 28,1 Mt in 1993, partly because of the mothballing of three of Eskom's generating sets at Arnot power station — temporarily halting opencast coal production at that colliery

Average unit working costs per sales ton rose 8,3% in 1993. The fall in sales tons to Eskom had an adverse effect on unit costs for group collieries. Surprisingly, the earnings from the Eskom collieries went up due to increased investment in them.

Exports rose 9% to 11,2 Mt during 1993, which represents 27% of the group tonnage sales. But the beneficial effects of the weakening rand against the dollar and the increase in export tonnages were eroded by the lower US dollar prices; export earnings fell.

Chairman/MD David Rankin points to oversupply in the export market, especially from Indonesia, and the lower-than-expected demand in Europe. Levels set for contract prices for steam and metallurgical coal are lower than in 1992 and spot prices continue to fall. There is not likely to be any respite in 1993.

There are two interesting features in the income statement. Firstly, Amcoal received R70m net interest in 1993, down from R90m the year before, largely because of lower interest rates. Says Rankin: "Amcoal prefers to have money on deposit rather than borrowing." At year-end Amcoal had about R480m on deposit with Anglo American, despite the falling trend in interest rates.

Secondly, the abnormal item of R221,3m represents the adjustment to the deferred tax balance after the drop in the corporate tax

cont



Amcoal's Rankin oversupply in the export market

AMCOAL

Fm 11/6/93

Signs of relief

215

**Activities:** Coal mining and manufacturing refractories and building products.

**Control:** Anglo American Corp, 51,5%

**Chairman & MD:** D Rankin

**Capital structure:** 25,2m ords Market capitalisation R2,4bn.

**Share market:** Price, R95 Yields: 4,9% on dividend, 11,1% on earnings, p/e ratio, 9,5, cover, 2,2 12-month high, R121,5, low, R78,5 Trading volume last quarter, 361 963 shares

Year to Mar 31	'90	'91	'92	'93
ST debt (Rm)	68,4	69,9	103,8	124,6
LT debt (Rm)	—	—	—	—
Shareholders' interest	0,4	0,5	0,5	0,6
Return on cap (%)	18,8	16,5	14,2	12,6
Turnover (Rm)	1 752	1 819	1 896	1 942
Pre-int profit (Rm)	460	414	421	409
Pre-int margin (%)	26,2	22,7	22,2	21,1
Earnings (R)*	9,4	10,22	10,7	10,0
Dividends (R)	3,85	4,25	4,65	4,65
Tangible NAV (R)	41,0	48,2	56,5	70,2

\* Pre-abnormal items

Anglo American Coal Corp (Amcoal), the blue chip coal producer, saw earnings before abnormal items fall more than 6% to R252m. Turnover rose by 2,4%, with tonnages down 2%, but operating profit fell 3%, squeezing the margin to 21,1%.

Amcoal will take comfort in the 4% rise in domestic electricity demand in the first five months of 1993. Eskom had forecast demand for the full year would increase 2,7%. Eskom accounted for two-thirds of Amcoal's 41,6 Mt sales of coke and coal last year.

Things weren't looking so bright in 1992, when Eskom's electricity sales showed a small decline on the year — the first since

Fm 11/6/93

215

rate. EPS are significantly affected by the abnormal item — R10 before and R18,33 after.

Capital expenditure on group collieries totalled R344,7m, down almost a quarter on the year due to the near completion of the Landau replacement project to increase capacity. Capital projects include completion of construction of the New Denmark colliery and the final stages of the Landau replacement project.

The share price has climbed from a low of R78,50 in January to R95, putting it on a p/e of 9,5. The underlying trend of the past four years has been a decline in operating margins and returns on capital, illustrating the effects of recession on power generation.

Economic recovery will stimulate large electricity-intensive capital projects (like Alusaf), re-invigorate the mining industry and enable Eskom to start its electrification drive. As SA's leading coal producer — with almost a quarter of total production — Amcoal is expected to benefit from this.

One industry analyst comments "About 90% of electricity is generated by coal. This might fall slightly but coal is here to stay." Yet the price of coal is unlikely to improve until the oversupply in the world market falls in line with demand. It's a good long-term investment.

Louise Randell

From MATTHEW CURTIN.  
JOHANNESBURG —  
Duiker Exploration,  
the Lonrho-owned coal  
producer, has won  
multimillion-rand ex-  
port coal contracts  
with Taiwan Power  
Company which are set to run  
until 1998

The supply contracts, which  
will nearly double the size of  
Duiker's steam coal exports,  
were valued at more than  
R500m for the supply of 4,4-mil-  
lion tons of steam coal over five  
years'

Duiker's export ambitions  
are at odds with its small allo-  
cation at the 49-million ton a  
year Richards Bay export ter-  
minal, and have led the group  
to back the construction of con-  
troversial new facilities, con-  
demned by SA's leading export-  
ers.

Amcoal, Randcoal and Trans-  
Natal, which export more than

# Duiker scoops R500m Taiwanese coal deal

(ZIS) CT 14/6/93

30-million tons a year between  
them, have warned that an ex-  
port drive by smaller producers  
will add to already-strong  
downward pressure on prices  
caused by the worldwide reces-  
sion and fierce competition in  
the export coal trade

The new project, the Coal Ex-  
port Joint Venture, investigat-  
ing a new 12-million ton a year  
facility, involves Anglovaal,  
Gold Fields, Sasol, Iscor, Agip-  
coal, MacPhail and Duiker

A company spokesman said  
the contracts provided for the  
export of 800 000 tons of coal  
during the next three years,  
and 1-million tons a year over

the following two years

Technical director Hugh  
Stoyell said in a statement the  
value of the contracts was "ex-  
pected to exceed R500m at the  
FOB vessel level" at 1993  
prices

The group, the owner of col-  
lieries near Witbank and Vry-  
heid, sold only 1,4-million tons  
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pared with 1,1mt in 1991

Stoyell said the contract  
price was satisfactory, adding  
"In the light of the present  
oversupply situation in the  
world steam coal markets, the  
award of these contracts repre-  
sents quite a coup"

# Duiker wins big coal export deal

8/15/93  
14/6/93  
DUIKER Exploration, the Lonrho-owned coal producer, has won multimillion-rand export coal contracts with Taiwan Power Company which are set to run until 1998

The supply contracts, which will nearly double the size of Duiker's steam coal exports, were valued at more than R500m for the supply of 4,4-million tons of steam coal over five years. (215)

Duiker's export ambitions are at odds with its small allocation at the 49-million ton a year Richards Bay export terminal, and have led the group to back the construction of controversial new facilities, condemned by SA's leading exporters.

Amcoal, Randcoal and Trans-Natal, which export more than 30-million tons a year between them, have warned that an export drive by smaller producers will add to already-strong downward pressure on prices caused by the worldwide recession and fierce competition in the export coal trade. (22)

The new project, the Coal Export Joint

MATTHEW CURTIN

Venture, investigating a new 12-million ton a year facility, involves Anglovaal, Gold Fields, Sasol, Iscor, Agipcoal, MacPhail and Duiker (115)

A company spokesman said yesterday the contracts provided for the export of 800 000 tons of coal during the next three years, and 1-million tons a year over the following two years.

Technical director Hugh Stoyell said in a statement the value of the contracts was "expected to exceed R500m at the FOB vessel level" at 1993 prices.

The group, the owner of collieries near Witbank and Vryheid, sold only 1,4-million tons of coal abroad in 1992, compared with 1,1-million tons the year before

Stoyell said the contract price was satisfactory, adding "In the light of the present oversupply situation in the world steam coal markets, the award of these contracts represents quite a coup."

## COMPANIES

### Schamin buys Trojan for R6m

SCHARRIG Mining (Schamin) had acquired Trojan Mining for R5,9m to be paid for by the issue of 2,95-million shares at 200c a share, the company said yesterday.

Trojan, engaged in opencast contract coal mining and bulk earthworks, produced a turnover of R25m last year. Its principal customer is Trans-Natal's Eikeboom colliery.

Trojan is Schamin's first acquisition since its listing in January. Last year Scharrighuisen Holdings (Scharrig) acquired the Transvaal operations of Norman Mining, which were included in Schamin's assets when the company was listed.

Scharrig MD Laurie Fisher said the acquisition would result in a minor dilution of the company's shares to 112,4-million from 109,4-million.

JONO WATERS

The takeover would increase Schamin's turnover by 20%, and earnings were expected to rise to 27,4c a share from the current forecast of 25c. Net asset value would rise to 74,6c a share from 69,9c.

Fisher added that Scharrig and Schamin were still on the acquisition trail. "We always have our eyes open," he said.

Investment analyst Robin Pegler said Trojan was strong in surveying and geology, an area which Schamin lacked. In addition, Trojan's plant equipment fleet amounted to 33 units, boosting Schamin's total pool to more than 320 units.

"The takeover will expand market share without any sacrifice of profit margins," Pegler said.

B/Day 16/6/93

(215)

17/6/93  
8/10/92

**Coal buyers to visit 2/5**

THE 8th Pacific Rim coal conference will be held at the Lost City in Bophuthatswana from June 29 to July 1 SA coal exporters will host buyers from Korea, Hong Kong, Taiwan, China and India  
Last year users in the Pacific Rim bought 30% of SA's 50,14-million tons of coal exports, about 8% of their total purchases

1993  
17/6/93

CONFERENCE  
17/6/93

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CONFERENCE  
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CONFERENCE  
17/6/93



## Coal industry hosts buyers

The 8th Pacific Rim Coal Conference will be held at Lost City from June 29 when SA coal exporters host buyers from Korea, Hong Kong, Taiwan, China and India. (215)

Users in the Pacific Rim burn about 45 percent of the coal traded worldwide. Last year they bought 30 percent of SA's 50.14 million tons of exports. (17/6/97)

Last month Amcoal, Rand Coal and Trans Natal Coal signed an eight-year agreement with the Korean Power Corporation to supply an initial 1.2 million tons of steam coal this year.

Duiker Exploration is one of 10 suppliers to be awarded long-term contracts by Taiwan — Sapa

DUIKER FM 18/6/93 (215)

## Coal handling constraints

**Duiker Exploration**, the coal producer and mining holding company in the Lonrho stable, has secured a contract to deliver 4,4 Mt of steam coal over five years to Taiwan Power. Any suggestion, however, that this means Duiker's annual exports will almost double is a chimera.

Duiker's exports of steam coal in 1992 were 1,4 Mt and 1,1 Mt in 1991. This material is moved through Duiker's allocation at the Richards Bay Coal Terminal (RBCT), the coal loading facility which can now handle about 53 Mt/year.

Lonrho technical director Hugh Stoyell confirms Duiker won the contract to supply Taiwan Power, which consumes about 13 Mt/year of steam coal, in the face of stiff competition from other SA producers and Australia. He declines to indicate the price. "We are contractually bound not to divulge that information," he says, but it's believed Duiker will get somewhat less than last year's US\$30/t average.

However, the existing export handling constraints at RBCT mean that what Duiker exports to Taiwan Power must come off the company's overseas sales to other customers. Stoyell says Duiker pursued this option because "it means that for the first time, we've secured half our export sales rather than offering our total export allocation for purchase on the spot markets."

This places increasing importance on the development of the alternative coal handling facility, Terminal Red, which is led by Sasol and of which Duiker is a member. Stoyell says the initial feasibility study is complete and participants in the Coal Export Joint Venture have the rest of the year to reach their individual decisions. It's likely con-

cont

FINANCIAL MAIL • JUNE • 18 • 1993 • 97

FOX FM 18/6/93 (215)

struction work on the projected 10 Mt terminal will begin next year and it should be ready to start shipments in 1996.

Meanwhile, Duiker's share price has risen 64% since late April. And it's not as though this has no connection with the gold price. Duiker's 36% holding in Eastern Gold Holding which, in turn, has an effective 85% interest in Erfdeel, a division of Freegold, has attracted investor interest against the background of a (perhaps temporary) surge in the bullion price.

Interest in this stock would probably be better judged against the performance of the company's direct operations rather than on the basis of its links to what can only be described as a marginal gold producer (Erfdeel).

David Gleason

## Utilities opt for SA coal

JOHANNESBURG. — Demand for SA steam coal from European utilities rose in the first half of this year at the expense of US coal suppliers, but prices remained battered

Quoting the US newsletter International Coal Trade, Sapa said yesterday US exports for the first five months of 1993 were 7,61-million tons — half the 1992 level — because French, Italian and Dutch utilities were buying more SA coal on the spot market

23/6/93

215

# Anglo opens Landau coal project

ANGLO American yesterday opened its R800m coal scheme in the south-eastern Transvaal.

The Landau Replacement Project, on Amcoal's Coronation Colliery-Kroondraai and Navigation colliery mine sites, is expected to add 3,3-million tons to the company's annual 41,6-million tons of sales. The bulk of the output is to be exported through the Richards Bay coal terminal.

The scheme was dubbed "remarkable" by Anglo chairman Julian Ogilvie Thompson. He said Landau was

central to Amcoal's longer term plans.

However, it would face "very tough competition in the export markets". Worldwide industrial activity had dropped, and "demand for coal has suffered".

The Landau colliery, which forms part of SA Coal Estates, a division of Amcoal Colliery and Industrial Operations, has 123-million tons of mineable reserves.

ANDY DUFFY

Richard Bay 25/6/93

(215)

# Landau Colliery Star 25/6/93 swings into action

By Derek Tommey

(215)

Anglo American's Landau Colliery, constructed at a cost of R700 million, was officially opened yesterday — 21 months after the decision to go ahead with the project.

The colliery will produce 3,2 million tons of export coal a year and enable Amcoal, Anglo's coal arm, to take up its extra export quota through Richards Bay.

This follows the planned expansion of the terminal there to a capacity of 53 million tons a year.

Amcoal will source an additional 1 million tons for export from other collieries in the group.

Landau has 123 million tons of mineable reserves, giving it a life expectancy of about 30 years.

Additional reserves adjacent to the beneficiation plant should extend its life by a further 20 years.

Julian Ogilvie Thompson, chairman of Anglo American, said yesterday Landau was a project that would lead the coal industry into the next century.

"Not only has it incorporated the latest thinking and technology in opencast mining and coal

preparation, but it has given attention to environmental issues."

Landau faces tough competition. The recession has reduced industrial activity in all parts of the world and demand for coal has suffered.

But Amcoal has shown its determination to stay competitive by working smarter and cheaper.

Strict attention to costs, together with the competitive climate for project construction and the introduction of VAT, contributed to a capital saving of R100 million.

Landau will be run with a small complement of 250 staff. The project sets high standards in productivity and its planned output of 13 200 sales tons a man-year rivals that of many of its First-World competitors.

Attention has been given to environmental issues and an environmental impact study was conducted before the project was given the go-ahead.

Mine officials said the retreatment of the old Navigation colliery dump would, for a start, help clear up the site of former colliery waste.

# Ore find may save Gold Fields tin mine

GOLD Fields of SA is considering granting a reprieve to Rooiberg Tin, its loss-making base metals subsidiary which last June was given just 12 months to live

The mining house said yesterday that additional ore had been discovered, and this could extend Rooiberg's life for at least another five years

Coal and base metal division GM Richard Robinson warned 12 months ago that Rooiberg had a year of high grade reserves left and that it would have to be mothballed or closed unless market conditions improved

Though tin prices had deteriorated since then, Robinson said yesterday Gold Fields had still to decide whether Rooiberg should close or continue at current low levels

The Rooiberg workforce was reduced by two-thirds last year, to leave total staff at just 250

"We're at the right staffing level,"

ANDY DUFFY

he said "We have identified additional ore with similar sorts of grades, so we can continue to produce for quite a bit longer depending on prices and the cost structure."

The lifespan could extend beyond five years depending on the results of continuing exploratory work.

Gold Fields' decision to keep the mine going caught market sources by surprise, given the disastrous state of the tin market.

Massive oversupply in recessionary markets and the failure of the Association of Tin-Producing Countries to control non-member producers such as China, Brazil and Russia, have led to a collapse in prices.

The metal was trading on the London Metals Exchange at a three-month middle price of \$4 977 a ton yesterday — its lowest level for more than 20 years

## Lonrho Sugar's earnings climb

EDWARD WEST

LOHNRO Sugar Corporation's earnings have climbed 12% to 571,1c a share in the year to-end March 1993 from 510,1c a share at the same time last year, today's published results showed.

A final dividend of 120c was declared, lifting the total dividend to 230c (1992: 220c).

The group, 99,7% held by Lonrho International, grows and mills sugar at estates in Swaziland, Mauritius, Malawi and SA.

Its results are quoted in emalangeni (E) — which has the same value as the rand — as the company is incorporated in Swaziland.

Turnover increased 9% to E463,8m (E425,3m), but profit margins improved and operating income climbed 15% to E119,2m (E103,5m). Loans rose substantially to E95,2m (E23,8m).

Lonrho Sugar's shares, one of the least traded on the JSE, was 4 800c at close of trade yesterday.

# Coal industry has to 'attack costs'

B/Dewy 30/6/93

ANDY DUFFY

THE SA coal industry had to attack its costs if it was to compete in the current cutthroat exports market, the country's largest coal exporter said yesterday.

Trans-Natal MD David Murray said current export prices had effectively ruled out new developments by local companies. The industry would have to boost productivity to maintain its export presence.

Speaking at the 8th Pacific Rim Coal Conference at Sun City, Murray told delegates that although substantial gains had been made since 1984, there was "room for improvement before productivity becomes one of the industry's strong points".

Given the state of the market, attacking costs would be the one avenue left to safeguarding margins.

"Productivity improvement is fundamental to sustaining a competitive advantage because it is the most effective way of influencing a reasonable return on investment," he said.

The local industry was dogged by low yields, low education levels and inadequate training. Until these were addressed, it was unlikely that it would attain the level of productivity found in Australia and the US.

While SA exported 50,6-million tons of steam coal last year, Trans-Natal and fellow exporters like Am-coal were badly hit by lower-cost producers in South America and Indonesia undercutting the market.

Average free-on-board SA spot prices had dropped to \$25,31 a ton, while Indonesia was coming in at \$19,50 and Venezuela at \$17,65. Industry sources said those prices might be even lower.

The market for steam coal to the end of the century was expected to show strong growth. Industry figures showed annual European demand

could rise to 180-million tons by the turn of the century from 125-million tons. Asian demand could double to 180-million tons a year, while demand in other world markets could grow 64% to 360-million tons a year over the same period.

Pundits expect such growth will herald a surge in the expansion of coal production. Both SA and Australian producers had enormous capacity for such expansion, Murray added, but both had lost money in the last two years.

"These expansions will not take place until producers perceive significant and substantial increases in coal prices."

Mineral and Energy Affairs Minister George Bartlett said local coal exporters could expect stiff competition in their attempts to exploit Pacific Rim markets.

The region, which currently accounted for around 30% of SA's steam coal export, was expected to account for around 80% of any increase in future demand.

Bartlett said that although SA had "well established infrastructure and export facilities", Australia and Indonesia were better placed geographically to serve the region.

Despite current trading conditions, Sasol Coal said it would target steam coal exports to secure future growth.

The company said SA exports could increase to 65-million tons a year by the turn of the century. The company was planning to account for 3-million tons of this.

Sasol GM, mining, Pieter Cox said Sasol's own annual usage of coal would increase only marginally, from 40-million tons to 44-million tons by the turn of the century.



Paul Heinemann, chairman and MD of the Price Forbes Group, has been elected president of the Insurance Institute of South Africa.

## 'How low can it go?'

Own Correspondents

SUN CITY — Coal miners were among the lowest paid workers in the country, with Gold Fields of SA's Greenside colliery paying as little as R466 a month, NUM president James Motlatsi said yesterday.

Speaking at the eighth Pacific Rim Coal Conference held at Sun City, Motlatsi blamed "cut-throat economic and social competition between coal-producing countries" as a result of the glut of coal on the international market, for the "gross exploitation of mineworkers".

There were two pressing needs for the future of coal mining: safe working and decent living conditions, and mining to be conducted "in such a way that future generations will continue to benefit."

Motlatsi singled out Eskom's "cheap electricity fixation" as being particularly destructive and wasteful. He said the policy had done nothing for economic, environmental or social development. (215)

● The SA coal industry has to attack its costs if it is to compete in the current cut-throat exports market, Trans-Natal MD David Murray said. (214) CT30/6/93



## Competition erodes miners' pay — NUM

ERICA JANKOWITZ

COAL miners were among the lowest paid workers in the country, with Gold Fields of SA's Greenside colliery paying as little as R466 a month, NUM president James Motlatsi said yesterday. **B/Day**

Speaking at the Eighth Pacific Rim Coal Conference held at Sun City, Motlatsi blamed "cutthroat economic and social competition between coal-producing countries" resulting from the glut of coal on the international market for the "gross exploitation of mineworkers". **20/6/93**

The "destructive competition" meant miners earned on average R1 300 a month and slept in single-sex hostels housing up to 16 men a room.

Motlatsi suggested a workers' average salary would pay for only three nights' accommodation at Sun City, "or less if you have meals". **(215)**

He said mining houses had been forced to mine only rich deposits, abandoning low grade reserves which were "lost to future generations".

There were two pressing needs for the future of coal mining: safe working and decent living conditions for miners and mining to be conducted in such a way that future generations would "continue to benefit from the riches of the earth".

Motlatsi singled out Eskom's "cheap electricity fixation" as being particularly destructive. He said the policy had done nothing for economic development, but had led to "energy wastefulness". **(215)**

To Page 2

## Coal mines **B/Day** 20/6/93

From Page 1

Also, in both environmental and social terms, Eskom's policy had been expensive, Motlatsi said. About 80% of black households were not electrified, numerous workers had been retrenched and "poisoned water and polluted ground" had been left by Eskom developments.

He said Eskom's stated plan of further reducing costs over the next five years would have a serious effect on coal mines, which were forced to supply coal at "less than a third of the international price".

"SA, for all its poverty, unemployment and oppression, is rich in mineral resources and particularly rich in coal reserves. There is no reason why coal miners cannot be paid decent wages and have the

option of family housing — except for the greed and short-sightedness of the narrow band of white men who misrule our country and mismanage our economy."

He called for international co-operation to force coal consumers to pay a price for coal which would reflect "its true cost".

In his speech Motlatsi also criticised Bophuthatswana, the chosen venue of the conference. **(215)**

He described the territory as a "police state" whose armed forces "constantly arrest, torture and kill trade unionists". He also said his union had been refused recognition in Bophuthatswana.

● See Page 3

# Trans-Natal ready for worst

By Thabo Leshilo

Trans-Natal predicts another tough year for the coal mining industry because of declining export prices and oversupply on the world market.

The company, however, maintained its operating income of R225 million for the year to June, notwithstanding the adverse market conditions, managing director Dave Murray said yesterday.

## Cash balance

He said the drop in the group's cash balance, from R197,7 million in 1992 to R107,4 million this year, reflected the substantial investment in mining infrastructure and the voluntary retirement of an expensive

Sales volumes of 27,1 million tons were higher than for the previ-

ous year, with exports showing an improvement of 2,7 percent.

Sales to Eskom increased by 7,1 percent.

Sales revenue increased to R74,6 million because of higher sales volumes and a more beneficial exchange rate.

The average dollar price of steamcoal exports dropped by 5,7 percent from figures for 1991/1992.

Cost of sales increased to R1,413 billion, while productivity increased by 21,7 percent to 303 saleable tons per man per month.

The reduction in the company tax rate from 48 percent to 40 percent offset the adverse effect of the abolition of exporters' allowances under the Income Tax Act.

However, secondary tax on companies (STC) increased the effective tax rate for the group

(215)  
from 28 percent to 31 percent, leading to a drop in income after tax and before extraordinary items to R115,5 million

The effect of the reduction in the company tax rate on the deferred taxation benefits reserve, amounting to R44,6 million, was treated as an extraordinary item and set off against extraordinary write-offs.

## Dividend

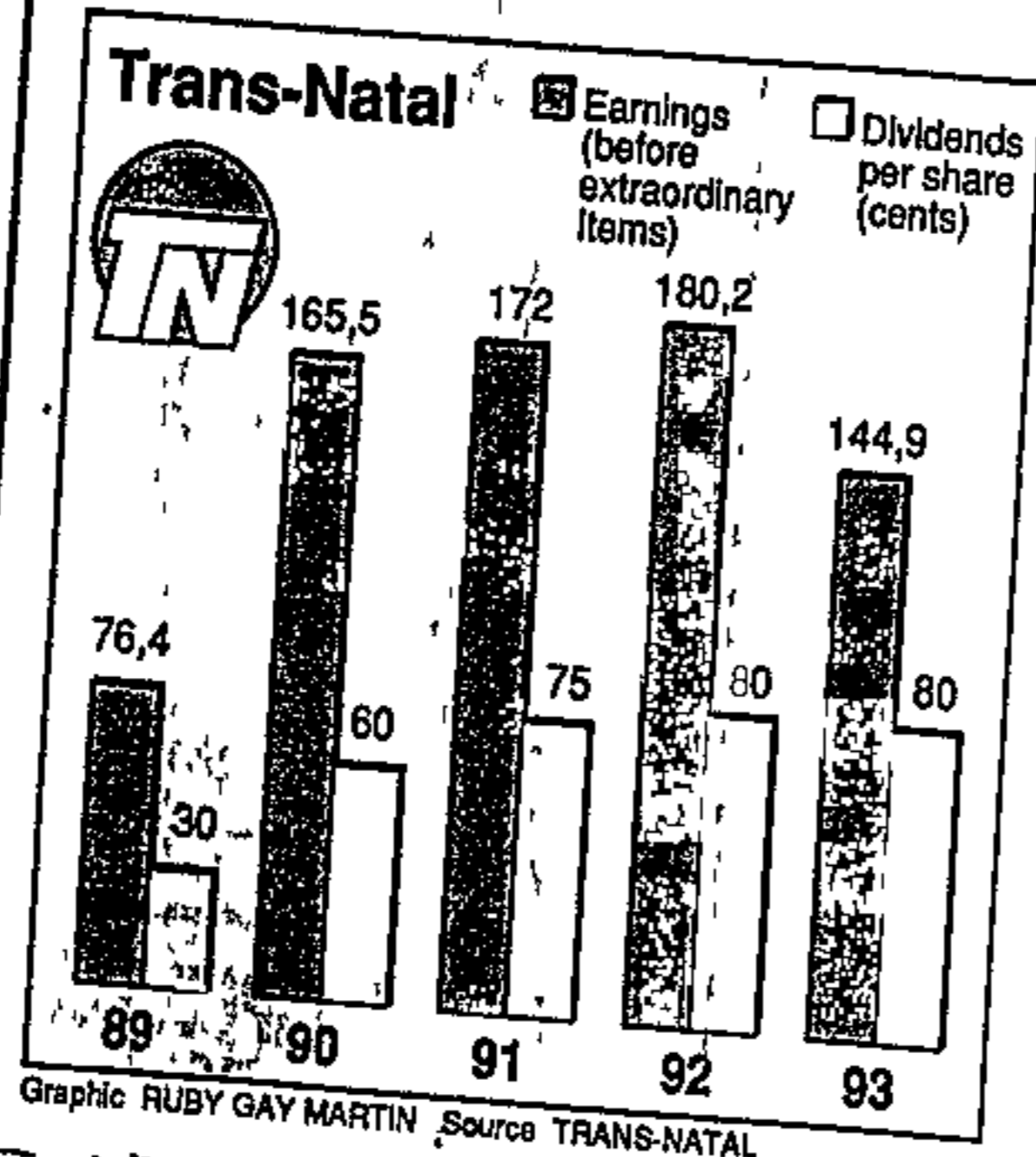
For the second year, Trans-natal maintained its dividend at 57c per share, making a total of 80c for the year.

"In the absence of a substantial improvement in the dollar price of steamcoal exports, it is unlikely that the group will be able to report a similar level of income after tax in 1993/1994, despite the current favourable exchange rate," said Murray

# Trans-Natal limits damage

Biday 6/8/93

ANDY DUFFY



STRINGENT cost control and higher sales helped limit the damage collapsing prices inflicted on coal company Trans-Natal in the year to end-June.

The Gencor-owned company, SA's largest coal exporter, sustained a near 20% fall in earnings to 144,9c a share for the period, though well above market expectations as the company kept up its productivity drive and pulled in revenues ahead nearly 5% at R1,6bn (215). But the deteriorating market cost Trans-Natal more than R60m in write-offs, and MD Dave Murray warned that the company, which derived more than 60% of

To Page 2

## Trans-Natal

Biday 6/8/93

From Page 1

its revenues from exports, was at the mercy of declining coal prices.

Dollar steam coal prices had fallen 6% during the period, and could drop by the same extent this year. Earnings would almost certainly fall in tandem.

"We've got to the point where we can't make up (for falling prices) by increasing volumes," Murray said.

Trans-Natal's operating performance for 1993 belied a market under attack from oversupply and cutthroat South American and Pacific Rim suppliers. Though exports were only marginally ahead at 11,6-million tons (11,3-million), a rise in sales to Eskom to 10,5-million tons (9,8 million) left operating profit static at R225,5m (R226,2m).

Trans-Natal contained the increase in sales costs to 5,7% or R1,4bn as productivity was boosted.

Cash balance fell back from R197,7m to R107,4m. This the company attributed to securing its export base, cutting interest income back from R32,2m to R9,3m.

The company, which had been hit last year by the ending of export allowances, staged a partial recovery under the new 40% tax regime. But a R6,9m cost for the secondary tax on companies left the effective rate at 31%, cutting after-tax income back to R115,5m (R143,3m) (215).

Trans-Natal used a R44,6m gain from tax changes on its deferred taxation reserve to cut back its R61,6m write-offs. Falling demand from the metallurgical

sector forced the company to put its Delmas Colliery on to a single shift at the start of last month, costing 390 employees their jobs and Trans-Natal a R20m write-off.

The cutback at Ermelo mines, flagged at the half year, cost a further R24,3m, while restructuring Eikeboom Colliery and the Blinkpan section at Koorfontein cost R8,3m. Trans-Natal also took a R8m write-down on an associate in the face of declining demand.

The resultant R17m extraordinary item left attributable income down at R98,5m (R143,6m). The dividend remained at 80c.

Murray said the pressure on export prices was most acute from European customers, who were pushing for contract prices just \$3/ton ahead of spot prices, which ranged from \$19,50 to \$23,50 a ton. "We have to see a turnaround in spot prices before we stand a chance of maintaining or improving contract prices," he said. Contracts were due for renewal in November.

Customers in the Far East were less opportunistic, and Trans-Natal was banking on its good relations with suppliers to help cushion the blows.

Domestic demand, despite the fillip from Eskom last year, would be static.

Murray said Trans-Natal was still planning to boost its earnings by acquisitions, but there was "nothing on the table". He refused to be drawn on plans to bid for Italian-owned Agipcoal SA.

## Slump dents Macphail

**MARC HASENFUSS, Business Staff**

COAL distributor Macphail reported a 4 percent dip in earnings to R2,56 million in the six months to end June. (215)

Directors deemed the interim performance satisfactory in light of the tough trading conditions prevailing. ARG 9/8/93

They said that difficult trading conditions were expected to continue in the second half of the year but stressed that no material change in total earnings for the year (compared to 1992) was expected

In line with director's full year expectations, the interim payout was held at 5,5c a share (covered 3,3 times).

In the period under review turnover moved up 7 percent to R153 million — which translated into a 6 percent drop in pre tax profits to R4,5 million.

Directors said asset management and overhead control partly offset difficult trading conditions.

The group's cash position has also been bolstered with funds on deposit increasing to R9,4 million (previously R9 million) at the end of June

FURN 13/8/93

done all it can on efficiency Murray says productivity has improved 21,7% to 303 saleable tons per man-month and cost of sales rose only 5,7% (3,3% per unit) to R1,41bn

Underperforming collieries were scaled down, including Ermelo and Delmas, while rationalisation and writing-off of redundant assets took place at Eikeboom and the Blinkpan section of Koornfontein Scaling down cost R61,6m and 390 jobs at Delmas, set off against R44,6m deferred tax benefits from the reduced corporate tax rate (215)

A few factors could help this year A beneficial exchange rate would boost export revenue, capex is expected to fall to about R150m (1993 R219m), and productivity could improve as capital spending of recent years starts to pay off But it's the spot price that will make the difference One view is that the market will improve by 1995, though there are fears that SA producers' cost structure is just too high to match countries like Australia

Irish & Menell Rosenberg analyst Dave Russell says when world demand improves, major new production coming on stream in Indonesia, China and South America will have cost-advantages because of new technology and lower transport costs But another analyst points out that spot prices have fallen because of oversupply by some countries, coal remains a growth industry with demand rising 3%-4% a year, which should pick up as power stations are built in the Far East He predicts prices around \$36-\$38/t by the mid-Nineties

If Trans-Natal can maintain its dividend, the yield makes the share worth holding. And if an upturn in US\$ prices in two years' time pulls earnings out of the trough, long-term prospects will improve *Shaun Harris*

## TRANS-NATAL COAL FURN 13/8/93 Exports erode margins

**Unlike competitors** Amcoal and Randcoal, heavy exposure to exports (more than 60% of revenue is export-generated) is hurting Gencor's coal-producing arm Trans-Natal That could be a temporary phase, though views on the world market and future US\$ prices differ But, in the short term, there seems little respite from oversupply from Indonesia, Venezuela and, to a lesser extent, Russia, which is depressing spot prices (215)

New MD Dave Murray warns earnings won't be maintained at 1993's 144,9c a share

### MORE COAL, LESS STEAM

Year to June 30	1992	1993
Turnover (Rbn) .. ...	1,56	1,64
Operating income (Rm) .	226	225
Attributable (Rm) . . . .	144	99
Earnings (c) . . . . .	180	145
Dividends (c) . . . . .	80	80

— already nearly 20% down on 1992 — if the downward trend of coal prices continues

Despite the bleak outlook, the dividend was held, and one point analysts agree on is that it will probably be maintained in 1994, even if this means cutting cover further. Of course, word could have come from Hollard Street that money is needed at the top Murray gives the rather pat answer that "Our shareholders have supported us and we felt we should support them"

It could also mean that Trans-Natal is taking a long view on world markets and sees some cause for optimism Cutting the dividend would seriously affect the share's rating, if the dividend is maintained, on its yield of 7,8%, it retains some attraction, and, compared with the tightly held shares of competitors, is at least interesting

Murray says US\$ prices for steam coal fell on average by 5,7% over the year, offset slightly by a more favourable exchange rate "We can't make up the price difference by increasing volumes Trans-Natal's capacity at Richards Bay Coal Terminal has already been reached," he says

Exports, at 11,6 Mt, rose marginally. An extra 700 000 t was supplied to Eskom, reversing a downward trend of several years But inland demand fell 400 000 t Performance at operating level, where income slipped just 0,5% to R225m, was creditable but the margin tightened from 14,5% to 13,7%

Internally, Trans-Natal seems to have

## SA coal deals — at cut-rate prices

JOHANNESBURG — South African coal suppliers have secured several substantial sales during the past week — but at some very low prices, King's International Coal Trade magazine reports

(215) CT 18/8/93  
"SA suppliers must have stockpiled tonnage that they want to get rid of," suggested one international trader in an interview with ICT. "And the money in their pockets is more value to them than lying on the ground."

Spot deals are reported to have been offered as low as \$19 a ton/fob Richards Bay, with more recent bids dropping to \$18.

Electricidade de Portugal is said to have bought 200 000 tons and Hong

Kong's China Light and Power 500 000 tons at \$20. If the Hong Kong shipment is confirmed, it will be the lowest priced deal recorded this year.

A solicitation for 260 000 tons from Greece's Heracles Cement has been bid at prices from \$18 to \$19.50 a ton fob Richards Bay.

"It is one of the worst scenarios possible," one Johannesburg-based group told ICT. "Buyers have long and selective memories. When we have to sit down and bargain later this year, they will remember these ridiculous prices."

"We need to be working toward obtaining fair prices for our coal, not cutting our own throats." — Sapa

## Concern over low-priced coal sales

SA COAL suppliers had secured several substantial sales during the past week — but at some very low prices, King's International Coal Trade magazine reported **BiDay**

"SA suppliers must have stockpiled tonnage they want to get rid of," suggested one international trader in an interview with the magazine.

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Greece's Heracles Cement has bid for 260 000 tons at prices from \$18/t to \$19,50/t fob Richards Bay.

Although some suppliers are obviously keen to move coal at any price, others warn such a policy could run their chances of negotiating good prices for next year's contracts.

"It is one of the worst scenarios possible," one Johannesburg-based group told King's International Coal Trade. **(215)**

"Buyers have long and selective memories. When we sit down and bargain later this year, they will remember these ridiculous prices.

"We need to be working towards obtaining fair prices for our coal, not cutting our own throats" — Sapa.

## Coal exports improve 10%

ANDY DUFFY

COAL exports for the first half of this year were nearly 10% higher than those for the same period last year, according to figures released by the Minerals Bureau yesterday. *Binay*

However, the value of the exports was unchanged as falling international coal prices continued to slice into margins, coal industry sources said. *3118/93*

The Minerals Bureau reported that exports for the six months to June hit 24,9-million tons, against 22,8-million tons last year. Exports for June alone stood at 3,5-million tons, with an export value of R283,6m. *(215)*

The figures come against a backdrop of a depressed international coal market and major cost-cutting.

Although industry leaders welcomed the rise as a sign the market might finally have begun to bottom out, they said the value of exports had not moved up in tandem. "This is almost certainly not (the case)," Anglo American Coal Corporation chairman David Rankin said. "Falling spot prices have done sufficient to erode this."



# Sickly rand fails to aid coal

THE coal industry's main defence against soft world prices — the rand's depreciation against the dollar — is doing little to protect export earnings, say sources. **Binay**

According to newly released government figures, coal export revenues dropped 4% in rand terms year-on-year for the first six months of 1993, despite a 12% fall in the value of the rand against the dollar during the same period. **11/9/93**

With coal exporters gaining the bulk of their revenues in dollars, the rand's dip had been vaunted as a shield against harsh international conditions. But sources said exporters were still suffering because producers were trying to safeguard operations by chasing volumes.

The figures, compiled by the Minerals Bureau, showed first-half export volumes rose from 20,5-million tons in 1992 to 22,4-million tons this year. However, the value of the exports climbed just 5% to R1,9bn as average rand prices dropped from R88,6 a ton to R85,3 a ton.

Bituminous coal volumes, the bulk of exports, climbed 11% to 21,5-mil-

ANDY DUFFY

lion tons during the period, but the value edged forward 6,6% to R1,8bn.

The drop in earnings came despite a fall in the rand's average value against the dollar from R2,83 to R3,16 year-on-year. Export prices had been hit by oversupply and cut-throat competition from South America and the Pacific Rim, particularly Indonesia. This had forced SA producers to rein in costs and cut staff to underpin their earnings. **(215)**

Randcoal MD Rick Mohring said such a strategy would have to continue and that no improvement in coal prices was likely before 1995.

"The devaluation of the rand has not compensated for the drop in prices," he said. "It's bottoming, but it is difficult to see where the bottom is." Analysts said the fall in earnings suggested SA suppliers had decided to ditch the strategy of imposing a premium for safety of supply.

Contract prices, due for renewal in the next two months, were likely to drop with the collapsed spot price.

# Ailing Fraser Alexander reins in fall in earnings

Star 8/9/93

(215)

BY STEPHEN CRANSTON

After its disastrous first half, in which earnings crashed by 33 percent, Fraser Alexander contained the fall in attributable income to 21 percent at R14,4 million and earnings per share at 91,3c for the year to June.

The dividend has been reduced by 23 percent to 30c.

Executive chairman Peter Flack says the group disposed of loss-making companies. Total disposal costs were R3,5 million.

The group has moved its

Australian operations from Perth to Sydney, at a cost of R1,5 million to take advantage of two major long-term contracts for ash handling and coal beneficiation.

It is also expanding mine rehabilitation in Chile.

Flack says Fraser Alexander has concentrated on niche markets, in each of which it has the largest share, except for Concrete Products, where it is number two to Rocla.

The tailings division produced another sound performance in a cost-conscious

market.

The bulk materials handling division has diversified from its traditional Eskom and energy industry base into the broader coal market, a strategy that started bearing fruit in the second half.

The mining division lost R2 million in the first half from operations servicing the ferrochrome industry, but this was made up in the second half.

The concrete products division remained profitable, even though it was working at 55 percent of capacity. Construc-

tion, which focuses on mining infrastructure, also held up well.

Group turnover fell by eight percent to R323,4 million.

The balance sheet still looks healthy, with gearing down from 42 percent to 38 percent, but the tax rate increased from 31 percent to 38 percent, as a number of assessed losses were used up.

Fraser Alexander has been a disappointing performer over the last three years, but looks in better shape after the latest round of restructuring.



Peter Flack . . . concentrating on niche markets.

32  
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029  
18

## Three deals

## for coal

## exporters

Star 16/9/93

South African coal exporters have successfully negotiated three spot contracts with Greek and Taiwanese customers totalling 680 000 tons, the US-based weekly market newsletter King's International Coal Trade reports. (215)

Titan Cement has bought 240 000 tons of steam coal at \$22 a ton FOB Richards Bay.

Heracles General Cement has bought 130 000 tons at \$19 to \$20.

It has an option for a further 130 000 tons

Trans-Natal Coal Corporation, Randcoal and Duiker Exploration will share a 180 000-ton spot sale to Taiwan Cement.

The deal was done at prices between \$22 and \$23 a ton.

The newsletter also reports that Stadtwerke Bremen of Germany is looking to South African producers to supply 250 000 tons of steam coal in the \$20 a ton price range. — Sapa.

## DIGEST

### 3 coal contracts for SA <sup>CT 16/9/93</sup> (215)

JOHANNESBURG — South African coal exporters have successfully negotiated three spot contracts with Greek and Taiwanese customers totalling 680 000 tons, the weekly market US-based newsletter King's International Coal Trade has reported

# MacPhail spearheads comeback for coal

B/Day  
21/9/93 (215)

Business Day Reporter

MAJOR coal distribution company MacPhail has joined forces with 12 coal traders to form Africoal (Pty) Ltd, a national marketing and buying organisation aimed at revitalising the household coal market

"With Africoal's emphasis on lower prices and improved quality, we expect to increase its initial 14 outlets currently operating in the Transvaal to about 100 countrywide within a year," says Africoal chairman Leonard Twala

"We conservatively estimate a 50% increase in tonnage for each dealership that joins the Africoal group and anticipate total annual sales in excess of a million tons by the end of 1994."

Twala said Africoal would be a partnership, with the traders providing the stockpiling, bagging and selling activities and MacPhail sourcing the correct coal and providing efficient administration.

"High retail prices, erratic supply and inferior quality have been killing the household coal market.

"By pooling such extensive resources and expertise, Africoal's network will ensure a reliable supply of cheaper, superior quality coal to domestic consumers countrywide," he said

"And through economy of scale, consumers will enjoy price savings of at least 30% per bag."

While electricity had become more widely available, even in far-reaching areas now, it was much more expensive than coal.

The average family could reduce its power bill by at least 50% by using coal instead of electricity for heating and cooking, Twala said

Environmental considerations were another major concern.

Africoal would supply only washed coal with a low sulphur content, which would significantly improve the pollution problems which had become synonymous with the inferior quality coal supplied to domestic consumers

Part of Africoal's marketing strategy would be to encourage the private and public sectors to incorporate smokeless stoves for hot water, cooking and space heating purposes into all new housing schemes — methods which were more environmentally friendly and cost efficient, he said.

# Companies in bid for Agipcoal

CT/2/10/93  
Own Correspondent

JOHANNESBURG —  
Several major SA companies have tabled bids to buy Agipcoal, the Italian state-owned coal company up for sale as part of the country's privatisation drive.

An Italian government source said yesterday bids included offers to buy the whole Agipcoal operation, rather than just its SA business.

It is understood that the Gencor-owned coal company Trans-Natal and petrochemicals group Sasol are among the leading contenders. Anglo American is also thought to be in the running through offshore arm Minorco, but the group yesterday dubbed this as "speculation".

The source added that several SA companies had also tabled plans to clear the obstacle of financial restrictions, though he declined to be drawn on details.

Agipcoal, which is a subsidiary of the ENI energy corporation, is believed to be worth at least R600m, and has operations outside SA which span Europe, north and south America and Australia.

## Trans-Natal aims to boost productivity

*3/15/94*  
TRANS-Natal Coal Corporation aimed to improve productivity by a further 20% in the current financial year, MD Dave Murray said in the group's annual report for the year ended June 1993. *18/10/93*

Productivity improved by 21,7% to 303 saleable tons of coal per man per month in the past financial year. However, a further improvement in productivity and cost-cutting would not be enough to offset the lower prices received for coal exports. *(215)*

Trans-Natal is SA's largest coal exporter with 11,6-million tons of coal leaving the country over the past financial year.

Murray said oversupply in world coal markets was expected to continue, exerting extreme pressure on long-term contract prices during negotiations.

"Any further reduction in export prices will not be entirely offset by the expected lower value of the rand compared to the US dollar, and will exert further pressure on already small operating margins."

The decline in domestic demand was expected to slow. Sales fell 10% last year to 5-million tons. No growth in Eskom sales was expected.

As a result, the corporation was still looking for acquisitions overseas which offered "good value and synergy". There was nothing on the cards at present but Trans-Natal would continue to evaluate potential opportunities. — Sapa.

# Collapsing margins cut Randcoal earnings

BIDAY 19110/93

COLLAPSING margins sliced more than a third from Randcoal's earnings for the year to September, despite the coal producer's attempts to maintain sales.

Although turnover edged forward to R1,6bn, operating profit slumped by nearly a quarter to R235m as prices in local and international markets crumbled.

Randcoal was also hit by secondary tax on companies — which pushed the tax bill up nearly 75% to R9,4m — and a R20,4m extraordinary charge to cover the closure of anthracite operation Welgedacht Exploration Company.

Interest paid fell 40% to R29,5m and working costs fell in real terms, but Randcoal's attributable earnings were still cut to R112,4m (R172m).

Earnings a share at 87c (168c) were further diluted by the issue during the year of 26,5-million shares to parent Rand Mines to buy supply agreements, management contracts and mineral rights. The dividend was cut by a quarter to 45c.

Randcoal warned at the halfway stage that its final dividend would be cut, but the damage inflicted was likely to catch market watchers by surprise.

Overall coal sales were unchanged at 29,1-million tons.

Export sales edged forward 6% to 11,6-

ANDY DUFFY

million tons, but CE Allen Cook said the slim rise in turnover was due to higher revenues from Eskom sales, which remained static at 15-million tons.

Other local sales dropped 27% to 2,5-million tons. (215)

"Prices on local and export markets continued to decline, only partially offset by the weakening rand and higher export volumes," Randcoal said.

The results cap a difficult year for Randcoal, in which tighter market conditions abroad combined with disappointing domestic developments.

The company was forced to close its Eskom-tied Majuba colliery in May after geological problems rendered long-wall mining impossible and forced costs up.

Randcoal managed to limit the damage at Majuba to R120m.

It said the write-off on Welgedacht covered fixed assets, payment to settle throughput commitments and rehabilitation and retrenchment costs. The company's capital commitments were cut by a third to R1,45bn.

Randcoal said this would be financed from future profits, and by loans arranged with Eskom and bankers.



# Rand Coal sees profit tumble

Star 19/10/93

■ BY DEREK TOMMEY

Lower export prices and reduced local sales sent Rand Coal's profit tumbling in the year to September. (215)

Sales at 29,1 million tons were virtually unchanged, while revenue rose fractionally to R1,6 billion, thanks to increased payments by Eskom.

But operating profit dropped 23 percent from R307 million to R235 million and attributable profit fell 35 percent to R112,4 million.

A 26,5 million increase in issued share capital diluted earnings, which were almost halved — dropping from 168c last year to 87c.

A final dividend of 25c is to be paid, making a total of 45c (60c) for the year.

Capital commitments of R1,45 billion (R2 billion) will be financed from profits, and from loans arranged by Eskom and the group's bankers.

RANDCOAL

Fm 22/10/93

### Export prices worsening

Grim conditions on export markets have impaired Randcoal's earnings and look set to continue. Prospects for the 1994 financial year appear poor, with tough negotiations on foreign supply contracts due to start soon.

CE Allen Cook sums up Randcoal's position. "We're surviving, I just wish we were surviving a bit better." Turnover grew 2% in the year to September but operating profit fell 23% and attributable earnings 35%.

EPS figures are even worse thanks to the 26,5m new shares Randcoal issued to acquire assets from holding company Rand Mines. These included various management contracts, coal rights and the Eskom coal supply agreements for the Kendal and Majuba power stations. Despite the additional income from these assets, EPS slumped 45%. The dividend was chopped by a quarter.

Calendar 1994 could see worse conditions for SA's main coal exporters. Further price cuts on vital export contracts loom. The major groups try to sell most of their coal on contract and put the balance in the spot market because contract prices are usually higher than those ruling on the spot market. Most contract customers will pay a premium for security of supply. (745) (215)

But spot prices have been so low for so long that the contract prices are in danger of being seriously eroded. The benchmark Enel price in Europe dropped to US\$27,85/t for 1993 delivery, from \$31,80/t in 1992 as a

### DOWNWARD SLIDE

Year to	Sep '92	Sep '93
Coal sales (Mt) .....	29,3	29,1
Turnover (Rm) .....	1 620	1 649
Attributable profit (Rm) ..	172,4	112,4
Earnings (c) .....	168,0	87,0
Dividends (c) .....	60,0	45,0

result of spot prices falling to around \$24/t.

Since January, the spot price has fallen as low as \$19/t fob Richards Bay, depending on coal quality. Exports at these price levels cannot be profitable. No company will admit to such sales, but still the coal goes out.

Cook says favourable developments include the long-running strike affecting parts of the US coal industry and the flood of coal from the Commonwealth of Independent

Fm 22/10/93

States being stemmed as their ludicrously low railage rates have increased. "I believe spot prices will pick up next year but it will come too late to help us during the contract negotiations for 1994 delivery," Cook says.

Rationalisation and restructuring which has taken place at Randcoal over the past year will continue. Last year saw the closure of the loss-making anthracite section of Welgedacht, which has resulted in an extraordinary charge of R20,4m.

Cook says the Douglas section of Douglas Colliery will be rationalised and will no longer be separate. The open-cast operation will be tucked under the Wolwekrans mine, while the underground workings will be run by Van Dyk's Drift. Also, this year should see agreement on the plan to merge the operations of the Middelburg export colliery with the Duvha colliery, which is tied to Eskom's power station. (745) (215)

Cook expects sharply higher sales in 1994 from Khutala colliery to Eskom's Kendal power station. Eskom has requested higher production but he won't provide figures.

Financing costs have been slashed because of lower borrowings and interest rates as well as benefits from the restructuring of Rand Mines. That added up to a 40% fall in interest paid to R29,5m (1992: R48,8m). Future capital commitments have dropped to R1,48bn, from the previous year's R2,1bn, following the closure of Majuba.

It all helps, as does the rand's depreciation, but the outlook still seems to be for a further fall in earnings in 1994. *Brendan Ryan*

## COMPANIES

# Duiker's earnings rise again

DUIKER Exploration, the Lonrho-owned coal and gold producer, reported a fourth successive quarter of improved earnings, which rose to 77,6c (67,2c) a share in the three months to September 30

The company declared a 45c final dividend, taking the total payout in the year to end-September to 63c (50c) *BIDAY*

The steady improvement in results due to better export coal sales, higher gold output, firmer bullion prices and the weakness of the rand — lifted earnings for the full year to 216,1c (150,1c) a share

A 50% jump in after-tax profit to R31,1m (R21,6m) was accompanied by a similar fall in capital spending to R10,9m (R20,3m) *(215)*

Duiker followed its rights and secured a small stake in Eastvaal Gold Holdings, the company through which Anglo American is developing its R1,7bn Moab gold mine

Chairman and MD Terence Wilkinson, appointed an executive director to the Lonrho board this week as part of the group's

MATTHEW CURTIN

boardroom reshuffle, and technical director Hugh Stoyell were unavailable for comment yesterday.

Quarter-on-quarter steam coal sales climbed by nearly a third to 1,38-million tons (1,07-million tons) with Duiker's first shipment to Taiwan Power. Company spokesman Tony Howard said anthracite sales tumbled to 10 513 tons (110 584 tons) because of delayed shipments. Gold output from the group's Klipwal mine was unchanged at 83kg. *22/10/93*

Sales revenue was not disclosed, as usual, but operating profit improved to R15,6m (R13m) as mining income rose to R13m (R10,7m). *(214)*

Income from Duiker's associate company, the 36%-held Eastern Gold Holdings that has a stake in the Erfdeel division of Anglo's Freegold, fell to R3,21m (R3,39m).

Pre-tax profit was R18,8m (R16,4m) and with higher tax provisions, after-tax profit stood at R11,2m (R9,67m).

# Exporters face coal price cuts

SA COAL exporters were heading for the biggest cut in long-term contract prices since they undercut competitors to win market share during sanctions in the late '80s, market sources said yesterday.

Marketing teams from leading exporters Amcoal, Randcoal, and Trans-Natal are in Europe to negotiate 1993/94 contracts with customers whose bargaining position has been fortified by the slide in spot steam coal prices to as much as a 25% discount to last year's contract prices.

Industry sources said SA contract prices had already started to give, with large shipments to the Netherlands and Belgium settled at \$26 to \$27 a ton, compared with \$30 and \$31 in 1992. Spot prices currently range from \$22 to \$28 a ton (215)

However, Frankel, Pollak, Vinderine analyst Kevin Kartun said contract prices could be supported by supply constraints

MATTHEW CURTIN

affecting eastern European output. Russia announced the planned closure of a large number of its collieries on Wednesday

Some sources suggested SA producers were gearing up for a more aggressive strike at winning global market share. However, a significant boost to exports is constrained by the export capacity at the Richards Bay Coal Terminal, currently operating at full tilt and handling 50-million tons a year out of its nominal capacity of 54,5-million tons

Coal producers' margins have been under pressure for some time from flat if not lower contract prices and, until this year, the rand's relative strength against the dollar. The rand's weakness will provide some protection in the year ahead against

□ To Page 2

## Coal

□ From Page 1

the likely dive in contract prices.

Amcoal's turnover has risen to R1,9bn in 1993 from R1,7bn in 1990, but pre-tax profit has declined to R510m from R563m. Randcoal, with sales climbing to R1,6bn from R1,1bn in the same period, saw pre-tax income decline to R122m from R195m. Likewise, the improvement in Trans-Natal sales — R1,6bn from R1,4bn — has been accompanied by lower pre-tax profit at R168m in 1993 against R211m in 1990.

Sapa reports that exporters are expected to line up almost 5-million tons of sales in the next few weeks, according to Kings International Coal Trade, a US market weekly. The tonnage would be 10% of 1992's total coal exports (215)

Belgian utility Electrabel is expected to firm up contracts for 1994 totalling 4,5-million tons of steam coal with Amcoal, Trans-Natal and Randcoal. Prices should be about \$25-\$27 a ton fob, just 15% to 30% above current spot prices.

Trader Marc Rich is the leading contender for a 150 000-ton contract of spot steam coal for Greece's Heracles Cement. The SA suppliers have undercut Indonesian producers by \$4 a ton. Also through Rich, SA suppliers are favoured bidders for 200 000 tons for Bursa, Turkey. Through trader Anker Kolen, Total SA will supply 100 000 tons of spot steam coal to German utility Preussenelektra at \$21 to \$22 a ton, from the Total/JCI Arthur Taylor mine.

Star 17/93

# Sasol ponders 2nd coal terminal

Own Correspondent

DURBAN — Richards Bay, set to boom as the R7 billion Alusaf project gets under way, received another boost when Sasol said a second export coal terminal was being considered as a joint venture

It could cost in excess of R100 million (215)

An initial study on the project had "encouraging" results and a feasibility study would be completed next month

Sasol, a major coal-miner, seems set to boost its output together with its partners in the venture and would look to exports by 1996

The town has seen multi-million-rand expansion at Richards Bay Minerals and Mondi Paper in the past few years, as well as expansion of the existing coal terminal.

However, the rapid industrial expansion has led to conservationists and residents expressing concern (250)

The site for the planned new coal terminal is not yet known but, with several conservation areas in the harbour, the possible sites may be limited

Sasol general manager Peter Cox told Reuters it was envisaged the so-called south dunes coal terminal would have an initial capacity of 12 million tons a year.

"Results of the pre-feasibility study were encouraging and so the investigation has been taken through to the feasibility stage, which is due for completion during July 1993."

His remarks were contained in an address prepared for delivery to the eighth Pacific Rim coal conference in Bophuthatswana.

He said the joint venture had secured raiing capacity to Richards Bay and land for a coal terminal at that port

The joint venture partners are Sasol Mining, Agip Coal SA, Anglovaal Coal Holdings, Gold Fields Mining and Development, MacPhail Holdings, Iscor, Rand Collieries and Fuel, and Tselentis Mining

# SA has capacity to increase steam coal exports by 50%

THE SA coal industry could have the capacity to boost steam coal exports by more than 50% by the end of the decade, an industry expert said yesterday.

Speaking at the 8th Pacific Rim Coal conference at Sun City, Rand Afrikaans University, energy studies director David Kotze said on current expansion plans, steam coal exports could rise from 50.5-million tons last year to 77-million tons in the next seven years.

Exports through the Richards Bay Coal Terminal could hit 53-million tons by 1995, he added, while the level could rise to 64-million

**ANDY DUFFY**  
...ion loss using the present infrastructure.

The South Dunes terminal, proposed by a consortium led by Sabco, was expected to have a capacity of 10-million tons a year.

Kotze added that the economic viability of South Dunes had been questioned on the grounds that the international market is oversupplied and that coal coming from newly established mines is unlikely to be competitive.

SA was unlikely to be the only producer planning to boost exports. China's coal industry could raise its overseas sales from 20.2 million tons last year to at least 38-million tons by the end of the decade, the country's Coal Import and Ex-

port Company claimed.

Deputy MD Huu Zengji said that exports had more than doubled in the past decade, reflecting the competitiveness of the Chinese coal industry within the world market.

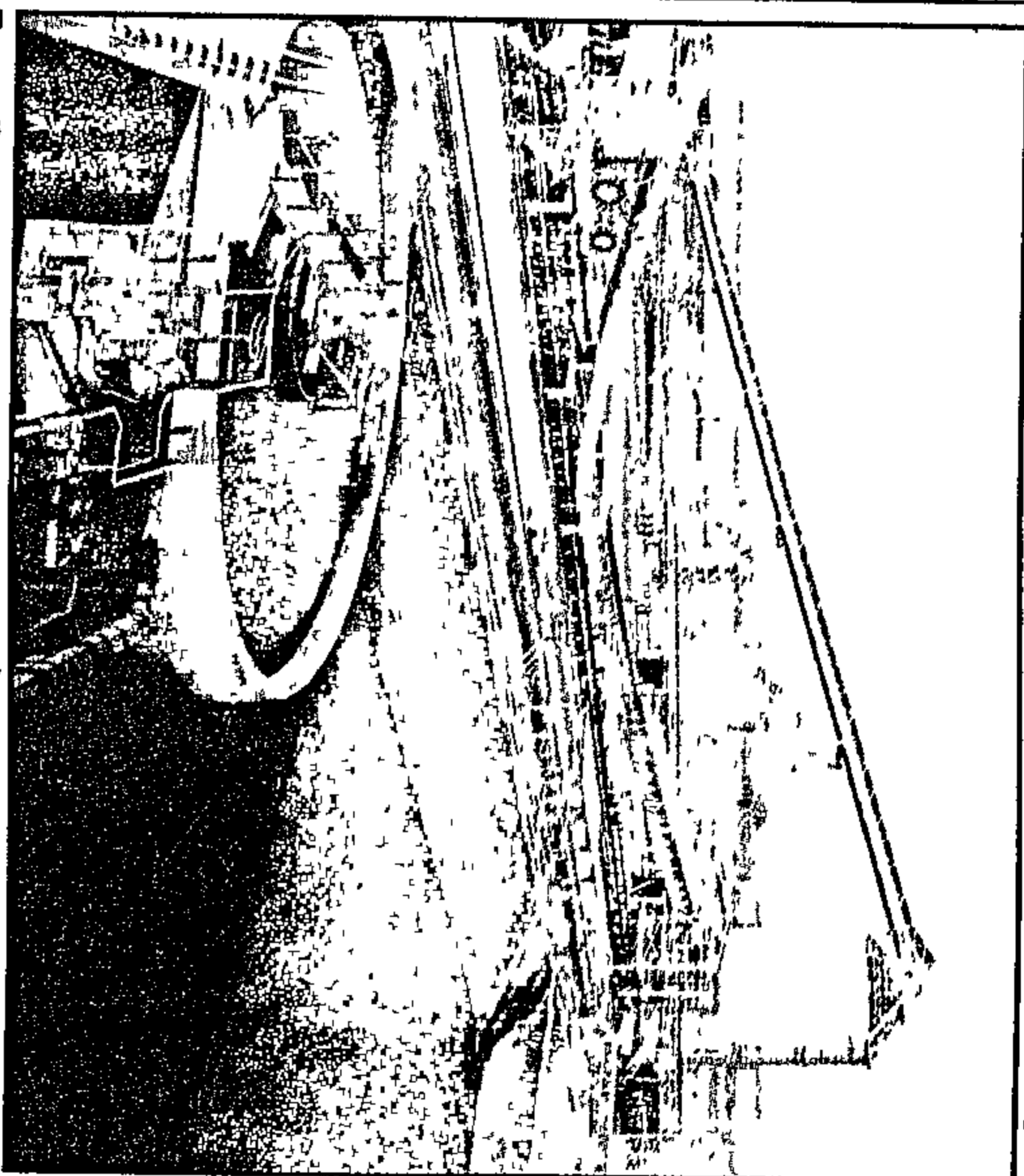
Improving rail and port facilities was now a major priority, he said.

The stability of steam coal supply was a key factor in determining suppliers, said Japanese power group Electrical Power Development Company.

Fuel department director Kotoku Takeyaku said steam coal demand from the Japanese utility industry could more than double in the next five years, from 11 million tons to 25 million tons. More than 80% of current demand was met by imports

# Coal exports predicted to boom

Star 11/7/93



Expanding... Amcoal's Landau replacement project forms the major part of a R750 million programme to increase production capacity for export through the recently upgraded Richards Bay coal terminal.

Top South African producers predict a hefty rise in world steam coal demand in the second half of the 1990s, despite the current glut of supplies weighing on prices.

Pioneering oil-from-coal producer Sasol said it hoped to enter the coal export market from 1996, adding the mineral would remain a significant energy source despite growing environmental concerns which would have to be addressed.

"Sasol is optimistic about the future of coal," general manager Peter Cox told an international coal conference at the Lost City resort

## Dominated (215)

David Murray, managing director of leading local exporter Trans-Natal Coal Corporation, predicted South Africa, Australia and possibly the United States would continue to dominate steam coal export trade.

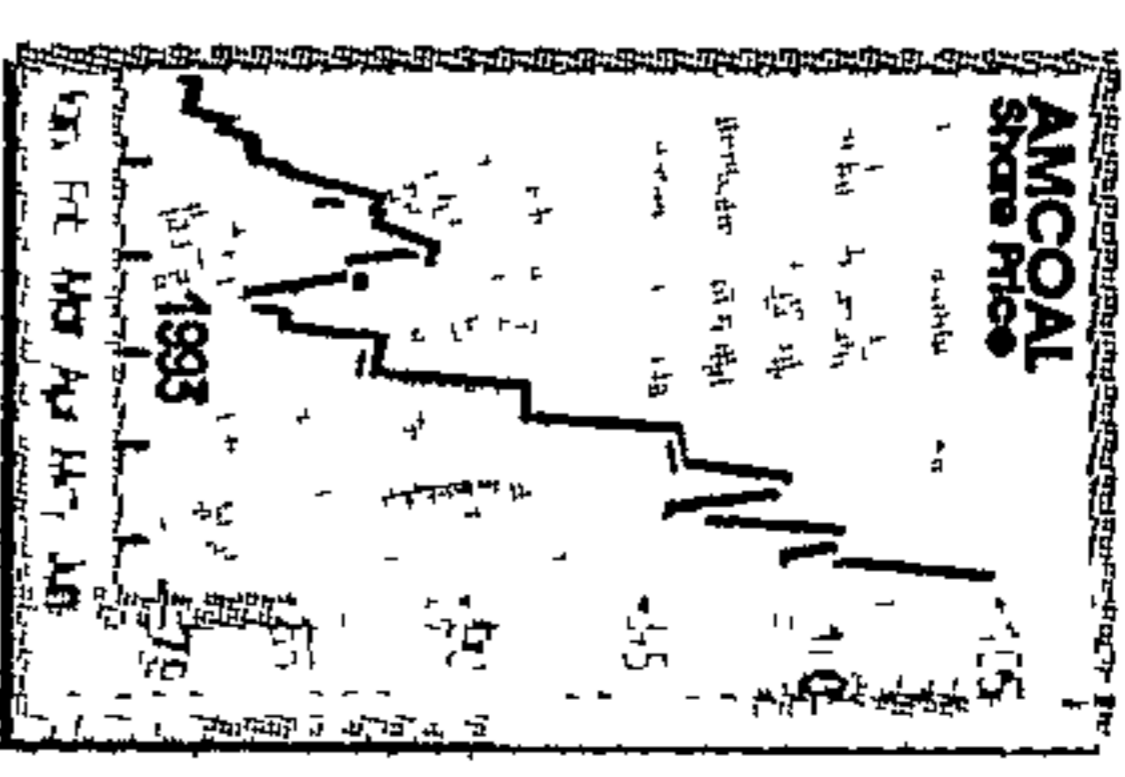
This was despite the emergence of new low-cost producers Indonesia, Columbia and Venezuela, whose rising output has contributed to the current glut in an international recession that dampened demand.

He said South Africa and especially Australia had enormous potential to expand production. But he ruled out new projects until producers saw a significant and sustainable rise in international prices.

Coal shares, long Diagonal Street's cinderella sector, have made considerable progress since the beginning of the year following 12 months of steeply declining prices.

Hence, leading coal counters like Amcoal, GF Coal, Rand Coal and Trans Natal have added between 20 and 35 percent in the past six months, in the process surprising commentators who've been unable to justify the advances on the basis of the fundamentals attaching SA's coal mines.

It is now apparent that the smart money has been getting into the shares on the grounds of a prospective increase in export prices, the weakness of rand against the dollar, the relatively high yields ruling on the shares and the cost cut-



ring and rationalisation programmes in which the mines have been involved for the past two to three years.

The coal share index has the scope to rise an additional 30 percent or so before reaching its 1991 peak.— JOHN SPIRA.

"Many Australian and South African producers have lost money in the last two years," he said.

Cox predicted a strong rise eventually in demand in Europe, where production is expected to decline, as well as in the Far East which would install significant new coal-fired electricity generating capacity in the 1990s.

"Other world markets should show growth off low bases giving rise to an expected total demand for traded steam coal rising from 220 to

360 million tons a year," he said.

Murray doubted the ability of low-cost producers Indonesia, Columbia and Venezuela to meet more than one-half of expected additional demand.

Exports from China, Poland and the Commonwealth of Independent States would stagnate or fall as their economies were tuned to free market principles, and input costs became a relevant consideration in their budgets, he said — Sapa-Reuter

NDAY,  
TAR RIMIER

## Coal mine productivity under siege

HIGH inflation and high wage demands could render the coal industry's attempts to bolster productivity useless, an expert has warned.

Speaking on the last day of the 8th Pacific Rim Coal Conference at Sun City, Rand Afrikaans University Institute of Energy Studies director David Kotze said the stricken industry would have to rely instead on the collapse of the rand against the dollar to enable its expansion. (215)

Mining houses such as Trans-

BY ANDY DUFFY

Natal, Amcoal and Randcoal were attempting to sharpen their competitiveness through cost-cutting, but this was insufficient given the pressure from unions for real wage increases.

Inflation had soared by 168% between 1985 and 1992, while the rand had weakened against other currencies by just 21,9%.

The fob export costs of coal over the period had risen from \$12,94 in 1985 to \$26,49 at the start of the year.



# Khutala to produce 20m tons of coal a year

S Times [Buss] 4-17-93

KHUTALA, the largest single shaft coal mine in Africa, was officially opened near Kendal in the Eastern Transvaal on Friday.

Opening the R70-million, 100m-deep mine, Barlow Rand managing director Derek Cooper said Khutala would, because of a recently signed contract to supply

Eskom's Majuba power station, deliver a total of 20-million tons of coal a year by 2001

Barlow Rand is the controlling shareholder of Rand Mines, owner of Khutala

Sited on the Bombardie Cologne field about 100km east of Johannesburg, Khutala supplies Eskom's Ken-

dal power station - the world's largest indirect dry-cooled power station - by 3,5km of conveyors Majuba will be supplied by rail. Coal will also be mined for export

(215)  
The first sod was turned at Khutala in 1984 and the first coal delivered to Kendal in November 1986.

The mine employs 1 500

people for a current production of 650 000 tons a month. The production rate is a per capita production figure well above the national average.

At full production, when Majuba is also being supplied, the number of employees will rise to 2 400

-Sapa

# R3bn at stake over terminal

S Times [Buss] 4/7/93

THE South Dunes coal export terminal at Richards Bay could be commissioned in 1996. Approval of the project would bring investment of R3-billion in mines, port handling equipment and railway rolling stock

Details given at this week's Pacific Rim coal conference at Sun City show two coal mines could be developed in the Eastern Transvaal, one by Anglovaal and one by Gold Fields of SA.

The terminal would have a throughput capacity of 12-million tons a year and compete with the Richards Bay Coal Terminal (RBCT). The RBCT is expected to export 50-million tons this year and is building up to its rated capacity of 54,5-million a year

Major RBCT shareholders, such as Anglo American Coal Corporation and Randcoal, are concerned about possible coal oversupply for export as a result of a new terminal

## Business Times Reporter

The terminal is promoted by the Coalex joint venture, in which the two major partners are Sasol, which would supply 3-million tons a year of the planned throughput, and Anglovaal with 2,5-million. The other six partners are Iscor (a million tons annual allocation), Macphail (500 000), Agipcoal SA (1,5-million), Gold Fields (a million), Duiker Exploration (2-million) and Tselentis Coal (500 000) (215)

Plans are to complete the feasibility study this year and, assuming a decision to go ahead, have tenders awarded and construction under way in 1994

Anglovaal intends building an export colliery, the Forzando mine, which will produce 2,5-million tons annually for 25 years. The reserves to be mined lie

south-east of Witbank and are crossed by the Richards Bay line

Gold Fields intends sourcing its allocation from a mine to be developed on the Sheepmoor coalfield, which is next to the Richards Bay line about 350km from Richards Bay. Sasol's coal would come from its Secunda Collieries, principally the new Syferfontein opencast mine

Agipcoal SA would increase production from its Strathrae and Spitzkop mines in the Eastern Transvaal and Tselentis would expand its two mines

Given the opposition from the RBCT to the venture, the role of Gold Fields, Duiker and Agipcoal SA is particularly interesting because all three are also RBCT members

Motivation for their involvement in Coalex is that their small export allocations through RBCT are restricting their expansion plans

# Khutala-Kendal partnership a model for others to follow

By Derek Tommey

Star 5/7/93

SA produces the cheapest thermally generated electricity in the world.

How this is achieved was demonstrated to a number of foreign visitors at the opening of one of the country's show coal mines, Randcoal's Khutala, near Witbank, on Friday.

Khutala, which represents an investment of R700 million, was developed specifically to supply the adjacent Kendal power station. (SS)

Khutala is a major underground producer, delivering 650 000 tons a month along a 3,5km conveyor to Kendal

When all of Kendal's six generating sets are operational, coal deliveries should reach 13 million tons a year. (200)

And when it begins supplying coal to Eskom's Majuba power station at the turn of the cen-

tury, annual production should reach 20 million tons.

Kendal is a giant in the power generating world and, during a recent peak demand period, generated one-sixth of SA's total requirements

Barlow Rand MD Derek Cooper said Khutala was an excellent example of modern mining development (215)

Eskom's proven ability to produce electricity at competitive rates, in world terms, allows SA industry to make long-term plans based on the availability of reliable and inexpensive energy

The great success achieved by the Khutala-Kendal partnership should have given visitors something to think about

Most of those at the function buy coal from SA. But among their numbers it is believed were some looking for ways to boost their own coal mining and power generating abilities

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## Fraser sells coal firm <sup>(215)</sup>

JOHANNESBURG. — Fraser Alexander has disposed of its loss-making offshore coal trading operation, Deca Associates (UK) Limited, to a German coal trading company for an undisclosed amount, a statement released yesterday said. *CT 12/7/93*

Chairman Peter Flack said the operation had not been able to achieve the kind of critical mass which could have sustained its profitability through the current downturn in the international coal market.

"When we reported our interim results in February, we said that while our core businesses were performing soundly, two peripheral operations, offshore coal trading and underground contracting, had been badly hit by depressed market conditions

"With both of these now having been disposed of, they will not be a drain on the group's profitability and resources in the new financial year which started in July," Mr Flack said

— Sapa

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# Three major Star 14/7/93 coal deals finalised

Coal consumers in three countries recently finalised deals with South African coal suppliers, according to the latest weekly newsletter, King's International Coal Trade, published in Tennessee, US. (215)

One deal represents the return of a customer previously lost because of sanctions.

Power utility Hamburgische Electricitäts Werke AG, Germany, will buy 60 000 tons of steam coal from Total Exploration and Danish utility Elsam has bought 250 000 tons of steam coal from an unnamed supplier. Both deals were done on the spot market at prices in the range \$23 to \$24 per ton fob Richards Bay.

The Danish government lifted sanctions against South Africa early in 1992. Almost immediately, officials from Elsam and Denmark's other major power utility, Elkraft, opened negotiations with South African coal suppliers.

The Transvaal Coal Owner's Association will ship 600 000 tons of steam coal to Israel's National Coal Supply Corporation. The deal was reportedly done in the \$28 ton fob Richards Bay range. — Sapa.

Business Rep.

Coal deals for SA suppliers

JOHANNESBURG  
Coal consumers in three countries recently finalised deals with SA coal suppliers.

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## Decision on coal terminal delayed

*Richards Bay*  
ANDY DUFFY

PLUMMETING coal export prices will delay the decision on whether the R700m South Dunes terminal (Coalex) at Richards Bay can go ahead *19/7/93*

Coalex members Sasol and Anglovaal, which would account for more than 40% of its 11,5-million tons annual throughput, said at the weekend they still had to decide if the battered market would recover sufficiently to justify the expenditure.

Sasol, the scheme's founder, said it was "very positive" about the project. But assistant GM Peet Steyn said the go-ahead would depend on agreement by all eight Coalex members that prices would pick up in the next three years *(215)*

Anglovaal said it also had to decide whether it should push ahead with the green-field project site which would mine its 2-million to 3-million ton quota for the terminal. Current prices could not justify the operation, the company said, and without it Anglovaal would pull out of Coalex.

The industry had expected a decision on Coalex next month, following a bullish presentation on the scheme at the recent Pacific Rim Coal conference. A feasibility study on the terminal is due in August.

But the companies said the study would have to go back to individual consortium members, who would then have to make their own decision. It was not clear when a final decision would follow.

To Page 2

## Coal terminal

*Richards Bay*

From Page 1

The scheme was technically feasible, a senior Anglovaal official said, but "the whole thing hangs on what prices will be doing when we start selling" *19/7/93*

Industry sources added that previous calculations on the scheme's viability had been thrown out by the fall in coal export prices in the 12 months since the feasibility study began *(215)*

Demand for steam coal is expected to strengthen to the turn of the decade, but the industry has said much of this will be soaked up by lower-priced rivals

According to an Irish & Menell Rosenberg broker, Coalex would merely replace some SA exports with others as the local market share might not increase sufficiently to compensate for the increased tonnage.

In a new report on Coalex, the broker said existing coal exporters could avoid such disruption by accommodating Sasol with an allocation at Richards Bay Coal Terminal, at which point "its backing for additional export capacity could wane"

Sasol refused to comment on whether such discussions were underway

# Coal price dogs new terminal

Own Correspondent

JOHANNESBURG — Plummeting coal export prices will delay the decision on whether the R700m South Dunes terminal (Coalex) at Richards Bay can go ahead

Coalex members Sasol and Anglovaal, which would account for more than 40% of its 11,5-million tons annual throughput, said

at the weekend they still had to decide if the battered market would recover sufficiently to justify the expenditure

Sasol, the scheme's founder, said it was "very positive" about the project. But assistant GM Peet Steyn said the go-ahead would depend on agreement by all eight Coalex members that prices

215 JAH 3  
would pick up in the next three years

Anglovaal said it also had to decide whether it should push ahead with the greenfield project site which would mine its 2-million to 3-million ton quota for the terminal. Current prices could not justify the operation, the company said, and without it Anglovaal would pull out of Coalex



# Trans-Natal, Sasol eye Italy's Agipcoal

Biday 2017193

ANDY DUFFY

SA's largest coal exporter Trans-Natal and petrochemicals group Sasol have taken the first steps toward bidding for part of Italy's Agipcoal company (215)

The groups have officially expressed an interest in the state-owned company, which was put up for sale earlier this year as part of Italy's privatisation drive.

Unconfirmed reports also said Gold Fields Coal and several smaller SA coal companies were in the running (443)

It is understood the interest is focused on Agipcoal SA, which has an export quota through the Richards Bay Coal Terminal, and 35-year coal reserves. Agipcoal SA has an unofficial price tag of at least R100m.

Analysts believe that should Sasol buy Agipcoal SA, this could scupper the plans put forward by the Coalex consortium, of which Sasol is the lead member, to build a R700m rival terminal to Richards Bay.

Trans-Natal has said that in the current market conditions, its earnings growth would come only through acquisitions.

Gold Fields Coal's efforts to boost exports have been held back because it has no quota at Richards Bay. The company was unable to confirm its interest (220)

Agipcoal, which is a subsidiary of Italy's

ENI energy corporation, operates in the US, Italy, South America and Australia.

It set up in SA in 1991 with the effective takeover of Kangra Coal Corporation, which gave it two mines — the 500 000-ton capacity Strathrey pit and the 1,2-million-ton capacity Spitzkop mine — and estimated reserves of 450-million tons. The deal also secured it an annual export allocation at Richards Bay of 1,13-million tons, which rose to 1,5-million tons this year.

Trans-Natal MD Dave Murray said the company had still to decide if it would make a formal bid for Agipcoal, or how much it would want to spend. The Gencor company also had to determine how the cash would be raised. "We'd worry about that when we got there," he said. "It depends how much it would be."

According to analysts, a deal between Agipcoal and Sasol could end plans for the South Dunes terminal. The petrochemical group teamed up with seven other coal companies last year, including Gold Fields Coal, Anglovaal and Agipcoal, to build the terminal as a means to exploit the coal

□ To Page 2

## Agipcoal

Biday 2017193

□ From Page 1

exports market

Sasol declined to be drawn on how much it would be prepared to spend, but said it would "evaluate the economics of this (Agipcoal) acquisition as and when full details became available" (220)

Several smaller SA coal companies are also thought to be interested in Agipcoal SA, though Amcoal and Anglovaal Collieries say they are not involved. (443)

The Italian government, which is acting through US merchant bank JP Morgan, has called on potential bidders to name a price

for Agipcoal, either as a whole or split into its geographic components. (215)

Agipcoal MD Johan Jooste-Jacobs said although a single deal would be the simpler option, "the question is whether there's anyone with the appetite to do that".

At least 20 groups from around the world are thought to have expressed an interest in Agipcoal before the first deadline expired last month. Those shortlisted will be called to begin preliminary due diligence next month. The Italian government wants the sale completed by end-September.

# Trans-Natal, Sasol in bid for Agipcoal

Own Correspondent

(215)

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CT 20/7/93  
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Star 23/1/93

# Duiker goes close to doubling earnings

(215)

By Derek Tommey

Duiker Exploration, a coal producer with gold interests, almost doubled its earnings in the June quarter. These rose from 36,5c in the March quarter to 67,2c a share.

This brought earnings for the nine months ending September to 138,4c a share against 112,3c a year ago.

Higher coal and anthracite sales and an increase in investment income from the Eerfdeel gold mine were behind the higher profits. They were also helped by a drop in the tax rate.

Income for the quarter before taxation was a record R16,4 million against 10,0 million in the March quarter.

Taxed income was R9,7 million (R5,3 million).

Technical director Hugh Stoyell says that the group's mines have done a superb job in cost containment and the cost savings have more than offset the loss of revenue from the lower coal price.

The first shipment of coal under Duiker's five-year contract to supply the Taiwan Power Company took place at the end of June. Duiker is contracted to supply 800 000 tons of coal a year for the first three years of the contract and then 1 million tons a year for the next two years.

The overall value of this contract is expected to exceed R500 million.

Duiker's earnings for the financial year are expected to at least equal those for the previous financial year.

## COMPANIES

### Duiker coal sales get up steam

GOOD winter steam coal sales to the domestic market and a sharp rise in anthracite exports lifted after-tax profit at Lonrho-owned Duiker Exploration to R9,67m (R5,25m) in the June quarter.

Earnings almost doubled to 67,2c from 36,5c a share. *BIDay*

Improved coal sales contrasted with flat gold production from the group's Klipwal gold mine which had sold a significant portion of its output forward, so missing out on the spurt in gold prices.

Technical director Hugh Stoyell said cost savings at the groups mines offset the loss of revenue from lower coal prices.

Steam coal sales rose to 1,07-million tons from 948 204 tons the previous quarter, and 998 183 tons in the June quarter last year. Anthracite sales climbed quarter-on-quarter to 110 584 tons from 63 259 tons.

MATTHEW CURTIN

Operating profit improved to R13m (R8,71m) with pre-tax profit rising to R16,4m (R10m) after higher investment income from Duiker's stake in the Erfdeel gold mine, managed by Anglo American's Freegold.

Duiker's capital spending fell away to R233,000 (R1,61m). *2317193 (215)*

Stoyell noted that the first shipments of coal under the group's five-year supply contract with Taiwan Power Company were made at the end of June. Steady local and export coals sales, higher gold prices and the weakening rand would ensure Duiker's earnings in the year to September would at least match 1992 results

Duiker reported annual earnings of 153,7c a share and declared a total 50c dividend in 1992.

## Squaring up to the competition

The message to delegates from coal producing and consuming countries, at the Pacific Rim Coal Conference at Sun City recently, was not encouraging. SA remains one of the main coal exporters but faces increasing competition from new entrants to the business and existing suppliers.

In short, SA has to raise its productivity to compete in the long term on the international coal export market. **FM 30/7/93**

Shell Coal International trading and development president Alex Toohey summed up "The concern of the SA producers must be to improve productivity in the face of inflation and political change. All the main exporting countries — SA, the US, Colombia, Australia and Indonesia — have the potential to increase production and exports. New suppliers, principally Venezuela, will soon enter the market and will have to be accommodated."

Ironically, SA coal producers have shown gains in productivity growth — from 0% in 1984 to 13% in 1990. But they've been hit by high inflation and wage awards which have depressed mine profits.

Trans-Natal Coal MD Dave Murray concludes that "it is unlikely SA can improve its productivity to levels in the US and Australia until it lifts the workers' level of basic education."

More important, while the industry is trying to increase the skills of black mineworkers and enhance their career devel-

opment through affirmative action, it will also have to contend with continuing demands for higher wages and calls for nationalisation.

National Union of Mineworkers president James Motlatsi had an interesting perspective on wages. He blamed "cut-throat economic competition" in the coal trade for setting mineworkers against one another in an auction to test who would accept the lowest wages and the worst working conditions. "If coal is to take its rightful place as a source of energy for future generations, its price must reflect its true value in social terms," he said. **(215)**

ANC deputy secretary-general Jacob Zuma said the ANC would set SA on a path that would make it a player of note in the global economy. "But," he added, "we will apportion the proceeds of growth in a manner which addresses the inequalities."

Growth in SA's coal exports would solve some of the problems. But substantial investment is needed to raise exports much beyond the present 12% of world trade and, given the present price scenarios, financing such an expansion is virtually impossible. In the past, mining has been concentrated in the higher grade seams. Unexploited reserves tend to be of poorer quality and not suitable for export. The development of new export capacity will only follow once producers are confident of reasonable returns on their investments. Toohey reckons a number of mines con-

ceived in the late Seventies and early Eighties could soon dry up. Their capacity will have to be replaced and new capacity developed to meet increased demand. Investment requirements would be high and the producers would have to be able to expect adequate returns. This is especially true of SA where competition has brought prices down to levels that are almost uneconomic.

Without major investment, it is likely that only 35 Mt of SA coal will come from mines with a life of 10 years or more and SA exports are likely to peak at 60 Mt-70 Mt a year. World demand will be around 320 Mt by the year 2000.

Richards Bay Coal Terminal MD Mike Dunn said throughput at the terminal will rise about 2 Mt to 64 Mt/year by the end of the decade. A major greenfields expansion to the south would enable the terminal to handle 100 Mt/year.

The surprise of the conference for SA participants was a hard-hitting speech by Sasol GM Pieter Cox.

He confirmed that Sasol Coal, SA's second-biggest coal producer, was targeting the international steam coal market for future growth and that Sasol intended to compete aggressively to capture a share of the 70 Mt/year market in coal sales to Eskom. This should shake a few cages as five mining groups now rely on Eskom for much of their business, three of them for more than 60% of their trade.

# Amcoal earnings dip on flagging export prices

(215)  
274/11/93

From ANDY DUFFY

JOHAN VESSELING, Amcoal's managing director, said that the company's earnings for the six months to September were lower than expected and higher than the target of the impact of falling export prices.

Amcoal's earnings for the six months to September were R150 million, compared with R140 million for the same period last year. The company's earnings for the first nine months of the year were R150 million, compared with R140 million for the same period last year.

The chairman of the board, Mr. Vesseling, said that the company's earnings were lower than expected because of the impact of falling export prices. He said that the company's earnings for the first nine months of the year were R150 million, compared with R140 million for the same period last year.

Despite the decline in earnings, Amcoal's share price fell to R94 per share from R105 in August. The company's share price fell to R94 per share from R105 in August. The company's share price fell to R94 per share from R105 in August.

Operational profit for the six months to September was R175 million, compared with R170 million for the same period last year. The company's operational profit for the six months to September was R175 million, compared with R170 million for the same period last year.

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# Amcoal holds ground

Star 4/11/93

■ BY DEREK TOMMEY

Amcoal was hit by lower dollar export prices in the six months to September, the directors report in the interim statement.

The company nevertheless managed to achieve attributable earnings for the period of R121,8 million — equal to 483,6c a share.

This is little different from the R122,7 million (487,1c a share) earned in the same period last year, and should be seen as an underlying measure of the group's performance, say the directors.

Shareholders are to receive an unchanged interim dividend of 150c.

Amcoal increased its sales by 2,1 million tons to 22,85 million in the six-month period.

Some of the increase went to Eskom and some to the export market.

Profits on sales to Eskom improved and the Verref division returned "modestly improved results."

However, although sales tonnage rose, turnover declined from R952,7 million to

R944,4 million.

Operating profit before amortisation and depreciation dropped from R243,5 million to R223,2 million.

Looking ahead, the directors say that second-half earnings before extraordinary items should be similar to those for the first half. (215)

They expect to continue to receive lower export prices, but hope this will be moderated in part by a further decline in the rand-dollar exchange rate.

They warn that because of unusual circumstances last year, this year's earnings will be well down on last year's figures after abnormal items.

Last year's figures included abnormal credits of R209,6 million. This was the result of adjustments to the deferred tax balance, and followed the reduction in the tax rate.

These abnormal credits boosted earnings from R252,3 million to R461,9 million.

But no abnormal items are foreseen this year, say the directors.

# Amcoal earnings in minimal dip

BIDay 4/11/93

ANDY DUFFY

AMCOAL, Anglo American's coal business, sustained a minimal dip in earnings for the six months to September, as a lower tax burden and higher domestic sales staved off the impact of falling export prices.

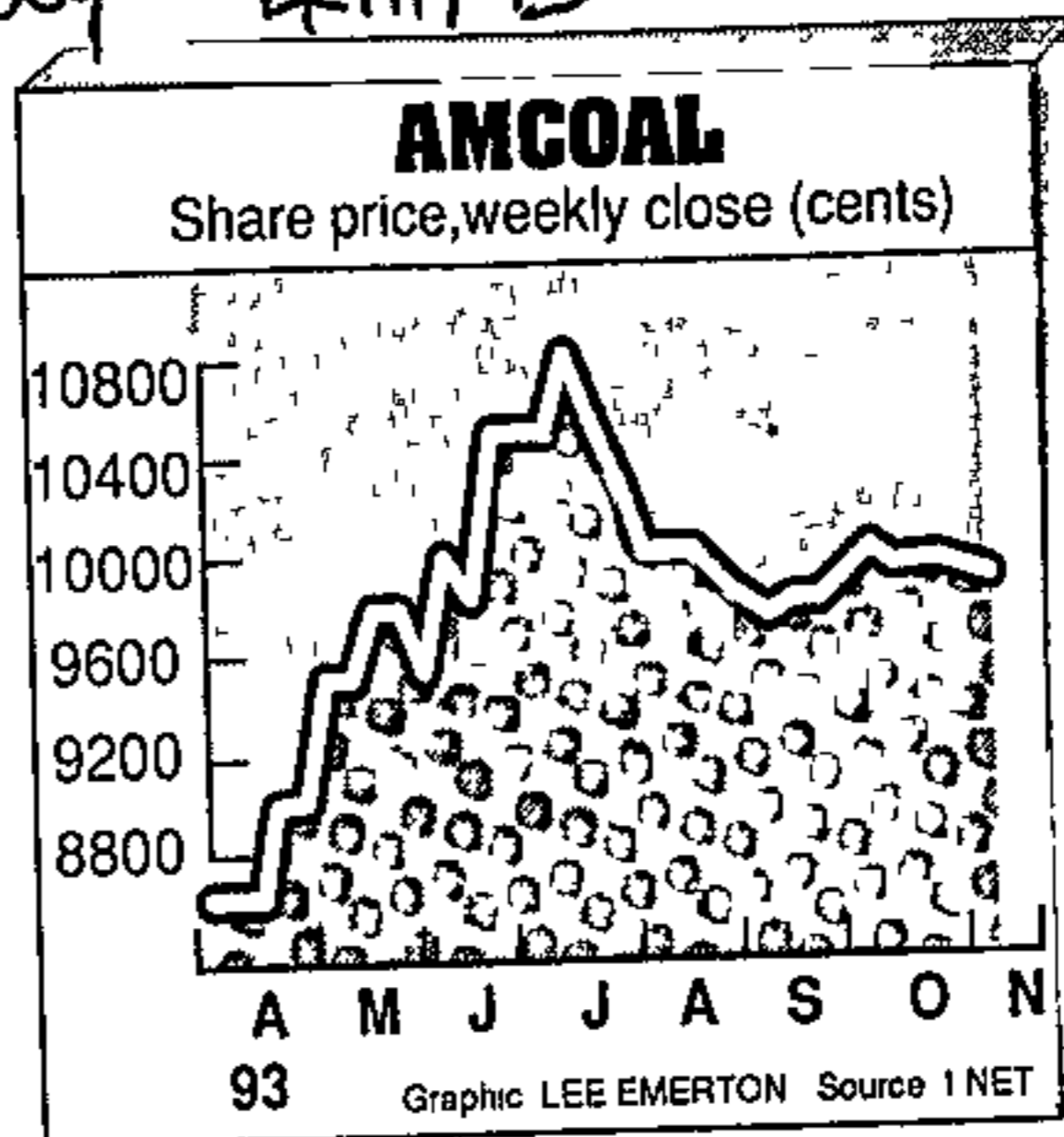
Earnings before abnormal items fell less than 1% to 483,6c a share, while the interim dividend was maintained at 150c, as sales abroad and at home moved up more than a tenth to 22,8-million tons.

Chairman David Rankin said the resilience of the earnings "should be seen as the underlying measure of the group's performance".

Despite the rise in sales, turnover fell to R944m (R952m) under the pressure of export market oversupply and cut-throat pricing, which was only partially offset by higher revenues from sales to Eskom. (215)

Operating profit dropped to R175,1m (R202m), slicing the operating margin back from 21% to 18%. Amcoal's bottom line was saved by tax adjustments, which cut the bill by more than a quarter to R89,1m, to leave earnings at R121,1m (R122,7m).

Rankin said the company had maintained its strategy of reining in costs, while boosting sales. But a "further softening in



US dollar export prices resulted in reduced export profitability," despite the devaluation of the rand. Export prices were likely to continue declining through the second half, although the blow was likely to be softened by the rand's weakness.

Profit from sales to Eskom, which last year accounted for two thirds of Amcoal's sales, had picked up on the same period last year. The recovery represents a stark reversal in Amcoal's fortunes over last

□ To Page 2

## Amcoal

BIDay

4/11/93

□ From Page 1

year, when the company forecast at best static income from Eskom. The Verref division had posted a slight improvement in the face of tough conditions. (215)

The balance sheet remained healthy, with assets up at R1bn (R921m) outstripping a rise in liabilities to R571m (R536m).

Deposits and cash rose nearly R100m to R570m, but falling interest rates cut interest and investment income to R33,2m (R37,5m). With projects such as the R700m

Landau replacement scheme complete, capital expenditure fell 76% to R41,4m, while capex commitments plummeted to R33,4m (R323,4m).

Rankin said second-half earnings were likely to match those of the first. Tax adjustments last year had left Amcoal with a R209,6m credit. Further windfalls were not expected, which would leave earnings after abnormal items "significantly lower than those for last year"



# Duiker in R70m Agipcoal buyout

ANDY DUFFY

DUIKER Exploration, the Lonrho-owned coal producer, has finalised a R70m deal with the Italian government to buy the SA assets of coal company Agipcoal. *B/Say*

Market sources said Duiker topped a shortlist of just two SA companies to take over Agipcoal SA, in a deal which could nearly double its export capacity through the Richards Bay Export Terminal. *4/11/93*

The company said it had signed the deal in London late yesterday, after final discussions with JP Morgan, the US bank handling the deal for Italy. Duiker is thought to have gained clearance for the bid at last week's Lonrho board meeting. It issued a cautionary on Monday. *(215)*

A consortium of Rhombus Exploration and Kangra Coal Corporation (original

owner of the Agipcoal assets now up for sale) had been close to securing Agipcoal, but is thought to have been heavily outbid by cash-rich Duiker. Previous contenders Trans-Natal and Sasol did not bid.

The deal gives Duiker a central plank to its strategy of building up coal exports.

The company, which in the year to September posted earnings up 44% at 216,1c a share, won a R500m contract in June to supply steam coal to the Taiwan Power Company over the next five years.

The size of the contract is at odds with Duiker's current export quota through Richards Bay, which stands at just 1,6-

To Page 2

## Duiker

*B/Say 4/11/93*

From Page 1

million tons. Agipcoal SA's export quota stands at 1,5-million tons a year.

Analysts believe Agipcoal could also give Duiker access to contracts with southern European utilities. *(215)*

Agipcoal set up in SA two years ago with the takeover of Kangra's assets, which gave it the Richards Bay quota, and a capacity of 1,7-million tons a year, with estimated reserves of 450-million tons.

The company, a subsidiary of Italy's ENI energy corporation, was put up for sale earlier this year as part of that country's privatisation drive. Italian govern-

ment sources said several SA companies had shown an interest in bidding for Agipcoal SA and/or its worldwide operations, which span Europe, north and south America and Australia.

It is understood that seven SA companies tabled initial offers to gain access to Agipcoal's books in June. Just two made second stage bids. Sasol had seen Agipcoal as a route to secure export facilities, but the company was thought to have been deterred by rehabilitation costs attached to Agipcoal's two mines.

# Coal terminal blacklists ships

BIDAY 4/11/93

RICHARDS Bay Coal Terminal regularly blacklists ships which do not meet its loading regulations, part of a worldwide trend among harbour authorities anxious to maintain standards as competition in the freight business intensifies.

Terminal spokesman Chris Crampton said yesterday the terminal had between 40 and 60 vessels on its blacklist every month, but it was company policy to release the names of the offending ships only to the terminal's shareholders, SA's leading coal producers (215) (209)

The terminal preferred to deal with ship owners or agents on a confidential one-to-one basis.

He said vessels which docked to take coal but were unable to meet the terminal's loading requirements were automatically put on a temporary blacklist. If the same vessel repeated its mistake, it was placed on a permanent blacklist.

The blacklist represented newly marked vessels as well as past offenders which had not notified the terminal authorities that problems had been rectified or had simply not returned to Richards Bay.

The principal standard which a ship wishing to load coal from the 50-million-ton a year Richards Bay facility had to meet was its ability to

MATTHEW CURTIN

"deballast" water in line with the terminal's published loading rates. Ships which failed this test usually suffered from pumping problems.

The terminal, which handled 50-million tons a year, guaranteed loading rates "per weather working day" for cargoes of a minimum of 25 000 tons of coal. The terminal loaded an average of 180 000 tons a day.

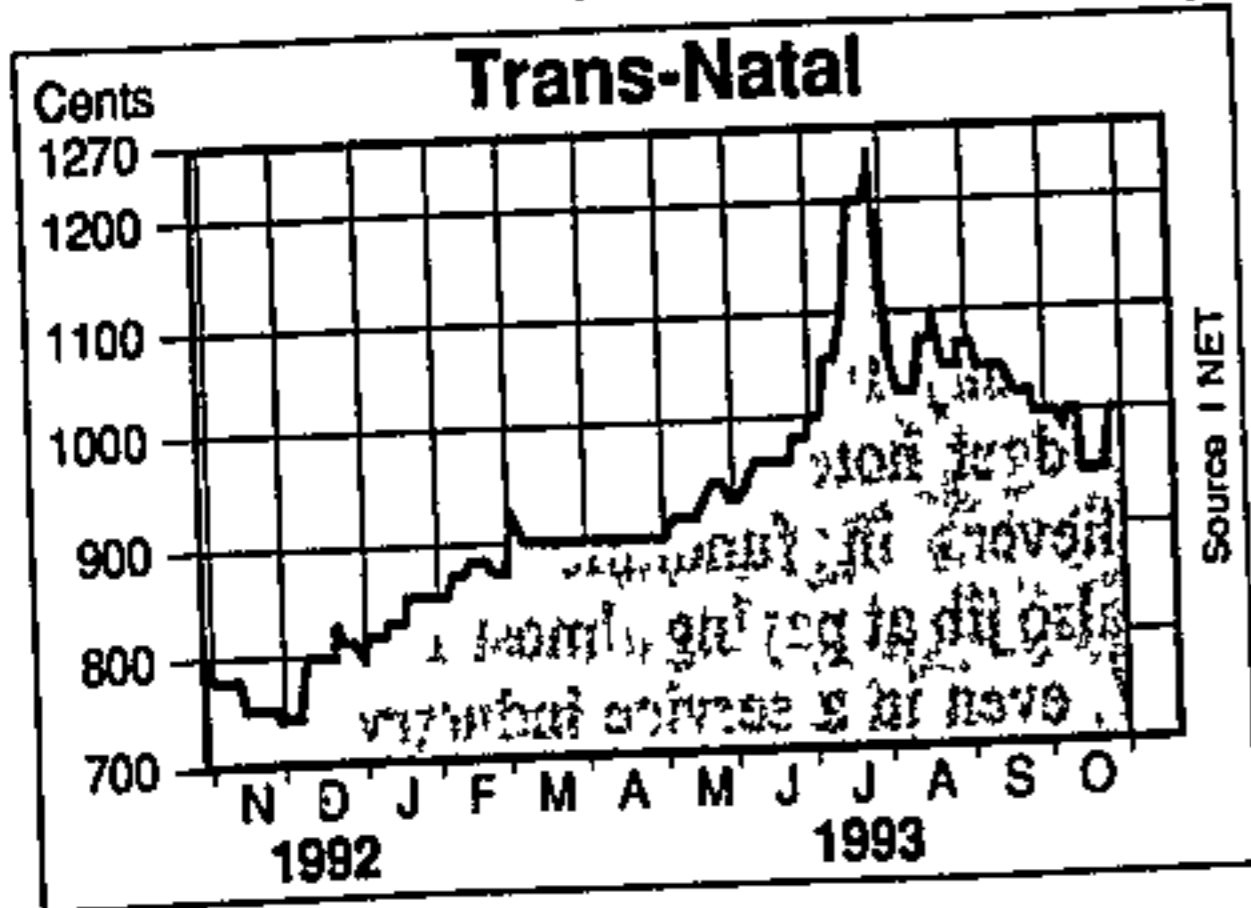
Crampton said the terminal could not afford to have ships taking berths without loading coal and "jamming up the works". Other factors might lead to vessels being blacklisted. dirty hatches (exporters had to be sure their cargo would not be contaminated) or a blocked sounding pipe, making it impossible to gauge the size of the cargo.

Once a ship owner notified the terminal that a problem had been solved and certified, the ship would be removed from the blacklist.

He added the terminal was not responsible for policing general safety and other standards which were the preserve of the harbour authorities.

Australian port authorities, after a recent New South Wales commission, and the US Coast Guard were taking a harder line on ensuring vessels met safety and maintenance standards because cut-throat pricing threatened to erode shipping standards.

Fun 5/11/93



to 11,6 Mt (1992 11,3 Mt), but the rise in unit cost of sales was held to just 3,3%. That's despite the fact that exported coal costs more to produce than the product sold to Eskom's power stations.

MD Dave Murray is predicting further improvements in efficiency this year. productivity should increase a further 20%, while costs will be contained "well below the rate of inflation." Unfortunately, this is where the good news ends. He is also predicting another drop in attributable earnings, as the continuing oversupply of coal threatens price negotiations for 1994 contract delivery which are about to start.

Despite all the good work last year, and the depreciation of the rand against the US dollar, TNC's average sales revenue per ton increased by only 2,5%, meaning profit margins were further eroded.

The big worry is that contract prices for 1994 delivery could take a sharp knock because of the depths to which spot prices have fallen. Major customers for steam coal on the export market, such as the big utility companies, are usually prepared to pay a healthy premium over the spot price to ensure security of supply on long-term contract. However, spot prices have been so low for so long it appears even these customers are hardening their stance.

Murray's prediction of lower group earnings seems to tell its own tale. He expects the export coal market to remain weak for the next 12-18 months because of persistent oversupply and he further estimates total seaborne steamcoal demand will only increase by 6 Mt-8 Mt in 1993. That contrasts with the still optimistic long-term forecasts on the business, which are that demand for internationally traded steam coal should rise from 196 Mt in 1992 to 235 Mt by 1995, and exceed 300 Mt by 2000.

The problem is that the bulk of this new business is going to be captured by four countries — Australia, Indonesia, Colombia and Venezuela, with Australia accounting for the lion's share of 50 Mt-60 Mt of the expected increase in sales volumes.

Murray believes SA exports will not increase beyond the maximum potential throughput capacity of the existing Richards Bay Coal Terminal (RBCT), which he estimates at 60 Mt-64 Mt/year.

That leads to one of TNC's pressing problems, which is the search for further growth given the constraints within SA, in addition to the cap on TNC's export volumes via its RBCT shareholdings, no new Eskom busi-

ness is likely until early in the next century. TNC's attempt last year to buy control of Oakbridge in Australia was stopped by the Reserve Bank. Murray says TNC is still looking for acquisitions, but there's nothing specific now. He declines to say how an overseas acquisition would be funded if a suitable candidate is found. (215)

TNC has achieved its impressive productivity performances through a capital spending programme on its major mines and the closure, or scaling down, of its high-cost producers. Murray says the capital expenditure programme is now largely complete and capex this financial year will dip to about R150m from 1993's R182,7m.

Recent improvements in the price of TNC and the other coal majors indicate the market is anticipating a revival of the industry's fortunes, but that could still be somewhat delayed if the outcome of contract negotiations is punitive.

Brendan Ryan

← Conf p 99

Trans-Natal's Murray predicting another drop in earnings



tons per man per month. Exports increased productivity improved by 21,7% to 303 sales, 5,7% to R1,4bn in the year to June while its total cost of sales increased by only export markets. (215)

under severe pressure on both domestic and sure is really applied. And TNC has been surprising what can be achieved when pres-tailed report reinforces the lesson that it is Digging Trans-Natal Coal (TNC)'s de-

Coal sales	27,1	26,5	30,3
Total (Mt)	10,2	10,6	11,3
Export (Mt)	1,639	1,564	1,427
Turnover (Rm)	1,386	1,427	1,564
Pre-tax profit (Rm)	221,1	162,0	199,7
Attributable profit (Rm)	131,4	137,1	143,6
Earnings (c)	165,5	172,0	180,2
Dividends (c)	60,0	75,0	80,0

Year to June 30 '90 '91 '92 '93  
 Trading volume last quarter, 2m shares.  
 cover, 1,8 12-month high, 1 250c, low, 740c  
 dividend, 14,5% on earnings, p e ratio, 6,9  
 Share market: Price 1 000c Yields 8,0% on  
 Capital structure: 79,7m ords Market capital-  
 isation: R797m  
 Chairman: B P Gilbertson; MD: D Murray  
 Control: Gencor 41%  
 Activities: Coal producer supplying both dom-  
 estic and exports

TRANS-NATAL COAL  
 Fun 5/11/93  
 Few sparks in sight



Duiker's Wilkinson . could  
boost coal exports

DUIKER *Fm 5/11/93*

### **Pass the pasta**

**Lonrho's Duiker** Exploration is close to acquiring the SA interests of Agipcoal — the coal arm of Italian energy giant Agip — to expand its existing coal operations. Industry sources tell me the final two bidders for Agipcoal's two operating collieries in SA and its 1,5 Mt/year Richards Bay Coal Terminal (RBCT) export quota are Duiker and a consortium comprising Rhombus Exploration and Graham Beck's Kangra *(215)*

Duiker chairman Terence Wilkinson and Rhombus MD Rob Still declined to comment, but industry speculation is that Duiker's bid has been favoured ahead of Rhombus/Kangra. The bid is apparently still subject to conditions precedent as well as the approval of the board of Lonrho Plc. A decision is expected soon.

Duiker has a 1,6 Mt/year export allocation at an annual RBCT throughput of 44 Mt, which will rise to 1,9 Mt when the RBCT exports 53 Mt/year by about 1995. It is keen to expand its coal export business but is restricted by its "small fry" status in the RBCT. This is why Duiker is also a member

of the proposed South Dunes export terminal, which would compete with the RBCT if its members decide to go ahead with the project. *Fm 5/11/93*

Duiker's total coal and anthracite sales last year amounted to 4,5 Mt (1991: 5,3 Mt) of which 1,4 Mt (1,14 Mt) was exported. Coal sales accounted for 96% (100%) of its mining income. In June this year it negotiated a deal to supply 4,4 Mt of steam coal over five years to Taiwan Power. While this does not mean additional coal sales, it's an important development because the bulk of Duiker's exports will now be sold on contract instead of going out on the riskier and lower-priced spot market *(215)*

Adding Agipcoal's quota would boost Duiker's RBCT allocation to 3,1 Mt at a throughput of 53 Mt. Duiker's bid is guesstimated at around R70m, considerably less than the more than R100m it is believed Agip paid Kangra in 1991 to acquire the assets it is now selling *Brendan Ryan*

P

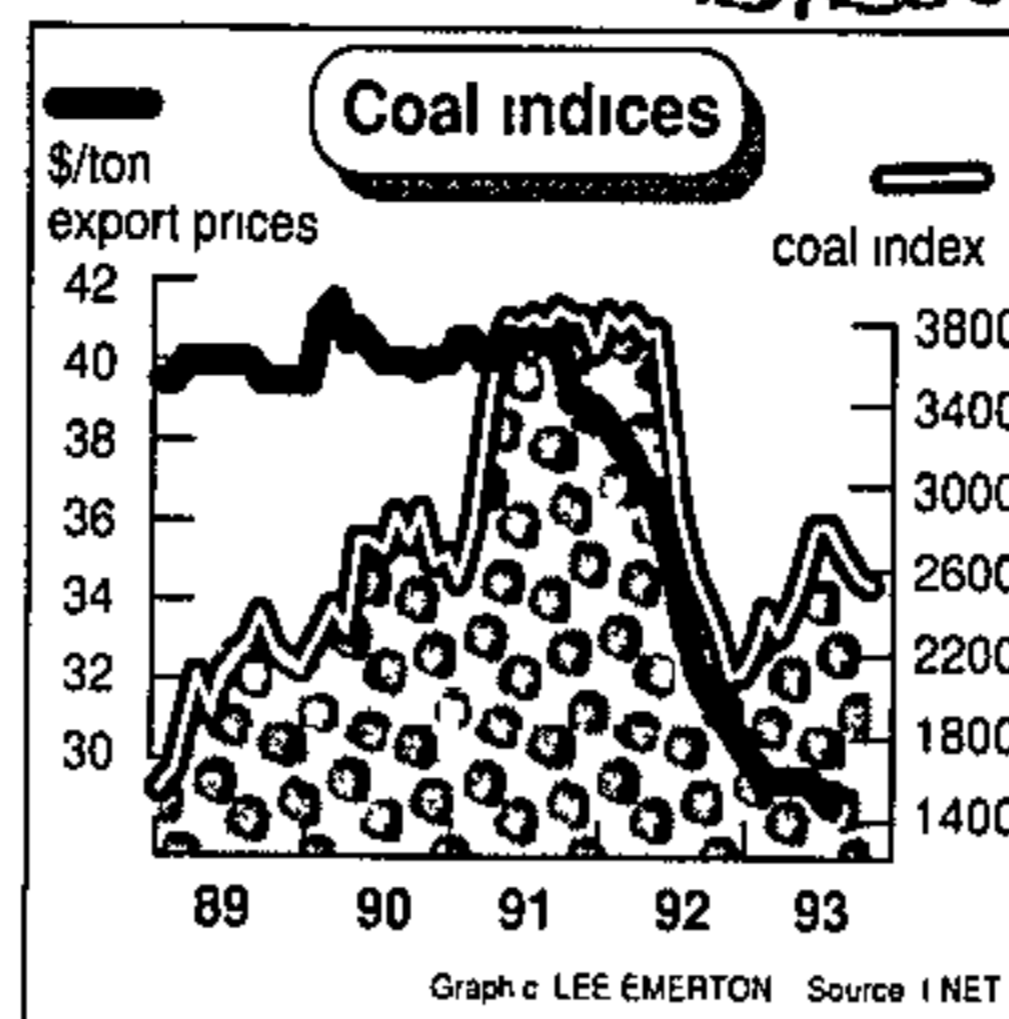
# Coal shares looking dull to investors

MATTHEW CURTIN

COAL shares have lost their allure for all but the long-term investor with a turnaround in export fortunes for SA producers likely only in 1995, market sources say.

The steady rise in the coal index on the JSE from 1989 to 1991 has turned into a steep decline this year after investors were tempted by the boost to exports which producers would derive from the lifting of sanctions, steady dollar contract prices, world economic recovery and good long-term prospects for exports to Europe and the Far East. The only factor to have materialised has been good export volumes.

An accelerated slide in share prices in recent weeks has been spurred by the 10% or \$3 cut in contract prices analysts widely expect Amcoal, Randcoal and Trans-Natal



will have to accept in their yearly negotiations with European customers. The reduced contract prices to Europe are likely to be matched when talks with Japanese customers begin in the New Year.

The impact of weak export market conditions, coupled with the depressed state of local industry were

reflected in Amcoal's interim results published last week. SA's largest coal producer turned in a better-than-expected interim performance, but showed a dip in operating profit to R175m (R202m) on lower sales of R944m (R952m) despite the rand's weakness against the dollar (215).

One analyst said the shares lacked any short-term attraction even though contract prices might not fall as low as some feared because spot prices had firmed with strikes in the US industry and increased freight rates from Russia.

He said in the longer term exporters were well positioned for serving international markets and SA steam coal was of high quality. The shares held rand-hedge attraction, given the strong contribution of dollar export coal sales to revenue, but he noted "there are better rand-hedge counters around in the short term".

AMCOAL FW 12/11/93

## Export prices still weak

While earnings held up well in the six months to September, the drop in dollar prices on the export market has taken a heavy toll, despite the weakness of the rand against the US dollar. Even though Amcoal managed to increase its sales of coal and coke by a tenth to 22,8 Mt (1992 interim: 20,7 Mt), turnover dipped 1% to R944,4m (R952,7m).

Both Eskom and export sales increased and, as the Eskom price is set by a formula which takes in a set return on capital invested in the tied collieries, lower export prices must have accounted for the drop in revenue. The crucial factor here is the split between coal exports sold on contract and tonnages that go to the spot market at much lower prices.

(215)  
Neither Amcoal nor any other coal group will provide that split, but during 1993, Amcoal's spot sales were probably lower than those of Randcoal, which was forced to sell a large portion of its 50% entitlement of Riet-spruit's production on the spot market. This

FOX

FW 12/11/93

coal was previously marketed by joint venture partner Shell.

That's one reason why Randcoal's earnings for the six months to end-September have suffered more than those of Amcoal. Amcoal's operating profit was only 8,2% down, compared with the 23% drop recorded by Randcoal. Randcoal's EPS were 48% down; Amcoal's EPS was only 0,7% lower, which chairman David Rankin says should be taken as the measure of underlying performance.

(215)  
Looking ahead, Amcoal is in the same boat as the other big SA coal groups. It faces tough negotiations over contract prices for coal to be delivered in 1994. Low spot prices are threatening to drag down the higher export prices. Coal has left Richards Bay priced as low as \$19/t fob, compared with the 1993 Enel contract price in Europe, which was set at \$27,85/t fob Richards Bay.

Rankin is forecasting lower dollar export prices in Amcoal's second half. This will be only partly offset by currency weakness.

At R99, Amcoal shares are pushing back towards the 12-month high of R108 as the market anticipates better times ahead, but the outcome of the imminent contract negotiations may yet prove a temporary dampener on prospects.

Brendan Ryan

Fw 12/11/93  
**DUIKER Fw 12/11/93**  
**Boosting exports**

As **Duiker** has nearly doubled its coal export quota through the Richards Bay Coal Terminal (RBCT) by acquiring Agipcoal SA, the deal raises the question of what it intends doing about its membership of the Coalex Joint Venture. (215)

Coalex members are proposing to set up a 12 Mt/year export terminal at Richards Bay which would compete with the RBCT. Duiker has a 2 Mt/year participation in this

Fw 12/11/93  
project. The main reason for its involvement is the restriction on growth of its exports through the RBCT.

The Agipcoal deal lifts Duiker's RBCT quota from 1,6 Mt/year to 3,1 Mt/year, at an RBCT throughput of 44 Mt/year. That would seem to go a long way towards meeting Duiker's growth plans. It also gives management plenty to do over the next year reorganising the Agipcoal mines.

As predicted (*Fox*, November 5), Duiker is paying R70m for the Agipcoal assets, which will be funded from cash balances. That will reduce interest income in the year to December 1994. Material benefits from the acquisition will only start to flow through from the 1995 financial year.

However, it's unclear whether this doubling of exports meets Duiker's expansion plans. Chairman Terence Wilkinson and technical director Hugh Stoyell could not be reached for comment. (215)

The major RBCT exporters are bitterly opposed to the Coalex project on the grounds that the oversupplied coal market does not warrant the expansion. They would love to scupper it and the obvious way is to accommodate the larger Coalex members through the existing RBCT structure. Main Coalex backer is Sasol, which has a 3 Mt/year share in the proposed new terminal.

Some analysts remain convinced Sasol will be brought into the RBCT structure. If Duiker is satisfied with its new RBCT quota, prospects of the Coalex venture going ahead have probably diminished  
*Brendan Ryan*

# French come clean on smutty killer-coal: South Africa innocent

**JAMES TOMLINS**

Weekend Argus Foreign Service

PARIS — The French Coal Board (Charbonnages de France) yesterday cleared South African coal of any blame in 12 recent deaths from noxious fumes, labelled the "silent killer" in the Press

A further 700 victims were treated in hospital

Panic broke out in the densely populated northern France region, the country's main coal-mining centre around Lille, as the unusual incidents occurred

Local coal officials last week blamed South African coal for the toxic fumes on the grounds that it was "smuttier and oilier, clogging up domestic stoves and chimneys"

Police and fire services would not comment on this claim, noting that the fumes "were caused by old, defective coal-burning stoves."

On November 8 the South African Coal Board issued a statement in Johannesburg pointing out that coal exported by its members was always subjected to stringent quality control and all contracts contained severe penalty claims

A senior official at the Paris headquarters of Charbonnages said "Firstly, we deny that coal is to blame for these incidents. Our in-

quiries show that in each case households were affected only where there were defective stoves

"In addition, there was another major factor — the weather. Over this two-week period heavy industrial fumes were trapped in northern France by low cloud cover, resulting in a form of smog

"We would also point out that it is almost impossible to check the origin of domestic coal, which is imported from Australia, Russia and Poland, as well as South Africa.

"South African coal imports in 1992 were in the region of three million tons, but the total consumption of domestic coal is a mere annual average of about 800 000 tons from all suppliers.

"The overwhelming majority of South African coal is used in our power plants and steel mills. Only a tiny percentage is used in the domestic sector."

Trade sources said South African coal had a bad image in northern France, where tens of thousands of miners had lost their jobs as pits closed down over two decades

"SA coal has always been seen by miners as a product of the apartheid system, so it is little wonder that South African coal was blamed locally," sources said

(215) ARCTB/11/93



# Coalex scheme may be scaled down

B/Nay 16/11/93

ANDY DUFFY

A DECISION on the R700m South Dunes coal export terminal (Coalex) was at least eight months away, and if the scheme did go ahead it was likely to be on a scale far smaller than originally planned, project sources said yesterday. (215)

Coalex members accounting for 60% of the terminal's planned 12-million ton output said they still had to finalise a funding package and secure agreements with rail and port authorities. The eight consortium partners would not be asked to commit themselves until July at the earliest.

Although coal exports might recover by 1997 when the scheme would be due for completion, the terminal at Richards Bay could be far smaller than planned.

The Coalex plans have also been disrupted by Duiker Exploration's purchase of fellow Coalex partner Agipcoal two weeks ago. The R70m deal nearly doubles Duiker's capacity through Richards Bay — a central reason for Duiker's Coalex stake.

Technical director Hugh Stoyell said the

company's need to be involved in Coalex was "to an extent not as pressing", but Duiker still had to decide whether to pull out of the scheme. However, Duiker would probably not want to invest in Coalex to secure capacity for itself and Agipcoal.

Anglovaal said the building timetable might be extended, with just 60% of the terminal built initially.

But other sources said the terminal would be more feasible at 7-million tons. One source said it was "unrealistic" to expect all Coalex members to "put any money down", given that a recovery could be three years away.

Scheme founder Sasol refused to be drawn. Assistant GM and Coalex chairman Peet Steyn said the terminal was "potentially viable". The terminal was mooted two years ago when Sasol said it wanted additional export capacity. Since then coal prices have crumbled.

# Duiker concentrates on coal and export market

DUIKER Exploration was still planning to expand its export business, despite nearly doubling its current capacity with the R70m purchase of Agipcoal SA two weeks ago.

The Lonrho-owned company retained its R60m cashpile by selling most gold interests to Anglo American's Freegold this week for R74m. Duiker was also planning a new mine at its Witbank operations which could

BINDY 19/11/83  
**ANDY DUFFY**

produce 40-million tons of coal for export. Work costing around R150m on the Goedgevonden mine would start once coal prices recovered, said technical director Hugh Stoyell.

It would have 20 years of reserves, turning out 2-million tons a year, and would provide replacement reserves for its bituminous coal operations

The Agipcoal SA takeover lifted Duiker's export quota through Richards Bay from 1,6-million tons to 3,1-million tons, while pushing estimated total reserves from 250-million tons to 700-million tons. (215)

Duiker covered the cost of the deal by selling its stakes in holding companies Eastern Gold and Northern Gold to Freegold operation, effectively pulling out of gold

# Randcoal misses out on firmer prices

By Day 23 11/93

ANDY DUFFY

GOAL producer Randcoal would see a further slip in earnings this year, despite a possible recovery in export prices, chairman Allen Sealey said in his annual review.

Though an economic upturn in Europe and the Far East could lead to firmer spot prices, Sealey said this would come too late to lift the prices for contracted supplies currently under discussion.

The tough conditions abroad, and difficulties at home cost Randcoal a one-third fall in its earnings to R112.4m in the year to September, and nearly 1 400 Randcoal staff —

12% of the workforce — their jobs.

The removal of coal sanctions had opened new markets which would be "pursued vigorously once world economic conditions improve", Sealey said.

But the immediate outlook was grim. "The negative effect of the lower prices on export earnings and the overall profits of the group will lead to a further decline in Randcoal's earnings in 1994," Sealey said.

Though export sales last year moved forward 6% to 11.1-million tons, wafer thin margins were barely

mitigated by the rand's devaluation. Eskom sales were static at 15.4-million tons, higher revenue from Eskom-tied collieries lifted turnover marginally to R1.6bn (215).

The share base was diluted by the equity issue to parent Rand Mines to pay for supply agreements, management contracts and mineral rights. This cut earnings per share to 87c (168c), while the dividend fell one quarter to 45c.

Sealey said Randcoal would continue to focus on costs and cash preservation. It managed to contain its cost increase last year to just 3.8%.

*Police, rain quell protests*

## Riots in Maputo over taxi fares

Star 25/11/93

Maputo — Truck loads of armed riot police took to the streets of the Mozambican capital of Maputo yesterday to quell riots over rises in minibus fares.

Vehicles were set ablaze in several areas and shops looted downtown. People angered by the fare hike erected roadblocks and stopped private passenger vehicles, witnesses said.

Ambulances unloaded injured people at Maputo central hospital but there were no reports of any deaths. (218)

Prime Minister Mario Machungo ordered riot police on to the streets. The government was forced to take strong measures to prevent vandalism and disorderly behaviour, he said.

Crowds marched on the city

centre and columns of smoke could be seen in some parts.

Looters smashed shop windows and made off with television sets, hi-fi equipment and other expensive items.

The rioting appeared to die down after lunchtime. Crowds began to disperse when rain started falling over the city.

Machungo criticised private minibus taxi operators for raising fares by a much higher percentage than fuel price rises on Monday. They doubled the flat rate to the equivalent of R70.

Former rebel movement Renamo leader Afonso Dhlakama, also deplored the unrest but said people should burn state-owned vehicles instead of privately owned ones. — Sapa-Reuter.

## Period of change

**Activities:** Mines and markets coal to Eskom as well as the export and domestic markets

**Control:** Rand Mines 76,5%

**Chairman:** A Sealey, CEO A Cook

**Capital structure:** 128,9m ord. Market capitalisation R966m

**Share market:** Price 750c Yields 6,0% on dividend, 11,6% on earnings, p/e ratio, 8,6, cover, 1,9 12-month high, 850c, low, 550c

Trading volume last quarter, 500 000 shares

Year to Sep 30

	'90	'91	'92	'93
Coal sales (Mt)	22,2	23,9	29,3	29,1
Turnover (Rm)	1 087	1 244	1 620	1 649
Operating profit (Rm)	240	252	306	230
Earnings (c)	184	185	168	87
Dividends (c)	550	60	60	45

\* Figures restated to reflect change in accounting and 10-for-1 share split in September '91

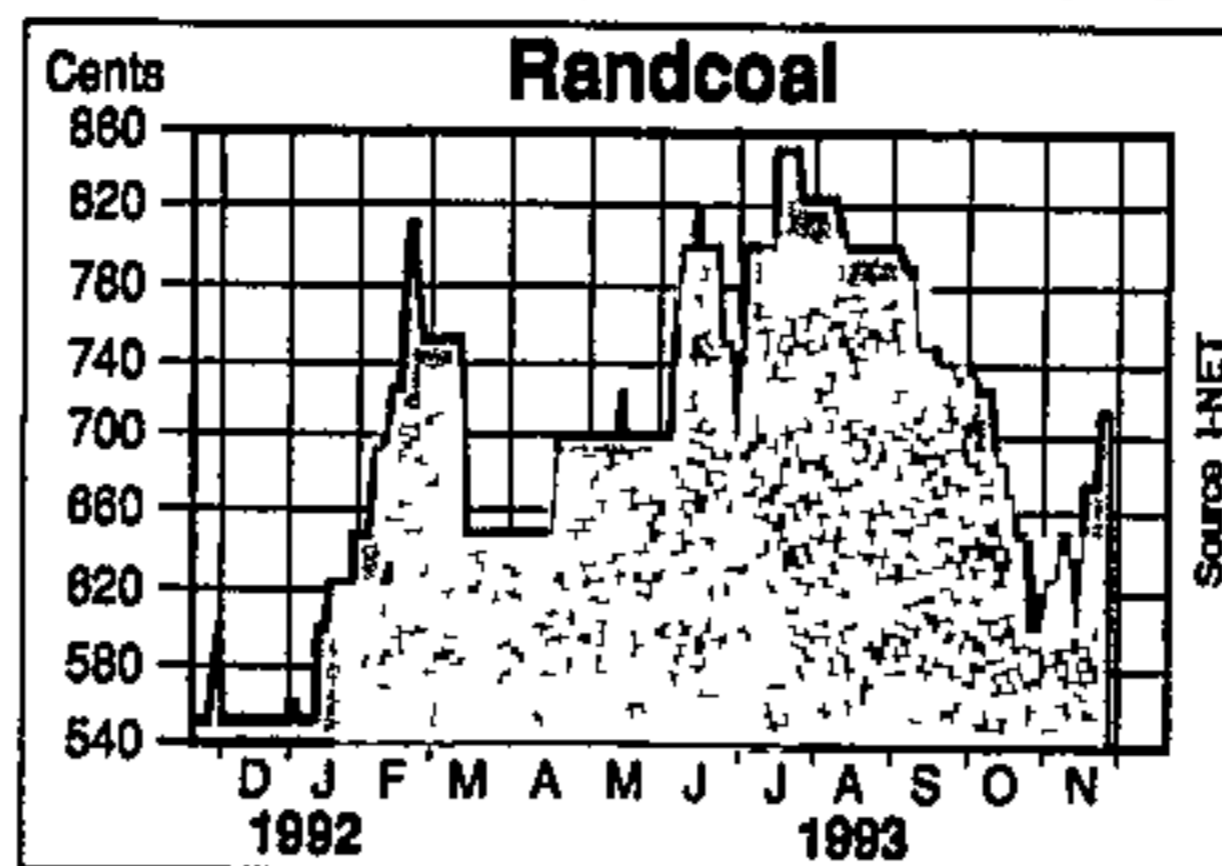
**Randcoal**, one of SA's big three coal exporters, is undergoing extensive change which still has some way to run, particularly with that most unnerving of situations coming up — a change of control (215)

Barlow Rand now holds control through the 77% of Randcoal held through pyramid Rand Mines. Once Barlow's is unbundled early next year, control will pass directly to Old Mutual. Randcoal chairman Allen Sealey says: "Your board is confident business will not be significantly affected by the unbundling."

Presumably Sealey has been talking to Old Mutual about their plans, but such a control change raises issues on which opinions can change over time. Old Mutual is not a mining group but a life insurer dedicated to providing the best returns to policyholders.

Its executives may not have the kind of corporate attitude to take the long views sometimes needed in the mining business before investments generate adequate returns. Neither do they have the corporate mining tradition and pride which might temporarily overrule purely commercial decisions on the fate of a mining investment.

What if Old Mutual does not really want



to control a large mining operation and what if another group were to make them an attractive enough offer to persuade them to sell? These are hypothetical questions and it's too soon to say whether Randcoal could be in for another change of control.

The review for the year to September underscores the grim times in export markets. Effects on Randcoal's EPS have been compounded by the increase in issued shares.

Randcoal issued 26,5m new shares to Rand Mines to acquire assets from its holding company. These included various management contracts, coal rights and the Eskom coal supply agreements for the Kendal and Majuba power stations. Income from these new assets did not compensate for the earnings dilution, EPS dropped 48%.

The reason lies in the depressed export coal prices, particularly on the spot market where Randcoal has been forced to sell greater tonnages. Randcoal now sells on its own account its 50% entitlement of the output from the Rietspruit colliery, which was previously marketed by partner Shell. It had to sell about 1 Mt of additional Rietspruit coal on the spot market in 1993.

Spot market prices crumbled to as low as US\$19/t for Richards Bay last year, though no coal exporter will admit to having sold at these unprofitable prices. Spot prices now appear to have stabilised and Sealey predicts they should start to firm in 1994.

Unfortunately, this will be too late to be of any benefit to the crucial negotiations for 1994 contract deliveries due to begin within weeks. Most contract customers, such as the major utilities buying the coal they will burn in their power stations, are prepared to pay a

premium over the spot prices to ensure security of supply. However, spot prices have been so low for so long that there will probably be heavy pressure for price reductions in these negotiations.

Survival under these market conditions comes down to being cost-competitive and Randcoal has a number of projects to curb future increases in working costs.

During the year, the loss-making anthracite section of Welgedacht Colliery was closed, giving rise to an extraordinary charge of R20,4m. In a further rationalisation, CEO Allen Cook says the Douglas section of Douglas Colliery will no longer be run as a separate unit. The opencast operations will be tucked under the Wolwekrans mine, while the underground workings will be run by Van Dyk's Drift.

There are plans to merge Douglas Colliery with the operations of the Middelburg export colliery and the Duvha colliery which is tied to supply coal to Eskom's Duvha power station. Sealey says joint operations should start early in 1995, once all the parties have agreed.

The share price has moved up recently, along with the other coal majors, as investors anticipate better coal export markets. However, investors should also take note of Sealey's prediction that Randcoal's earnings will drop further this year. Things are going to get worse before they improve. *Brendan Ryan*



**Randcoal's Sealey** unbundling won't affect business

FM 10/12/93

**Limited expansion**

The extent of the potential oversupply of export coal and its effects on groups such as Amcoal, Randcoal and Trans-Natal are highlighted in a detailed new study on SA's industry. The report, by Guy Doyle of McCloskey Coal Information Services, publisher of the authoritative *FT International Coal Report*, says there are plans to export another 27 Mt/year by the end of the century.

About 12 Mt of this is spare capacity at existing mines operated by established exporters. Another 8,5 Mt is being proposed by aspirant new entrants such as Anglovaal's proposed 2,5 Mt/year Forzando mine.

Doyle points out that though some expansion is certain, it is limited in volume and in the nature of the projects. He believes SA's exports can grow from around 50 Mt to only 63 Mt-65 Mt by the year 2000 and only brownfields projects are certain to cover capital costs at current coal contract prices. Brownfields projects are expansions to mines, greenfields projects are new mines.

He says the only two large new greenfields mines on the cards are being proposed by Iscor and Anglovaal, potential new exporters. He adds that Iscor's Delmas mine will have a secure revenue base because it will supply Iscor's needs and the export market. Forzando mine will need either higher world prices or it will have to achieve low operating costs.

Doyle says that though SA production costs are much lower than those of its two main rivals, the US and Australia, there are much better new projects on offer in Indonesia and South America. That means little new outside investment can be expected in the SA coal industry except for some "token Japanese investment".

He estimates SA's average fob pier cash costs at about US\$25/t, \$3/t-\$5/t lower than Australia's and \$10/t lower than the US's. But fob prices being realised by SA exporters are also lower than those of rivals, so operating margins are modest, often allowing little contribution to capital costs. But Doyle believes SA producers can cut costs further in real terms.

"Wage costs are the big uncertainty," he says. "In the past few years, real wage increases have been more than matched by increased productivity, much of it driven by job-shedding. Whether this can continue will be determined, as much as anything, by the National Union of Mineworkers."

He believes SA producers' costs will fall over the next two years as savings on railage outweigh labour cost increases, but there'll be no net improvement in the second half of the decade.

Doyle concludes the SA industry is on its own. "The political uncertainties, the outlook for the rand and the powerful hostility of the existing exporters towards newcomers, will mean the gains as well as the risks will fall to South Africans alone." *Brendan Ryan*

# Buyers win first round of coal price negotiations

BIDAY 14/12/93

ANDY DUFFY

THE first round of talks between SA coal producers and international buyers to fix next year's contract prices was going to the buyers, coal industry sources said yesterday.

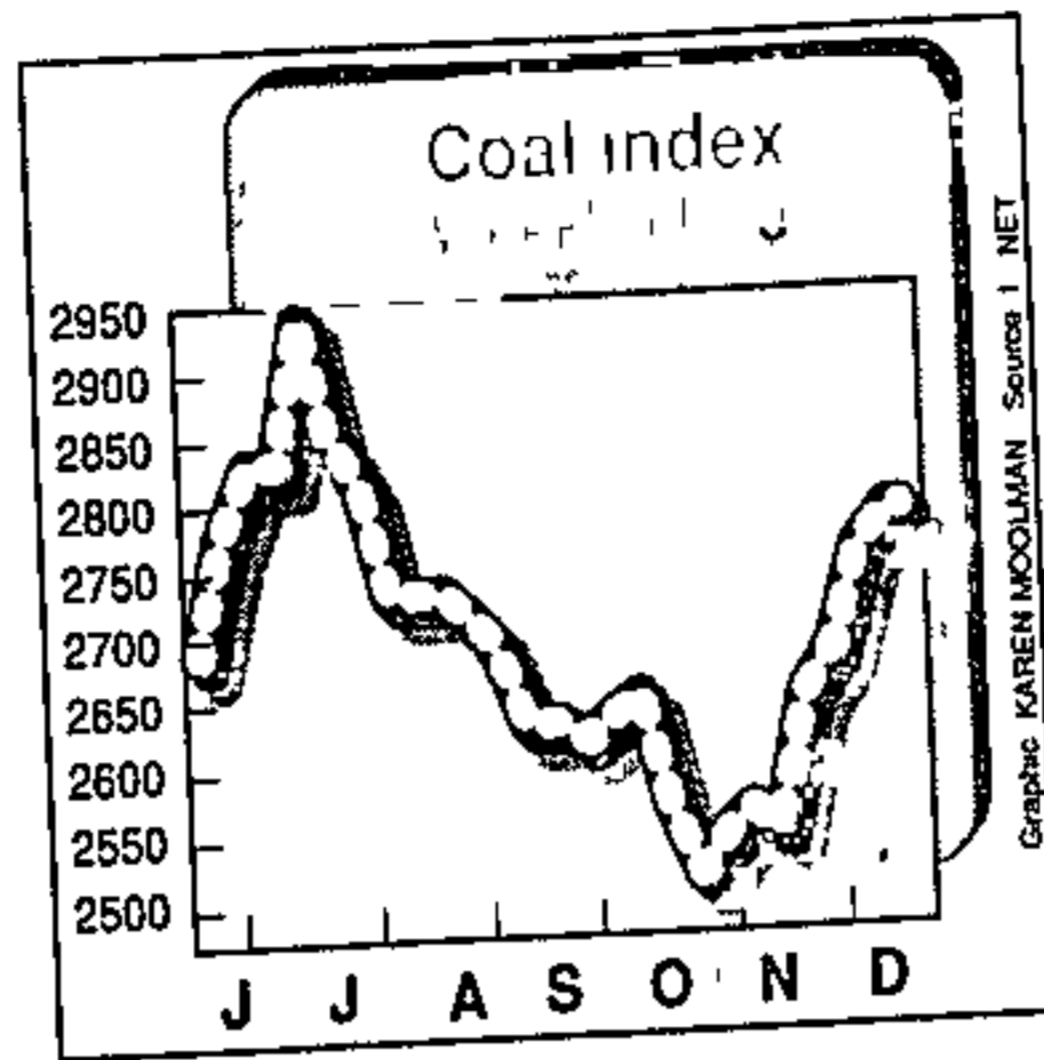
Though the recent firming in spot prices had strengthened the industry's hand, sources said prices to European buyers would fall 5-10% on last year.

Contract discussions, which began last month, had still to be finalised. But the falling demand and tough competition that hit the SA industry in the past 12 months had shown few signs of abating.

Trans-Natal MD David Murray said dollar price falls for European contracts would at least equal last year's drop, despite a bottoming-out in spot prices.

Amcoal had settled some European contracts at "better prices than most people would think", chairman David Rankin said. But he said prices were dropping to a level where some producers would find it tough to continue operating.

Rand Mines chairman John Hall said at the weekend that the international market remained bleak, and that export profits at subsidiary Randcoal would continue falling next



year. Randcoal was unavailable for comment yesterday. (215)

The second round of talks — with Japanese buyers — starts next month. Few were willing to predict the outcome, but sources said the Japanese had already warned that prices had to drop. Average prices fell 5% to \$30/t last year.

SA producers, which last year exported more than 50-million tons of coal, had warned before contract talks began that at best they aimed to hold prices at current levels.

Falling demand has combined with tough competition from South America and the Pacific Rim to force prices down.

One source of comfort had been firmer spot prices. These stemmed from a strike in the US mining industry and the disruption of Russian coal

supplies which had soaked up supplies, leading to a \$1-\$2 gain in the spot price to around \$22.

Though the rand's devaluation and a slight domestic pick-up softened the blow, falling international prices have hit SA producers hard.

Leading exporter Trans-Natal posted earnings down a fifth in the year to June, despite cutting costs.

Lower tax helped limit the damage at Amcoal, but its operating margin dropped nearly 15% for the six months to September. Randcoal's attempts to bolster exports helped cut 25% from its operating profit.

The SA industry had relied heavily on cutting costs and operations to underpin its earnings over the past year.

But sources said producers could struggle next year to sustain productivity improvements at current levels. The 7%-10% wage settlement struck earlier this year was already feeding into bottom-line costs.

Amcoal said it was vital that cost increases were kept below the level of inflation, while Trans-Natal said it was aiming to avoid any unit cost rise.

Despite market conditions, the JSE coal index has moved up strongly from 2500 last month to close unchanged at 2782 yesterday, against July's year high of 2937 and a 2075 low last December.

MINING - COAL

1994



# Duiker foresees no project funding problems

DUIKER Exploration should have no problem funding proposed projects while continuing to meet shareholders' dividend aspirations, chairman T A Wilkinson said in his annual report.

(215)  
Apart from the Agipcoal acquisition, whose inclusion could well affect earnings in the current year to September 30, Duiker was formulating plans to improve its longer-term position, which would involve cash commitments, he said.

The most important was the proposed expansion of bituminous operations in the Ogies area, currently being evaluated. Meaningful spend-

B/Say 4/11/94  
ing was also required to prolong the life of Alpha Anthracite and for hoisting facilities at Klipwal

The Agipcoal acquisition should have a positive long-term effect on earnings. Its local and foreign markets complemented those of Duiker, providing considerable scope for synergies.

Its coal reserves and Richards Bay entitlement were also valuable long-term assets, Wilkinson said.

The purchase of the SA operations of Agipcoal, shortly before the sale of the company's interests in Eastern Gold Holdings and Northern Gold Holdings, had focused management's

attention on its primary function, the mining and marketing of coal.

The sale of Free State Gold Investments was in line with the company's policy of managing its own operations rather than holding major passive investments.

Commenting on the past year, when earnings rose 44%, with taxed income at R31,1m, he said if record-breaking performances could be achieved in recession, the company would be well placed to capitalise on the cyclical business upturn.

The dividend was raised to 63c in the past year, from 50c the year before. — Reuter

COMPANIES

FM 14/1194  
 year ago to a 12-month high of 1 400c.

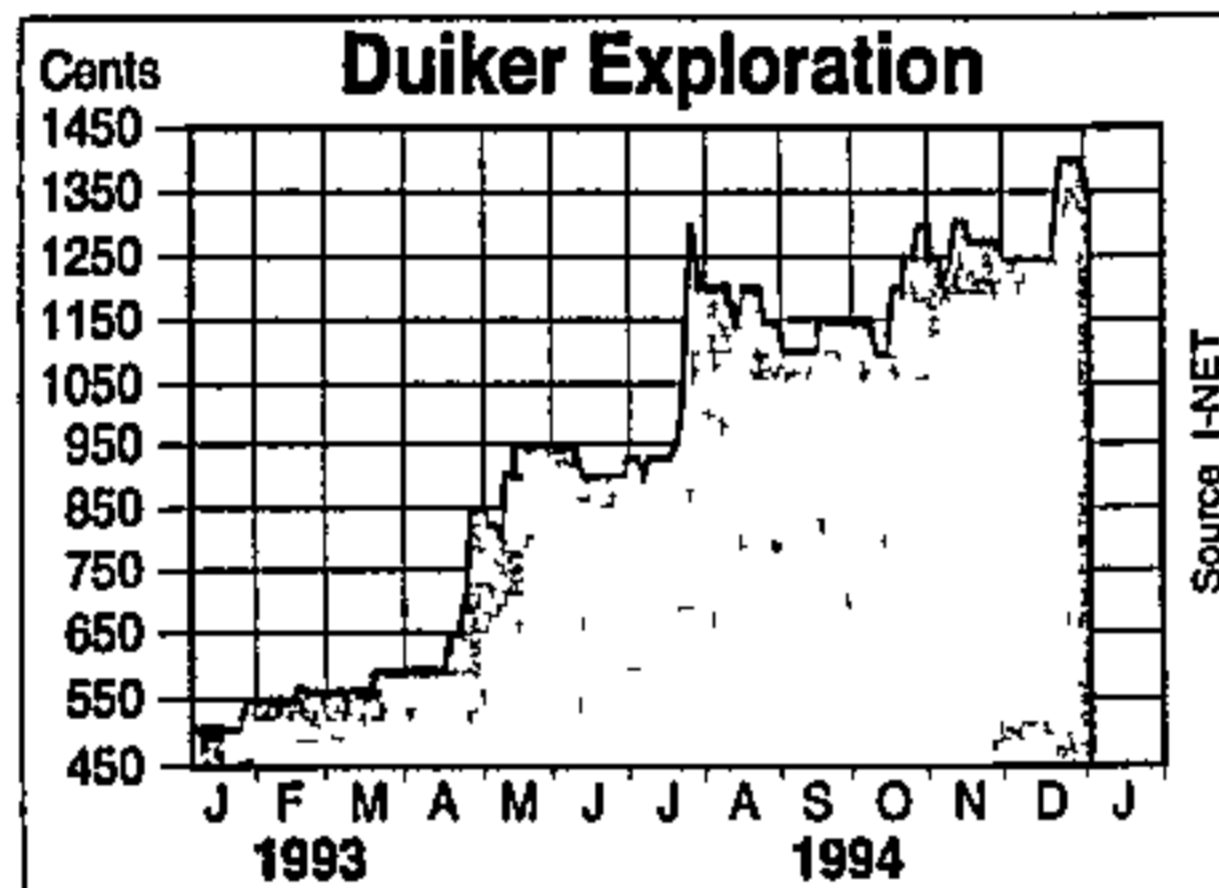
Fortunately, the FM managed to see through last year's overly conservative picture, recommending the share as a buy at 500c (*Companies* January 22 1993), despite Duiker's heavy reliance on coal revenue

Major deals during 1993 have increased the exposure to coal. The share would now be more appropriately listed in the coal sector than the mining holding board (215)

First, Duiker secured a five-year contract to supply coal to the Taiwan Power Company at a rate of 800 000 t/year for the first three years, rising to 1 Mt/year for the last two years. Though the contract does not mean additional coal sales, half of the company's coal exports will be sold on contract at higher prices than those realised on the depressed spot coal market.

Next, Duiker bought Agipcoal's interests in SA for R70m, acquiring two operating collieries and a 1,5 Mt/year export allocation through the Richards Bay Coal Terminal.

That nearly doubles its export allocation to 3,1 Mt/year at an annual terminal throughput of 44 Mt.



The company has sold its 36% stake in Eastern Gold Holdings (Eastgold) and 33% stake in Northern Gold Holdings (Northgold) to Freegold for 1,16m Freegold shares. It then sold these shares to raise R74m, enough to pay for Agipcoal and leave change.

A mere R1,6m capital profit was made out of the long association with Freegold. Eastgold holds 85% of Freegold's Erfdeel division. Duiker had provided loans totalling R72,2m as its share of the costs of funding development of Erfdeel. The only remaining exposure to gold is through the small Klipwal gold mine in northern Natal.

Duiker's improved earnings from coal last year ran counter to the falling industry trend and are all the more remarkable given that physical sales volumes were virtually unchanged at 4,59 Mt (4,55 Mt). Wilkinson attributes the higher profit to a 6% reduction in cost per sales ton and an increase in turnover to R149,5m (R139,2m) because of higher inland market prices achieved through increased beneficiation of products sold.

This year should see a further improvement in coal export revenues. Half the output will be sold at higher contract prices, while, as Wilkinson points out, there are already indications of a firming in spot market prices.

cont p52

DUIKER FM 14/1194

More black gold (215)

**Activities:** Mining company with interests in coal and anthracite.

**Control:** Lonrho Plc through WPH Investments 55,5%.

**Chairman and MD:** T A Wilkinson.

**Capital structure:** 14,4m ord. Market capitalisation: R202m

**Share market:** Price: 1 400c. Yields: 4,5% on dividend; 15,0% on earnings, p:e ratio, 6,7; cover, 3,3 12-month high, 1 400c; low, 500c.

Trading volume last quarter, 300 000 shares.

Year to Sep 30	'90	'91	'92	'93
Turnover (Rm) .....	141	161	177	191
Operating profit (Rm) .	22,9	29,1	29,7	41,1
Taxed profit (Rm) ....	11,0	15,7	22,1	31,1
Earnings (c) .....	76,3	109,2	153,7	216,1
Dividends (c) .....	30	35	50	63
Tangible NAV (c) ..	936	1 010	1 074	1 253

Duiker's results are excellent but emphasise that mining company chairmen are a cautious bunch, preferring to err on the conservative side in their predictions. This helps protect them against risks and makes them look good in shareholders' eyes when things turn out better than expected. And Duiker's performance has been far better than chairman Terence Wilkinson predicted in his last annual review.

Last year, he forecast income would probably decline in financial 1993. He added he would like to be able to maintain the dividend at its record 50c. Earnings soared 44% in the year to September and the dividend jumped 26% to 63c, with the cover maintained at a conservative three times. The share price has taken off from a low of 500c a



Duiker's Wilkinson . rising coal revenues

COMPANIES

FM 14/1194  
 Yet — surprise, surprise — he remains cautious on the earnings outlook, saying the inclusion of Agipcoal's operations could dampen earnings this year though they are expected to contribute well to profits later. Agipcoal's mines have been making operational losses (215)

Wilkinson does not refer to Duiker's future role in the Coalex joint venture which is looking at setting up a 12 Mt/year export terminal at Richards Bay. Duiker hoped to participate in this project because its "small fry" status in Richards Bay did not allow it to export as much coal as it wanted to. The acquisition of Agipcoal — also a Coalex member — changes that.

The balance sheet has strengthened, net liquidity rising to R62m from R48,1m a year ago. But, at R14, and with the speculative gold element removed, the share looks fully priced.

Brendan Ryan

RAND MINES

FM 21/1/94

# Profits still losing steam

(215)

**Activities:** Holding company for Randcoal  
**Control:** Barlow Rand (77%) but ultimately SA Mutual

**Chairman:** J C Hall

**Capital structure:** 59,6m ords Market capitalisation R700m

**Share market:** Price 1 175c Yields 4,9% on dividend, 11,6% on earnings, p e ratio, 8,6, cover, 2,4 12-month high, 1 500c, low, 750c

Trading volume last quarter, 396 000 shares  
 Year to Sep 30 \*†'90 \*'91 †'92 '93

LT debt (Rm)	944,5	838,2	916,1	972,0
Shareholders' interest	0,57	0,46	0,32	0,32
Turnover (Rm)	1 694	1 776	1 621	1 650
Operating profit (Rm)	410,2	410,1	328,0	226,8
Attributable prof (Rm)	223,1	250,3	157,2	80,9
Earnings (c)	—	—	264	136
Dividends (c)	—	—	78,75	57,5
Tangible NAV (c)	—	—	798	825

† Re-stated \* Figures prior to 1992 are not comparable with those for 1993

This is a company undergoing a total metamorphosis and which, presumably, may disappear entirely in the next year or so. On the face of it, there is little reason to keep Rand Mines, bearer of the name of one of the country's great mining houses, affectionately called Corner House, in existence

Rand Mines is the holding company for Randcoal; its sole asset is its 77% direct and shareholding in the operating subsidiary And, by the end of next month, Barlow Rand's 67% shareholding in Rand Mines will have been unbundled and passed on directly to Barlow shareholders, SA Mutual will then be Rand Mines' controlling shareholder.

Chairman John Hall is at pains to reassure shareholders that "the nature of the company's business will not be unduly affected as a result of the restructuring exercise." What on earth does that mean?

On the contrary, shareholders have good cause to ponder the future of this company. It is, in effect, a pyramid created early in 1993 which serves no good purpose other, than perhaps providing a convenient holding vehicle. When Randcoal's annual results were surveyed last in the FM (Companies December 3) we openly canvassed the possibility of yet another change of control.

The important feature here is that SA



Rand Mines's Hall  
*business as usual*

Mutual will end up directly in charge of one of SA's principal coal-producing and exporting businesses. Is this really what the country's largest life insurer wants to be doing? Is it equipped for this kind of responsibility and can it exercise it?

Of course, controlling large businesses isn't foreign to Mutual: it does so in a number of cases (Nedcor, Safren) and those entities have hardly suffered from the connection. However, mining is somewhat different. That may be compounded by the fact that Randcoal's constituent parts are probably worth individually a lot more than the whole. The temptation to find willing buyers (Anglo, Gencor, GFSA?) must be considerable — though breaking up Randcoal could prove to be a king-sized headache.

Those interesting imponderables aside, results for financial 1993 are hardly exciting. Coal sales were about maintained (29 Mt) and turnover improved marginally to R1,649bn. The real problem came in operating profit, which fell to R230m from 1992's R306m. Randcoal made a profit of R7,91/t this year compared with 1992's R10,45/t, and over 29 Mt that adds up to a sizeable pot of money.

The principal culprit is the grim international market where steam coal prices have remained under severe pressure. It's been party time for buyers, a situation which, according to whispers from the negotiating rooms, still obtains. Hall was last reported as saying he expected export profit to continue falling this year.

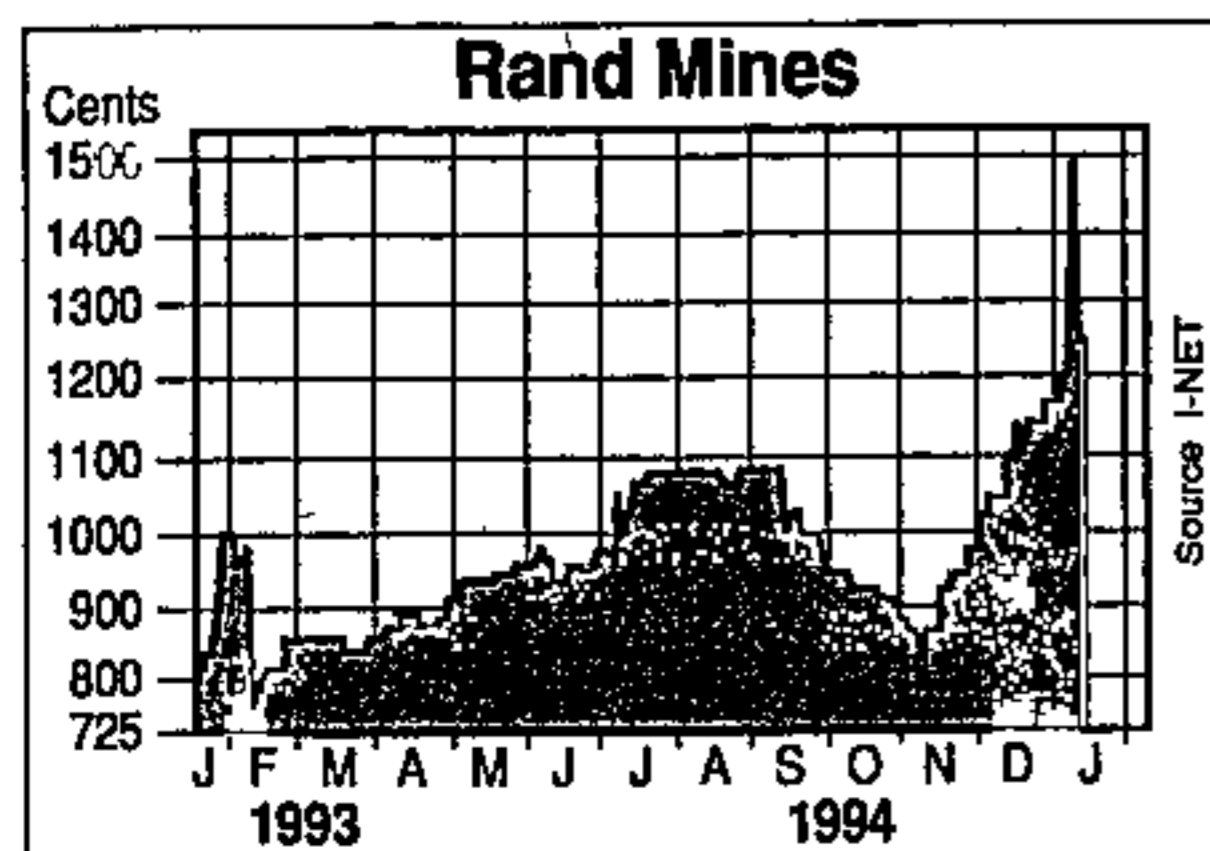
This situation cannot, presumably, continue indefinitely. New suppliers in Indonesia, Colombia and Venezuela have made

inroads into traditional markets and, in a time of constricting world trade, that has put pressure on the supply-demand equation. However, even for buyers the party must be finite and when it ends, sellers, lean and hungry, will be intent on recovering the years of lost profits.

Randcoal has a number of rationalisations in the pipeline, notably with Eskom and Johannesburg Consolidated Investments (with which it shares ownership of Middelburg export mine).

Outgoing deputy chairman Alan Sealey must be given the last word. Cloaked in paragraphs of explanation, Sealey says the company will experience "a further decline in earnings of 1994." That's not good news.

David Gleason



# Duiker lifts earnings after restructuring coal business

(215) CI 25/11/94

Own Correspondent

JOHANNESBURG — Duiker Exploration, Lonhro's radically restructured coal business, lifted attributable earnings 15% in the three months to December, despite dipping export prices

The company, which late last year bought Italian-owned coal operation Agipcoal SA and effectively pulled out of gold, lifted earnings to 89,3c (77,6c)

Duiker's exports hit a personal best of 757 000 tons, but steam coal sales before the contribution from Agipcoal — now renamed Duiker Coal — fell marginally

Duiker does not produce quarterly sales revenue figures, but technical director Hugh Stoyell

said revenues a ton were down because Duiker had increased its export of low-grade, lower-priced steam coal to Europe

Anthracite sales jumped to 47 435 tons (10 513 tons) as rescheduled shipments of 37 000 tons fed through Gold sales from the Klipwal operation dropped to 82kg (83kg) Operational income rose nearly 14% to R17,74m, though associate income was cut by half to R1,6m following the sale of stakes in gold holding companies Eastern Gold and Northern Gold

Agipcoal's "fairly substantial" accumulated tax loss led to a reduced tax rate of 33% from 40% and left attributable income at R12,85m (R11,17m)

Stoyell said the company expected earnings for the March quarter to be of "the same order" as the December-quarter performance

Though spot prices had shown some signs of firming, contract prices remained difficult to gauge

Duiker recouped the R70m it spent on the purchase of Agipcoal with R74m it raised from its Eastgold and Northgold shares, leaving it with a R62m cash balance at the September year-end

He said Duiker had attacked Agipcoal's debt as part of its assimilation, but added that Duiker's cash balance remained largely unchanged

# Duiker improves though prices fall

BIDON. 25/11/94

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Stoyell said the company expected earnings for the March quarter to be of "the same order" as the December-quarter performance.

Though spot prices had shown some signs of firming, contract prices remained difficult to gauge.

Stoyell said European buyers were demanding heavy cuts for contract prices which had led to negotiations being drawn out.

"Prices have stabilised. I would like to believe that they are tending firmer," he said.

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Completing Agipcoal's restructuring would cost more, Stoyell said

Star 2/2/94

## Coal exports at record level

Coal exporters shipped a record 53,02 million tons in 1993, six percent up on 1992, but prices were substantially lower

Export earnings for the industry, however, declined as the average dollar price received for coal fell constantly during the year to finish at \$26,52 a ton/fob.

This was a drop of 12,06 percent during the year and a 27,35 percent

fall on the average price received in 1992.

The rand's continued slide against the dollar partly cushioned the decreasing dollar revenue. Average prices dropped about 10 percent in rand terms.

(215)  
The bottom line thus saw rand revenue for exporters trimmed by 2,8 percent

The Richards Bay terminal loaded the bulk —

51,09 million tons — of the coal (1992: 48,03 million tons), while exports through Durban dropped from 1,89 million tons to 1,63 million tons.

Although it operated efficiently for only three months of the year, the Maputo terminal recorded significant gains in its share of SA coal traffic, moving 300 000 tons, up from 220 000 tons in 1992 — Sapa.

# Record coal tonnage shipped

Business Staff

SOUTH African coal exporters shipped out a record 53m tons in 1993, 6% up on 1992, but prices were some 27% lower in dollar terms compared with the previous year

An analyst was quick to point out that the expansion programme at the Richards Bay coal terminal and the cheap price of SA's exported coal had helped the uptrend as well as new markets opening up after the lifting of sanctions

CT 2/2/94 (215)  
He did say that the world coal market was oversupplied and this resulted in the weaker coal prices

He felt that "the local coal producers should have held back"

He was confident that the price of coal, currently at the bottom — would start heading upwards in 1994. The average dollar price received for coal declined constantly during the year, dropping about 12% to finish at \$26,5 a ton/fob

The rand continued to slide against the dollar in 1993, partial-

ly cushioning falling dollar revenues — so in rand terms revenues were trimmed by only 2,8% for coal producers

Richards Bay Coal Terminal loaded 51m tons (mt) (96,4%) of the coal, up from 48mt in 1992. Shipments through Durban continued to decline, finishing at 1,63mt (3% of the country's total) against 1,89mt the previous year

Although it operated efficiently for only three months of the year, the Maputo terminal moved 300 000 tons (0,6%) up from 220 000 tons in 1992

# Coal exports hit record tonnage but price drops

Bay 2/2/94

ANDY DUFFY

SA COAL producers exported a record tonnage last year, but sustained a fall in dollar prices of more than 25%, according to figures released by SA port authorities.

Total tonnage last year rose 6% to 53,02-million tons, with more than 96% — 51,09-million tons — loaded through Richards Bay Coal Terminal

But the figures show the average price received dropped to \$26,52/ton — down 27,35% on 1992, and a fall of nearly 13% from January 1993

The rand's decline continued to cushion the blow to exporters such as Trans-Natal and Amcoal.

In rand terms, average prices last year fell 10% less than their decline in 1992. The 1993 slide in rand revenues was held at 2,8%.

The figures, which pre-empt official Minerals Bureau figures for December, underline tough conditions facing the SA industry.

A combination of oversupply and cut-price competition from the Pacific Rim and South America has cut deeply into earnings

With the bulk of SA exports sold on contract, the industry has been largely shielded from the worse price cuts.

Several sources also report that spot prices — which last year hit six-year lows

— had begun to stabilise.

But this is thought to have come too late to herald any recovery in contract prices. Negotiations with European buyers, which started in November, had proven protracted as buyers fought for prices closer to spot

(215)  
Industry sources expect a further 5-10% decline in contract prices this year.

Most players were aiming instead to underpin earnings by reining in unit costs.

Despite such market conditions, coal producers have performed strongly on the JSE over the past year, partly in response to views that the sector had been oversold.

The coal index closed yesterday at 3 154 points, just 10 points off the year high it hit last week, and a 43% gain on the year.

Trans-Natal, Amcoal and Rand Coal are all trading just below year highs struck over the last two months.

The port authorities added that more than 92% of the coal shipped through Durban went through the Bluff Mechanical Terminal.

The Maputo terminal in Mozambique, which operated for just three months of the year, shipped 300 000 tons of SA coal, up from 220 000 tons in 1992, lifting its share of export handling from 0,4% to 0,6%.



## Big increase in demand for SA coal

ANDY DUFFY

THE besieged SA coal export industry is reaping the benefits of disrupted coal supplies in the US and Russia, with shipments through Richards Bay stretching the terminal to the limit last month. **Biday**

Industry sources said yesterday demand for SA steam coal had risen sharply in the final quarter of last year. Demand had bolstered spot prices and pushed shipments through Richards Bay to a record 5.3-million tons, nearly two thirds above those for last January. **(215)**

But the fillip had come too late to affect European supply contract prices. The jury was out on whether spot price gains would offer much relief in talks now under way.

with Far Eastern buyers

Leading coal exporters Trans-Natal and Rand Coal said short supply and new markets had pushed up demand. **3/2/94**

South American coal supplies, which had done so much to beggar prices last year, had been channelled into the US in the aftermath of long-running industrial action by American coal suppliers. Russian supplies, which started to shrivel late last year, remained disrupted.

Trans-Natal marketing director Gordon Osterloh said the company was also pick-

To Page 2

## Coal

**Biday 3/2/94**

From Page 1

ing up new contracts in Malaysia, South Korea and Argentina.

The wealth of new contracts led to a record 70 ships coming into Richards Bay last month. The tonnage was nearly 20% above 1993's average monthly shipments.

Sources said ships were kept waiting for up to two weeks to load, but a spokesman denied this. Scheduled shipments in February stood at 4-million tons, which was "fairly encouraging", he said. Higher demand also propelled spot prices close to \$25/t, against last year's six-year low of \$19/t. **(215)**

"Spot prices have begun to move up fairly steadily," said Randcoal marketing director Rob Turner. "It is certainly positive for the first half of the year."

Even if only short term, higher demand should provide a useful boost for the SA industry, which last year exported more

than 50-million tons.

Heavy competition and oversupply is thought to have cut 1993 dollar prices by more than a quarter on 1992. The rand's devaluation limited the fall in rand revenues to 2.8%. Though Far Eastern demand edged forward, European demand is estimated to have dropped 14% from 1992.

SA exporters, who sell 80% on contract, have still to complete several contracts with European buyers. But sources estimate prices have dropped at least 5% over last year. Far Eastern contracts had still to be finalised.

Osterloh said the expected continued decline in European demand would force the industry to pursue new buyers.

New markets took roughly 4% of the 11.6-million tons of coal Trans-Natal exported last year, with supplies to the Far East remaining at 50% of exports.

# Heat is on at Randcoal to cut costs

ANDY DUFFY

RANDCOAL is undertaking a stringent cost-cutting programme in a bid to shore up earnings against still subdued market conditions. *Biday*

The company, one of SA's largest coal exporters, said at the weekend that the international market remained tight and it was combing every part of its business to bring costs down. *712194*

Rationalisation plans included merging the loss-making Welgedacht bituminous coal operation with its Douglas mine, and combining the Douglas section of the mine with its Wolwekrans and Van Dyk Drift sections. The company said it had approached unions to discuss ways to rationalise various marginal operations. Randcoal was also close to finalising plans to merge its Middelburg colliery with the Eskom-tied Duva operation.

The efforts were already impacting on unit costs, the company said, and were likely to make a useful contribution to Randcoal's bottom line this year. *(215)*

Randcoal had still to determine the number of job losses that could stem from the belt-tightening.

Industry sources estimate around 450 jobs could be lost, just under 5% of Randcoal's workforce.

Finance director Fergus Macleod said the rationalisation was a response to market conditions showing only tentative signs of recovery. "We're at the bottom of the cycle, and to protect our position we continue to look at costs critically," he said. "We're looking everywhere."

Randcoal's sales have edged for-

ward, but margins have been hit by falling domestic and export prices. This cut Randcoal's attributable earnings by more than a third to R112,3m in the year to September 1993. Randcoal chairman Allen Sealey warned in his 1993 annual review that earnings were likely to fall again this year, despite a slight firming in spot prices.

Demand for SA coal rose sharply in the last three months of last year, mainly as a result of disrupted US and Russian supplies.

But the resultant rise in spot prices is thought to have come too late to help SA suppliers in contract negotiations. Prices are expected to fall by at least 5% over 1993.

MacLeod said Randcoal had contained cost rises last year to 3,8% and the company was trying to operate this year "as leanly as possible".

# Trans-Natal in belt-tightening

Star 11/2/94

■ BY SVEN LUNSCHE

Trans-Natal has warned shareholders of a lower final dividend after interim taxed earnings declined by 22 percent to R43,1 million (R55,6 million)

Earnings per share in the six months to December (before extraordinary items) dropped from 69,7c to 54,1c, while the interim dividend has been maintained at 23c

MD Dave Murray warned yesterday that the international coal market was still influenced by oversupply and poor activity.

Average export prices fell by 3,6 percent and inland prices by 3,3 percent, leaving sales revenue R6 million lower at R820,5 million.

Sales tonnages were slightly higher at 13,8 million (13,6 million), comprising exports of 5,9 million (5,8 million), sales to Eskom of 5,3 million (5,1 million) and other inland sales of

2,6 million (2,7 million)

Higher productivity and lower cost of sales failed to offset the drop in sales revenue.

"The group will be hard-pressed to maintain second-half earnings and the final dividend is likely to be adjusted to reflect the drop in income forecast for the full year"

This year's steamcoal prices, negotiated with European clients, are two

to three percent down on last year's.

A similar drop is forecast when negotiations with Japanese users are concluded (215)

Murray added, however, that recent encouraging signals from the US, Europe and the Far East pointed to an improvement in 1995 prices

Further good news was that Trans-Natal had

been awarded the tender for exploration of a major steamcoal reserve in Queensland, Australia.

Viability of the Togara project would be established once a five-year exploration programme had been completed

■ Mick Davies has been appointed chairman of Trans-Natal to replace Brian Gilbertson, who remains on the board

## Trans-Natal posts <sup>CT 11/2/94</sup> 215 increased earnings

JOHANNESBURG. — The Trans-Natal Coal Corporation reported yesterday a quarter improvement in attributable income for the six months ended December 1993, although operating income slipped 8,4% against the same period the previous year

Attributable income increased to R43,1m in the first half (previously R34,5m) as operating income eased to R109m (R119m)

Although sales tonnages improved slightly, sales revenues were lower due to a 15,2% average decline in the US dollar export price of steamcoal

Earnings a share were up at 54,1c (43,3c) but Trans-Natal declared an unchanged interim dividend of 23c a share — Sapa

# Falling coal prices hurt Trans-Natal

Biday 11/2/94

ANDY DUFFY

FALLING prices cut more than 20% from coal producer Trans-Natal's earnings for the six months to December, despite a sparkling operational performance.

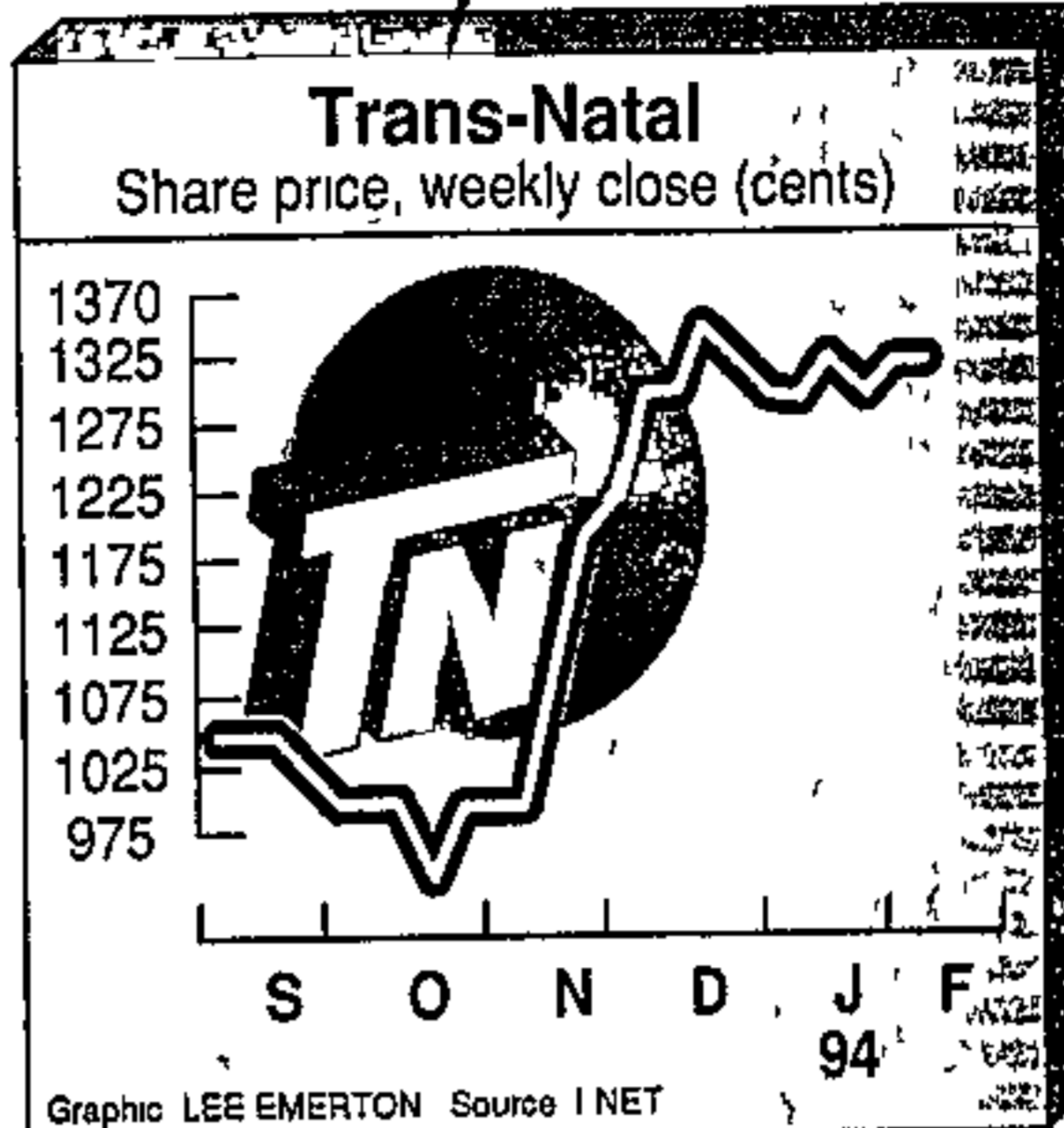
The Gencor-owned company — SA's largest coal exporter — said prices would fall further this year, which would knock earnings below those for 1992 and slice into the final dividend. (215)

But stronger spot prices would herald a recovery next year, MD David Murray said Trans-Natal had also achieved the growth opportunity that had long eluded it, netting the rights to a 1-billion ton steam coal reserve in Australia.

Trans-Natal's sales tonnage moved ahead marginally to 13,8-million tons, on the back of slightly higher exports and sales to Eskom.

But revenues slipped to R820,5m (R826,6m). Inland prices dropped 3,3%, though the main damage was inflicted by exports, which account for two thirds of Trans-Natal's revenues. Average steam coal export prices plummeted more than 15% to slightly more than \$27 a ton. The rand's devaluation cut the rand revenue decline to 3,6%.

Sales costs moved ahead R4m to R711,5m, while a R4,2m financing charge stemming from debt reshaping left pre-tax income 28% lower at R68m. Earnings fell



22% to 54,1c a share, and the interim dividend was unchanged at 23c.

Earnings would have been far lower but for Trans-Natal's success in reining in costs. Productivity leapt 24% to 361 saleable tons a man month, on top of the 22% gain achieved in the year to June.

This left mining costs unchanged, while unit costs were cut 0,7%. Murray said there would be further productivity gains, though not of the same magnitude.

Prospects this year remained poor. European buyers, which last year cut their orders 10,5% to 85-million tons, were expected to take 2-million to 3-million tons

To Page 2

## Trans-Natal

Biday 11/2/94 From Page 1

less this year. Between \$2-\$3,50/t had been cut from contract prices. Contract talks with Japanese buyers, which start next week, would be equally tough. (215)

"Year on year prices are certainly going to be lower," Murray said. "Any reduction is going to put pressure on margins and earnings." The disruption in US and Russian coal supplies had helped lift spot prices from \$19,50-\$21/t six months ago to around \$22-\$23,50/t.

Such trade was thin, Murray said, but the firming should feed through to 1995 contract prices. Prices could also be lifted

by recovery in the UK and US economies.

It was not clear how much cash would be needed to develop the Australian reserve — Togara South in Queensland — into a fully fledged mine. Trans-Natal had spent A\$1,5m to win the tender, and would spend a further A\$2m over the next five years to investigate the site.

Trans-Natal announced that Mick Davis, the former Eskom executive director who joined Gencor's board in September, had been appointed chairman, succeeding Gencor chairman Brian Gilbertson.

Star 14/12/94

# Holland to take 2 million tons of SA coal

South African coal producers will supply more than two million tons of steamcoal to the Netherlands power utility NV-GKE in 1994, Kings Coal International reports in its latest publication.

Prices are expected to be around \$27,50 FOB from Richards Bay.

The publication also reports that the 1994 negotiations of Japanese utilities with South African coal suppliers get under way shortly, but that there is a great deal of downward pressure on prices as demand for electric power declined in the latter half of 1993 and the utilities have substan-

tial stockpiles of coal  
In the US, Southern Company is reported to be testing South African coal at its Gulf Power utility (2.5)

Hong Kong's China Light and Power is said to be looking for 500 000 tons of spot steamcoal

The utility bought 500000

tons of South African steamcoal on the spot market in August last year at \$20 a ton

However, the report says China Light and Power was unlikely to get such favourable prices again as the international market for South African steamcoal was showing an improvement — Sapa



## SA gains 2m ton coal order

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Prices are expected to be around \$27,50 FOB from Richards Bay.

The publication also reported Japanese utilities' 1994 negotiations with SA coal suppliers get underway shortly, but there is a great deal of downward pressure on prices as demand for electric power declined in the latter half of 1993 and the utilities have substantial stockpiles of coal (215)

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TRANS-NATAL COAL

Fm 18/2/94 (215)

**Dash of cold water**

**Trans-Natal** Coal (TNC) shares, like other coal majors Randcoal and Amcoal, put on a spurt in the second half of last year as investors anticipated better times to come, but interim results indicate such hopes are a little premature. While TNC has kept its head above water in difficult market conditions and held its interim dividend, the results are disappointing, given the heavy hints that the final could be cut

MD Dave Murray says TNC will be "hard pressed" to maintain second-half earnings and the final dividend is likely to be "adjusted" to reflect the drop in annual earnings

Much will depend on price negotiations with Japanese customers, just getting under way — marketing director Gordon Osterloh flew to the Far East at the weekend — as well as movements in spot coal prices.

Spot prices dropped from about US\$27/t for Richards Bay in the second half of 1992 to about \$19,50/t in the second half of last year before recovering to between \$22/t-\$23,5/t now Murray cautions this recovery has been in thin volumes and no conclusions can be drawn until exporters see what volumes are like in April/May/June, traditionally the slack time for the European market

Contract prices have continued to ease in Europe as a result of oversupply and declining demand from traditional customers Italian government utility Enel, which five years ago imported about 9 Mt coal annually, bought only 3,5 Mt in 1993

As a result the Enel contract price is no longer the European benchmark Murray says most TNC contracts to Europe have been settled, at prices about \$2/t down.

That leaves the Far East markets in general and Japan in particular, where Australian coking coal producers have accepted price cuts ranging from \$3,30/t-\$3,85/t.

Australian steam coal producers are still under extreme pressure to accept price cuts Murray says they have broken off talks and

productivity per worker up 24% and unit cost down 0,7% Those improvements could not offset lower prices, with the average steam coal export price dropping 15,2% or \$4,85/t That meant rand prices dropped 3,6% in spite of the 13,8% depreciation of the rand

TNC depends overwhelmingly on exports, which provided 66% of turnover of R820,5m (63% of R826,6m), so lower prices led to the 8,4% drop in operating income to R109m (R119m). Taxed income was off 22%, the only reason attributable profit is higher at R43,1m (R34,5m) is a R21m extraordinary charge in July-December 1992

**Cash balances up**

The balance sheet shows cash balances up to R110,1m (R74,2m) but long-term loans are also higher at R102,4m (R46,3m).

At R13,25 the share is still near its December 12-month high of R13,50c It could mark time until prospects for the final dividend clarify Meanwhile, TNC is pushing ahead with its intention to expand abroad because of limitations on growth at home.

TNC has paid the Queensland government Aus\$1,3m for a five-year right to explore a potential 1bn ton steam coal deposit, Togara South — one of 12 recently put out to tender in Queensland Murray says exploration will cost about A\$2m, but it's too early to say how any mine would be funded

Brendan Ryan

**LITTLE MOVEMENT**

Six months to	Dec '92	Jun '93	Dec '93
Platinum sales (000 oz)	=	-7	66
Turnover (Rm)	1032,41	181,51	103,2
Pre-tax income (Rm)	149,0	192,5	153,7
Taxed income (Rm)	7,1	10,5	74,5
Operating profit (Rm)	10,0	107,0	104,0
Loss (Rm)	1	15,0	-5,0

feels there is a strong case for SA exporters to negotiate at least roll-over prices

Should the improvement in spot prices hold up and should TNC achieve roll-over prices for its Japanese sales then the final could well be maintained. A cut would be unfortunate, as most analysts expect healthy recovery in earnings in financial 1995.

On the operating side TNC did well, with

ARGUS NEWSPAPERS

# Cutting the knots

Fun 18/2/94

(195) (232)

**The agreement** to sell control of Argus Newspapers to Tony O'Reilly's Independent Group (IG) gets Anglo American Corp and associate JCI off the political hook and its newspapers into what it regards as suitable hands. But it is plainly only one leg of a more complicated plan that could unfold with heightened drama in weeks to come.

This transaction is the culmination of more than three years of effort, though not necessarily directed exclusively at O'Reilly. So perhaps it is not altogether surprising that a deal was struck swiftly once negotiations started last week. Argus Holdings CE Doug Band says principles were agreed within a couple of hours, details were ironed out in less than two days.

But it is plain that the plan announced so far for the Anglo/JCI publishing interests is incomplete. If there is to be commercial logic in the interests they continue to hold, there will have to be further changes. It will affect shareholding and operational structures, management and, probably, contractual printing arrangements.

Nor, if the speculation over the past few days has any foundation, is it yet certain that the sale to IG will go ahead quite as intended. The protracted search for a buyer could have whetted the appetites of some voracious personalities. Soon after the deal was disclosed, there was talk in the market about a possible rival bid for the outstanding shares in Argus Newspapers by a local and international consortium.

Argus associate Caxton/CTP was mooted as a local bidder, along with international press baron Conrad Black. In fact, Caxton has now emphatically denied that it will bid. That denial seems plausible. For one thing, a contested bid for a major publisher such as Argus Newspapers would inevitably be highly publicised. It has long been Caxton boss Terry Moolman's style to remain as private as possible and there is no reason to think this stance has changed, especially with the elections ahead.

Black also tells the *FM* he is not interested in the deal. He adds: "I wish Dr O'Reilly every success with it."

Whatever the commercial considerations, of course, newspaper publishers can never be made to stand apart from the political arena — that is partly what persuaded Anglo/JCI to sell.

But, just as any contested bid could fast become a political football, the sale to O'Reilly, known to be friendly with Nelson Mandela, can hardly avoid creating perceptions that the newspapers will be owned by a group which is at least sympathetic to the ANC. And in politics, as in financial markets, the perception often is the reality — at

least until proven otherwise.

Band cites several reasons this deal was considered acceptable. Among these, it was felt that IG would be a stable lead shareholder with an empathy and knowledge of the business and would respect Argus's tradition of editorial independence. Band adds he is not aware of any conditions attached to the sale. However, I understand that JCI/Anglo has right of first refusal should IG sell the Argus Newspaper shares.

For its part, Anglo apparently feels it has laboured down an arduous road to lighten its publishing interests without placing them in the hands of a political interest group and has used up much political capital by refusing to accede to demands from prospective owners who were politically aligned. Despite his personal relationship with Mandela, O'Reilly is seen as a proprietor who jealously guards his reputation as an independent international publisher and won't want to sacrifice it for any deal with the ANC.

This may be a comforting view for the mining houses, which through this deal must have greatly eased pressures on themselves as well as lessened the likelihood of legislation to deal with concentration of media ownership. It's to be hoped that it does not prove to have been naive.

It is, incidentally, the third deal in recent weeks for Anglo, coming after the sale of control of the *Sowetan* and *African Life* to black shareholders. But the house denies suggestions that there has been a rush to tie these up before the election. It contends each has been worked on for a long time and it was merely coincidental that they reached fruition at around the same time.

There seems greater assurance that some of the other objectives which Band cites will be met. In particular, he says, the deal had to be acceptable to the general body of shareholders and should unlock value. He notes that the Argus Holdings share price gained R6, rising to R40 (though it has since eased to R36), after the deal was announced. "If the firm price trend continues, it will vindicate that side of it," says Band.

If investors are to take a considered view on the Argus shares now, however, they need to know more about the value of Argus Newspapers as well as what will happen to the remainder of Argus Holdings. Information about both is limited.

The listing and sale of control in Argus Newspapers to IG will be done under the unbundling legislation that took effect last year. Essentially, at the listing of Argus Newspapers — now wholly owned by Argus Holdings — all the shares will be distributed to Holdings shareholders. JCI and Anglo will sell their combined 31% entitlement to



**Argus's Band** Holdings' future not thought through

IG for about R125m cash. The amount is subject to a formula related to the share price after the listing.

Shareholder approval will have to be attained at a general meeting. Depending on the route chosen, it could be done through an ordinary resolution, requiring approval of 51% of shareholders represented, or by a special resolution, which would need 75% approval.

A capital reduction would require a special resolution. If the unbundling is achieved by declaring a dividend in specie — as was the case with Gencor — an ordinary resolution would be adequate. This is the simplest and least risky route and seems the most likely, especially if there is any talk of bidding. If it's assumed the pension funds of Anglo (9%), JCI (5%) and Argus (8%) go along with the plan, there should be no difficulty getting shareholder approval. Also, Band says Old Mutual, holder of another 13%, was informed of the proposal and did not object.

Attributable earnings of Argus Newspapers for the year to March 1993 total R33.3m but valuations placed on Argus Newspapers by outsiders before the unbundling circular is issued must be tenuous. With the concentration of control removed, the restructuring of newspaper interests held jointly by Argus and Times Media will now go ahead and will probably be completed before the listing. Argus could acquire full ownership of Natal Newspapers, *The Pretoria News* and, possibly, the *Cape Times*.

Another factor investors should consider is the contribution IG may make towards expansion or improving profitability. Its financial performance has been impressive. O'Reilly, who owns 28%, bought into IG's publishing arm Independent Newspapers for £5.6m in 1973. It now has a market cap on the London Stock Exchange of £380.4m. Pre-tax profit has grown from 8m Irish punt in 1991 to an estimated 29m punt for 1994. IG's Irish newspapers, comprising the *In-*

P. T. A. D.

Fm 18/2/94

of R6,1 million to R820,5 million Notwithstanding the sound cost performance, operating income declined by 8,4% to R109,0 million (215)

- 5 The increased level of debt, together with lower interest rates on cash deposits, resulted in a net financing charge of R4,2 million Income before tax declined by almost 28% to R68,0 million
- 6 The tax charge for the period amounted to R24,9 million Income after tax at R43,1 million was 22% less than for the same period last year Earnings of 54,1 cents per share were 22% less than for the previous year
- 7 For the 6 months since June 1993, the group maintained its cash level The debt/equity ratio (including interest-free debt) improved slightly from 28% in June 1993 to 27% in December 1993 Capital expenditure was restricted to R64,0 million for essential items required to maintain competitive operations
- 8 The international coal market is still influenced by oversupply and low levels of economic activity and this has had a negative effect on contract prices for 1994 However, encouraging signs of a possible economic recovery are emanating from the USA It is also pleasing to note that spot prices in Europe and the Far East have recently increased from the low levels of six months ago Improvements in 1995 contract prices are expected to follow
- 9 The group will be hard pressed to maintain second-half earnings at the levels registered above Although the interim dividend has been maintained at 23 cents per share, the final dividend is likely to be adjusted to reflect the drop in earnings forecast for the full financial year
- 10 On 9 February 1994 Mr B P Gilbertson relinquished the Chairmanship of Trans-Natal and Mr M L Davis was elected a Director and Chairman to succeed Mr Gilbertson who remains on the Board

On behalf of the Board

D J K Murray – *Managing Director*  
C L Smit – *Financial Director*

11 February 1994

#### NOTICE OF DIVIDEND DECLARATION

Interim dividend No 60 of 23 cents per share in respect of the half year ended 31 December 1993 has been declared payable on 18 March 1994 to ordinary shareholders who are registered in the books of the company at the close of business on 25 February 1994

The register of members will be closed from 26 February to 13 March 1994 both days inclusive

Dividend cheques will be posted by the transfer secretaries on or about 17 March 1994 Payments from the United Kingdom office will be made in United Kingdom currency at the rate of exchange ruling on 8 March 1994 or the first day thereafter on which a rate of exchange is obtainable

Non-resident shareholders' tax of 15 per cent will be deducted from dividends payable to shareholders whose registered addresses are outside the Republic of South Africa

By order of the Board

B P Saunders – *Group Secretary*

11 February 1994

**Directors** M L Davis (*Chairman*), D J K Murray (*Managing Director*), S J P du Plessis, S P Ellis, B P Gilbertson, P G Henderson, M Jelinek (*Swiss*), G P Osterloh, P de V Rademeyer, M Salamon, T Scurr (*British*), C L Smit

**Alternate director** N T Halgreen

**Registered office**

80 Marshall Street  
Johannesburg 2001  
(P O Box 61820  
Marshalltown 2107)

**London office**

Gencor (U K) Limited  
30 Ely Place  
LONDON EC1N 6UA

**Transfer Secretaries**

(*South Africa*)  
Central Registrars Limited  
5th Floor, 154 Market Street  
Johannesburg 2001  
(P O Box 4844, Johannesburg 2000)

(*United Kingdom*)

Barclays Registrars  
Bourne House  
34 Beckenham Road  
Beckenham, KENT BR3 4TU





# Cool coal demand slows McPhail

MICK COLLINS

DEPRESSED and competitive market conditions saw turnover at coal distributor MacPhail inch up 4% to R262m (1992 R252m) in the year to end-December. *BIDAY*

However, operating profit was down 6% at R9,8m (R10,5m) but a lighter tax burden of R2,7m (R3,4m) saw after tax profit come in 2% up at R7,1m (R7m). *18/2/94*

Attributable earnings dropped 1% to R6,8m (R6,9m) resulting in earnings per share falling to 48,1c (48,5c).

A final dividend of 13,5c was declared to make the total for the year

an unchanged 19c.

CE Sidney Weintraub said the continuing decline in the economy, coupled with the violence in various parts of the country, impacted heavily on coal consumption in 1993.

"While MacPhail succeeded in retaining its market share margins had to be sacrificed in a fiercely competitive market. *(215)*

"In these difficult circumstances, the company did well to meet its forecast of no material change in

earnings in 1993.

In spite of the downturn, the W & A subsidiary continued to expand its distribution network, "further entrenching its position as SA's largest independent distributor of solid fuels".

The company also made a substantial investment in improved information technology.

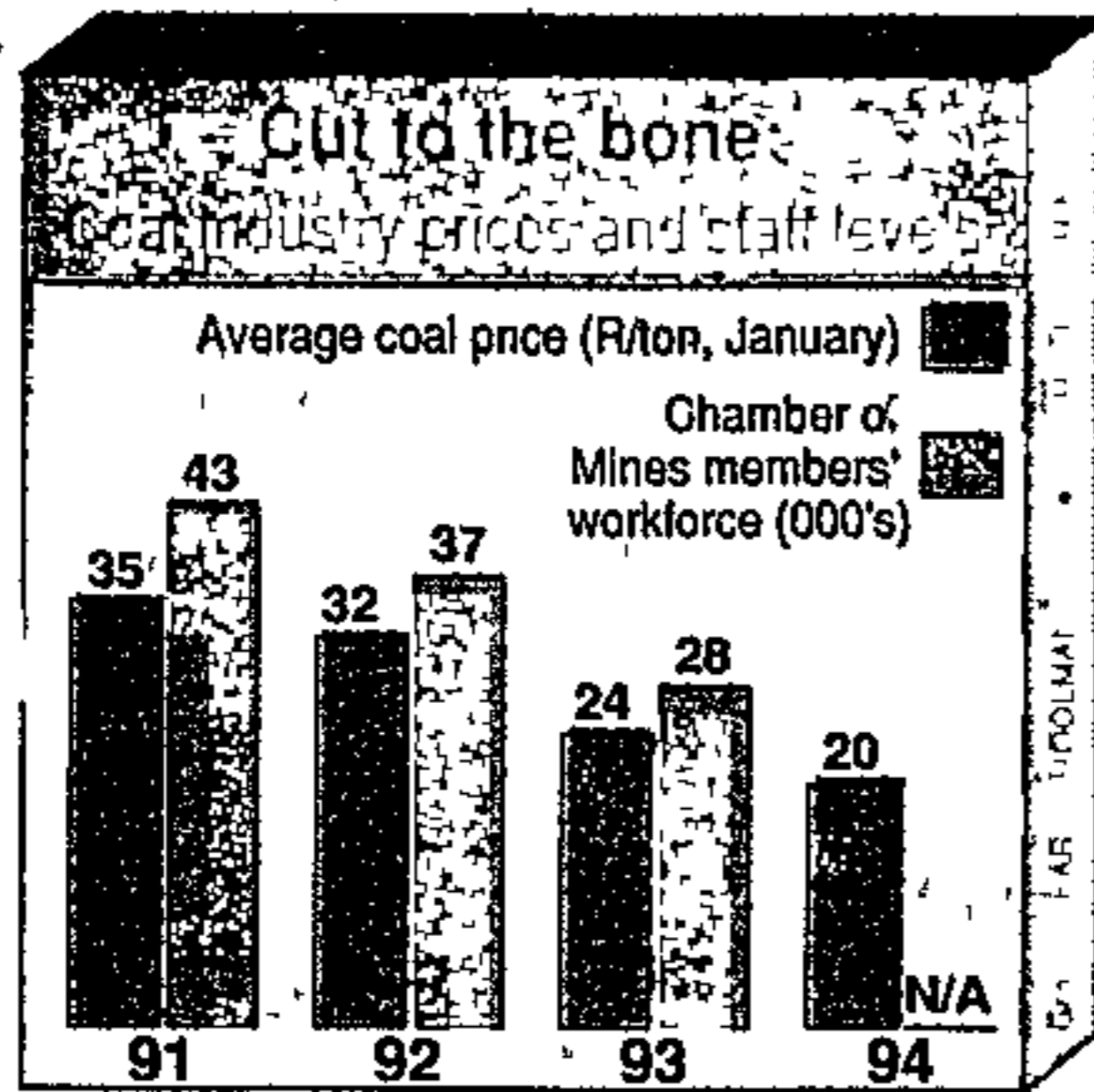
"Prudent cash and asset management as well as strict expense control should help us to at least maintain earnings again in 1994, provided operating conditions do not deteriorate further," Weintraub said.

# NUM threat over job cuts

THE NUM warned yesterday that it would back calls for industrial action in the coal industry to protest against heavy job losses

Biday 18/2/94

ANDY DUFFY and  
JACQUIE GOLDING



stemming from low coal prices.

The threat came as sources warned that Japanese buyers — who accounted for 10% of SA's 1993 coal exports — were demanding punishing cuts in 1994 contract prices.

Coal industry estimates suggest that 10 000 employees — about 15% of the workforce — were retrenched in the year to December. Employment among Chamber of Mines members dropped 25% to 28 000.

The latest losses are 252 staff at Riet-spruit, the eastern Transvaal mine owned by Randcoal and Shell, who will be retrenched next month. The mine, which last year employed 1 500 workers, has been hit

(215)  To Page 2

## Job cuts

Biday 18/2/94

From Page 1

by depressed export prices. The retrenchments are being negotiated in a forum with unions and employee associations.

The Brussels-based Miners' International Federation said this week it would consider "concerted international action" in response to job cuts caused by low coal prices. The call was immediately backed by the NUM, with spokesman Jerry Majat-ladi saying that the union would "definitely support" such action. (215)

The international federation claimed buyers were "manipulating the supply and demand of coal", forcing cuts in investment and jobs. It wanted action "to halt this waste of resources and these attacks against members' jobs".

The Chamber of Mines refused to be drawn on the NUM's comments, but reaction among companies Randcoal, Trans-Natal and Amcoal was mixed. Poor conditions had hit investment, sources said, but prices were driven by the market, not manipulated by consumers.

Randcoal said it doubted that industrial action would help lift prices, but other sources said prolonged disruption would make buyers "sit up and think".

A senior source said: "This (the threat) is showing the mood out there. But it will have to be a hell of a long strike for the shortage to have an impact."

The international federation's call was

sparked by recent coking coal price settlements struck by the Japanese steel industry with Australian and Canadian suppliers. The \$3,85 a ton price cut could force mine closures in Australia, and is expected to set the terms for 1994 Japanese steam coal contract prices.

In the past two years, steam coal prices have dropped by the same dollar margin in Japan as coking coal. Should Japanese buyers win their demands, this could shave 13% from SA contract prices, which averaged \$30 a ton last year.

This would further dent the industry's bottom line. SA coal companies have already seen 1994 contracts to European buyers drop by at least 5%. Oversupply and tough competition from Pacific Rim and South American suppliers have bitten deeply into SA companies' earnings.

However, a recent firming in spot prices is expected to herald a recovery in 1995. SA exporters are also expected to fight hard against Japanese demands. Exports were small compared with other regions, while demand from other buyers, such as Taiwan and South Korea, was rising.

"Europe is looking better and Japan is no longer the benchmark (for the region) that it used to be," chamber economist Roger Baxter said. However, retrenchments were likely to continue this year.

# 'Confidence in Lonrho' <sup>B/Day</sup> boosts Duiker stocks

ANDY DUFFY

DUIKER Exploration, the Lonrho-owned coal company, continued its run on the JSE yesterday, hitting R24 to bring to 45% its gains over the past week. ~~81394~~

The company, which underwent a major restructuring late last year, closed 750c ahead to a level more than four times above its low 12 months ago.

Market sources said the gains stemmed from a bullish outlook among investors toward Lonrho's southern African operations. Analysts said Duiker was also seen to be "exceptionally" well managed, and with its dependence on contract coal lower than rival companies, it was better able to reap the benefits of a resurgent spot price.

A share split is also believed to have been tabled in the past month. About 77% of Duiker's shares are held by Lonrho, 22% through Tweefontein United Collieries, which remained yesterday at its year-high of R36.

"The market is feeling good about this one," said an analyst. "The coal index in general has made some pretty decent

gains of late, but there seems to be far more justification for buying into Duiker."

Rival coal exporters have seen earnings squeezed by tough market conditions, but Duiker lifted attributable income to R12,8m (R11,1m) in the three months to December. The company's exports hit a company best of 757 000 tons.

Duiker nearly doubled its export capacity with the R70m purchase in November of Agipcoal SA. The deal lifted its export quota through Richards Bay from 1,6-million tons to 3,1-million tons, while pushing estimated total reserves from 250-million tons to 700-million tons. (215)

In the same week Duiker covered the cost of the deal by selling its stakes in holding companies Eastern Gold and Northern Gold to Anglo American's Freegold operation for R74m.

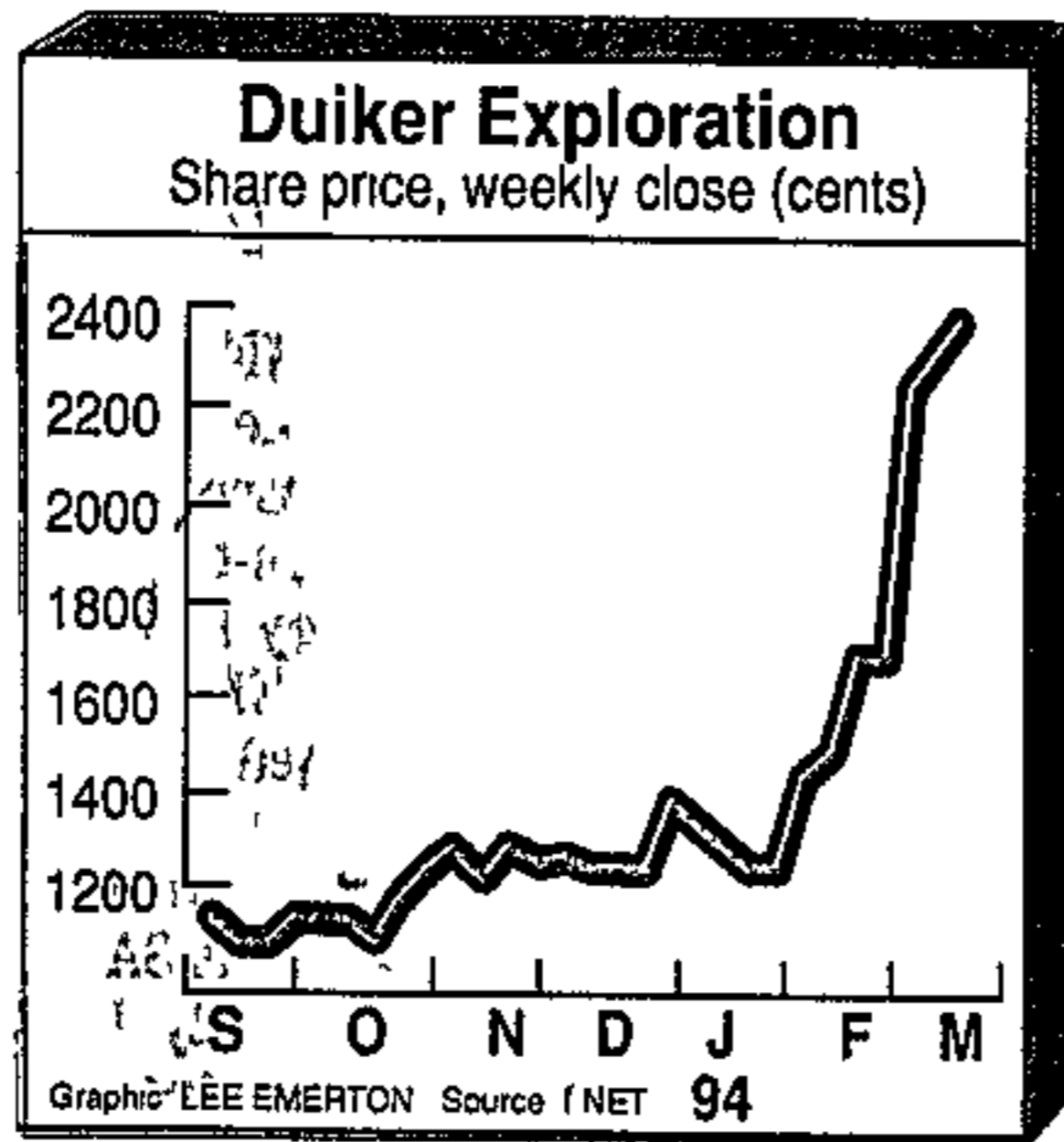
The company was left with a R60m cash pile and made it clear that it still planned to expand its export business. A coal price recovery is likely to prompt capex of roughly R150m on its Witbank-based Goedgevonden mine, which could produce about 40-million tons of coal for export.

Duiker said it would have no problem funding such projects, while safeguarding payouts to shareholders.

"The Agipcoal deal has certainly put Duiker in a far stronger export position," one source added.

Irish & Menell Rosenberg analyst Paul Brogan said Duiker's export earnings were largely underpinned by a R500m, five-year coal contract with Taiwan Power.

The company was also in a good position to dip into the spot market, which had begun to strengthen following disrupted US and Russian supplies, Brogan said.



# 'Marriage broker' for Randcoal

Star 1/18

■ BY DEREK TOMMEY

Mining house Rand Mines has appointed UAL Merchant Bank as "marriage broker" for its 77 percent stake in Randcoal. Randcoal is the country's third biggest coal producer with sales of almost 30 million tons a year. (215)

Several local and overseas coal producers have expressed interest in acquiring Randcoal.

Rand Mines and Randcoal chairman John Hall says these approaches show that Randcoal is highly desirable. To ensure that no opportunities are missed, UAL has been supplied with certain confidential information which may lead to merger/alliance/acquisition proposals being made. This will enable all strategic options to be evaluated. 1/18/94

Analysts say any offer for Rand Mines and Randcoal shares is likely to be above their present market prices, and shareholders should exercise caution in dealing in their shares.



# Spot coal prices on the rise

SA coal exporters are seeing a firming in prices, following the disruption of foreign competitors' supplies and growing demand at home. **B/D** **18/3/94**

With prices last year at their lowest levels since 1987, the industry had seen a recovery in demand from the final quarter of 1993. It was expected to continue, at least for the next three months.

Leading coal exporters Trans-Natal and Randcoal said this could lead to spot prices outstripping contract prices for the first time since 1990.

Spot prices were already an average one-third higher at \$25/t than 12 months ago, while contract prices into Europe this year had settled at \$25/t to \$31/t.

But Trans-Natal marketing director Gordon Osterloh said it was unlikely the SA industry would radically alter its policy of selling roughly 80% on contract, given

**ANDY DUFFY**

the spot market's volatility.

"One of the priorities is to increase the percentage of contract business"

Randcoal marketing director Rob Turner said there would be no change in its strategy, because "we do not take a one-year view of our business" **(215)**

Lonrho-owned Duiker Exploration said firmer spot prices could curtail the move among buyers to go for one-year contracts in a bid to minimise the traditional premium contract has over spot prices.

Cut-price competition from South American and Pacific Rim suppliers has combined with market oversupply to cut deeply into the industry's earnings and workforce over the past two years.

But demand for SA coal began to rise

**To Page 2**

## Coal exports

strongly last October as industrial action in the US and an increase in rail tariffs in Russia drained much of the market's glut. **B/D** **18/3/94**

Demand has tightened further with the onset of industrial action in the Australian mining industry. The SA construction industry had also started buying export quality steam coal in preparation, some believe, for a boom. But the jury was still out

on how long firm spot prices would last.

The European summer could lead to a lull in supplies, while SA contract prices to Europe are thought to have been settled at 5% to 7% below last year's level. **(215)**

Contract talks with Japanese buyers have still to begin, but Japan's utilities are expected to push for prices 11% to 13% below last year's average \$30/t.

**From Page 1**

# Randcoal shares soar on 'up for sale' news

Biday 18/3/94

ANDY DUFFY

RANDCOAL hit its highest JSE level in nearly two years yesterday on news that parent Rand Mines had effectively put the coal producer out to tender. (215)

The share closed more than a third up at R14,75 — its highest point since May 1992, and nearly three quarters higher than its level at the start of the year.

Shares in Rand Mines, which holds 77% of Randcoal, fixed at R18,75, slightly below its R19 year high.

The buying followed Rand Mines' decision to recruit merchant bank UAL to advise it on a strategy to merge or sell Randcoal.

Rand Mines chairman John Hall said several offers had been made to Rand Mines, Randcoal and major shareholders Old Mutual, Liberty Life and Sanlam, but UAL's appointment would help regulate the examination of options.

UAL would offer information on Randcoal to potential suitors, "which may lead to merger, alliance, acquisition proposals being made".

Major shareholders would hold fire on selling their shares until UAL and Rand Mines' recommendations had been made. "Nobody in his right mind will do anything

until the recommendations come out," Hall said.

SA companies known to be interested in taking over Randcoal include Gencor's Trans-Natal, Anglovaal and Sasol, and unconfirmed reports suggest JCI and Gold Fields could also be in the running.

Randcoal's earnings fell one third to R112,4m, badly hit by low margins on its 11,1-million-ton exports in the year to September. But sales to Eskom pushed turnover up to R1,6bn.

Old Mutual has dismissed suggestions that Rand Mines sits uncomfortably in its portfolio, but the life assurer has said it would consider offers. The company wants a price far above Rand Mines' current market value.

Analysts also said Old Mutual might choose instead to merge the stake with an international mining company, which could offer it hard currency dividends.

Hall said there was "no great rush" for Rand Mines to sell or merge Randcoal, but that he had always understood Old Mutual saw its stake as a portfolio holding rather than a strategic investment.

# Talks on Randcoal's future

A REPORT on Randcoal's future would be presented to shareholders by the end of May, prospective deal broker UAL Merchant Bank said yesterday.

The bank said talks were continuing with interested parties, and that recommendations on a possible deal still had to be finalised.

But UAL refused to be drawn on whether JCI — which has targeted Randcoal as part of its unbundling plans — was a front-runner. JCI has an indirect interest in Randcoal through its 40% stake in Middelburg export colliery.

"We cannot say anything," a spokesman said. "We have promised shareholders complete confidentiality and we are treating all parties equally."

An announcement on the progress of the negotiations is expected before June

International companies and several local mining houses — including Gencor, Anglovaal, Goldfields and Sasol — have shown interest in Randcoal.

Sasol, Anglovaal and Goldfields want to expand their coal export business, but have

limitations. Constraints include limited Richards Bay Coal Terminal quotas and that some companies are not members of Richards Bay Coal Terminal.

Market analysts have said Randcoal's main attraction is its export capacity, which stood at 11,1-million tons last year.

Life assurer Old Mutual took control of Rand Mines when Barlow Rand was unbundled last year. Rand Mines holds about 77% in Randcoal. The companies were swamped with proposals, prompting UAL's appointment earlier this year.

However, analysts said price would remain a key obstacle. The share price has moved strongly since news of UAL's appointment was announced, trading at R15,50 yesterday which capitalises the company at nearly R2bn.

But Old Mutual has made it clear it has attached a tag to the company well above current market value. Sources believe it is looking for R20 a share.

JOHN DLUDEU

# Coal export price outlook improves

THE outlook for SA steam coal export prices continues to improve, with industry sources citing improving international supply-demand balance, rising steam coal spot prices, and diminishing stockpiles

The international spot price has maintained levels of \$28-\$29/t, compared with prices of about US\$21/t quoted six months ago

Most SA producers are confident that if spot prices continue to hold firm, 1995 contract prices will be the best in years. International stockbrokers James Capel argued recently that on fundamentals, the contract price "should at worst be rolled over".

"It has been said that the Australian strategy is to prolong negotiations until after the SA elections which would place the Australian coal industry in a stronger position. This remains to be seen."

According to industry sources, Australia-Japan

**BARRY SERGEANT**

steel mill prices were cut an average \$3,30/t, but the more recent utilities contracts were cut by \$2/t, or 5,5% 13/4/94

SA steam coal exporters negotiating contract prices in Japan are optimistic that continued spot price strengths may result in the "best case" result of rollovers. (215)

While SA-European contract prices for 1994 were signed in the final quarter of 1993, SA producer negotiations with Japanese suppliers are still under way. One of SA's major exporters started negotiations in Japan yesterday, and expects prices to be settled on Friday.

Gold Fields executive director John Hopwood, unveiling the Gold Fields Coal quarterly results earlier this week, said that while SA domestic demand had continued to fall, a domestic price increase had been in place since April 1.

# Duiker's earnings, profit bound ahead

DUIKER Exploration, Lonrho South Africa's coal and anthracite arm, posted a 147,6% increase in operational earnings for the six months to March, with taxed profit increasing 139,5% to R24,5m.

The interim dividend has been increased 178% from 18c to 50c, which the directors said reflected the improved results, and its plan to reduce "the recent disparity between interim and final dividends."

The share price closed unchanged

*22/4/94*  
**BARRY SERGEANT**

at 2 800c last night. The directors said the recently acquired increase in Richards' Bay Coal Terminal entitlement facilitated higher export volumes of bituminous coal.

Prices realised were virtually unchanged, but increased spot and contract prices were expected to materialise in the near future

Inland sales of bituminous coal were constrained by a serious short-

age of Spornet railway trucks which resulted in abnormally high coal stocks at the collieries and critically low inventories at consumers. Domestic prices were increased at the beginning of April. (215)

Duiker posted an 8,7% increase in operational income to R19,3m from R17,7m in the December quarter. A higher tax bill — the company also pays secondary tax on companies — saw taxed profit shrink 9% to R11,7m.

# Randcoals interim dividend slashed earnings

From BARRY SERGEANT

(215)

JOHANNESBURG — Randcoals maintained its interim dividend in the six months to March despite earnings dropping by nearly half. The company posted a 17% fall in operating profit to R126,1m and will again pay a 20c a share interim dividend. Earnings a share fell 48% to 40c (88c).

Chairman John Hall said lower export prices were behind the earnings fall, "but a weaker rand,

cost containment and asset management have made it possible to post a 110% increase over the immediately preceding six months to September 1993". He said the cycle had turned.

Hall's comments echo Standard Bank London's research findings that a short-term tightness of supply in the coal market had seen a firming in spot prices. The report said the trend was encouraging for SA's 1995 contract prices. Rand Mines, whose results piggy-

back Randcoals with a 77% holding, also reported a 48% fall in earnings a share, from 114c to 59c, but cut its dividend from 25c a share to 23c a share. Similarly, Anglo Transvaal Collieries, with 3,36% of Randcoals its sole asset, declared an unchanged final 112c a share dividend.

Randcoals' export tonnage had fallen 4% for the period to 5,3-million tons.

Overall, attributable income fell 42% to R51,3m. Hall said this had been due to weaker export prices in US dollar terms and lower revenues from the domestic non-utility market. These falls had been partially offset by higher export tonnage, a weaker rand/dollar rate, and improved earnings from Eskom-tied collieries.

Interest charged on Eskom loans had increased 187% to R17,7m. Randcoals directors said strong cash flows, arising mainly from lower working capital requirements, had enabled Randcoals to

repay bank borrowings and hold R23,6m in cash at the half-year.

● Meanwhile, Randgold & Exploration warned yesterday that its Boksburg mine ERP would fall short of targets set when the mine called a R553m rights issue six months ago.

Finance director Mike Heyns said productivity problems, labour unrest and shaft-sinking hitches had derailed the mining plan outlined in the prospectus.

# Randcoal holds dividend steady

BARRY SERGEANT

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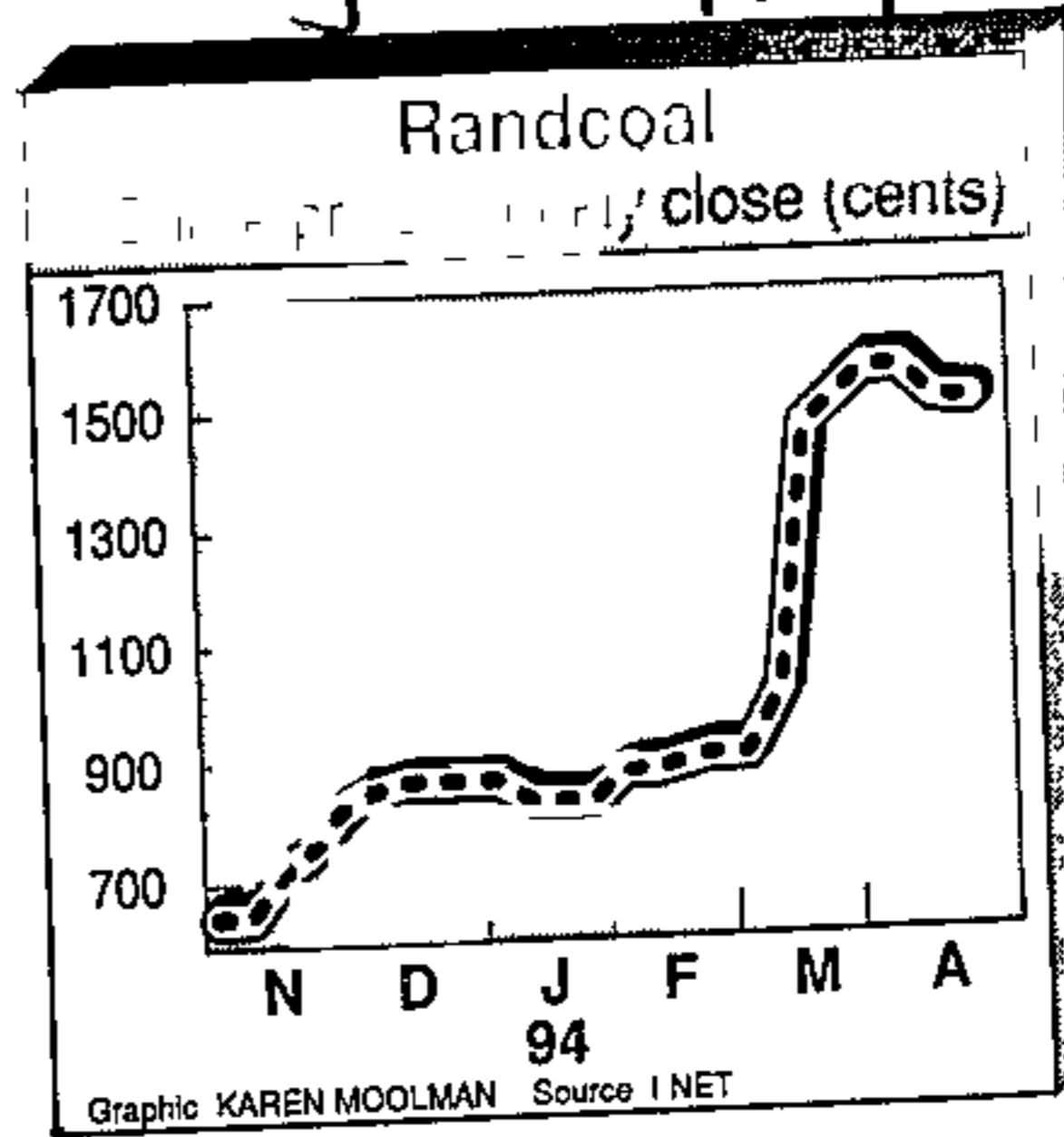
Hall said the improvement in prices on the spot market indicated the international coal market had bottomed. Randcoal's export tonnage had fallen 4% for the period to 5,3-million tons

Randcoal's export quota of 11,1-million tons a year has been cited as a major factor in discussions by Randcoal's shareholders on the company's future. Randcoal's merchant bankers UAL said recently that a report on Randcoal's future would be presented to shareholders by end-May.

Hall said recession in Europe continued to hinder recovery but it appeared the prolonged oversupply had ended

Standard Bank London said European demand for steam coal was not expected to increase significantly, in contrast to the strong growth in demand from Asia.

Randcoal's supply to Eskom increased 11% to 8,4-million tons Hall said continued



growth in demand for coal by the Kendal power station and increased offtake at Duvha had led to an increase in sales tons to Eskom during the half year (215)

Inland tonnage supply by Randcoal fell 29% to just under a million tons

Overall, attributable income fell 42% to R51,3m Hall said this had been due to weaker export prices in US dollar terms and lower revenues from the domestic non-utility market. These falls had been partially offset by higher export tonnage, a weaker rand/dollar rate, and improved earnings from Eskom-tied collieries

Interest charged on Eskom loans had increased 187% to R17,7m due to interest, previously capitalised, being charged to the income statement in terms of contractual arrangements

Randcoal directors said strong cash flows, arising mainly from lower working capital requirements, had enabled Randcoal to repay its bank borrowings and still have R23,6m in cash at the half-year. But it was expected that the company would again be a net borrower by year-end

Standard Bank London's coal report found that in January, 5,3-million tons of coal had been exported through Richards Bay Coal Terminal, far higher than in a normally seasonally quiet period. The report noted that the terminal planned to export 52-million tons in 1994, compared with 51-million tons in 1993, but exports would probably exceed the projected level

## Battle over coal prices

By John  
JOHN DLUDLU

SA STEAM coal exporters were fighting to keep the cut in 1994 contract prices to Japanese buyers below 5%, industry sources said yesterday. 515194

Negotiations with Japanese utilities, which had been expected to lead to an 11%-13% fall in contract prices from last year's \$30/t, had reached a critical stage. Tough stances taken by the parties had delayed the discussions, but a final meeting was scheduled for later this month.

Australian producers, which traditionally settle at prices used as a benchmark for other negotiations, had signed contracts about 5.5% below last year's level. 215

Oversupply and competition from South America and the Pacific Rim have bitten deeply into the local industry's earnings, but sources said a recent rise in spot prices had strengthened the hand of Trans-Natal, Amcoal and Rand-coal. "The improvement in spot prices in the past six months has pushed the Japanese against the wall," one source said.



MACPHAIL *Fm 6/5/94*  
**Waiting for winter**

**Activities:** Markets and distributes coal.  
**Control:** W & A 63%  
**Chairman:** T Rolfe; MD S Weintraub  
**Capital structure:** 14,3m ords Market capitalisation R40,8m  
**Share market:** Price 285c Yields 6,7% on dividend, 16,7% on earnings, p e ratio, 5,9, cover, 2,5 12-month high, 270c, low, 200c  
 Trading volume last quarter, 113 000 shares

Year to Dec 31	'90	'91	'92	'93
ST debt (Rm)	0,06	0,4	0,07	0,03
LT debt (Rm)	0,7	0,8	0,7	1,7
Shareholders' interest	0,32	0,33	0,32	0,35
Return on cap (%)	20,6	18,9	15,5	12,5
Turnover (Rm)	211,8	239,9	252,4	262,7
Pre-int profit (Rm)	10,1	9,9	9,7	8,7
Pre-int margin (%)	4,8	4,1	3,8	3,3
Earnings (c)	50,5	52,7	48,5	48,1
Dividends (c)	19	19	19	19
Tangible NAV (c)	102,8	120,3	136,2	165,3

**Probably the** most significant news to come out of this company this year — strangely unheralded — is the announcement it has joined forces with 12 coal traders to form Africoal, a national marketing and buying organisation intended to revitalise SA's household coal market. *(215)*

The country has vast coal reserves which it can mine cheaply (but which it distributes expensively); it follows, therefore, that coal is a natural heating medium — pollution and environmental concerns aside (and anyone who gets close to Reef townships in winter knows that smoke regulations are observed entirely in the breach) The development is logical for MacPhail, the country's largest coal marketer and distributor

What makes it curious is that CE Sidney Weintraub doesn't refer to it at all, not even obliquely It is left to chairman Terry Rolfe to make the running on an issue which may well assume steadily greater importance in

*Fm 6/5/94*  
 the future

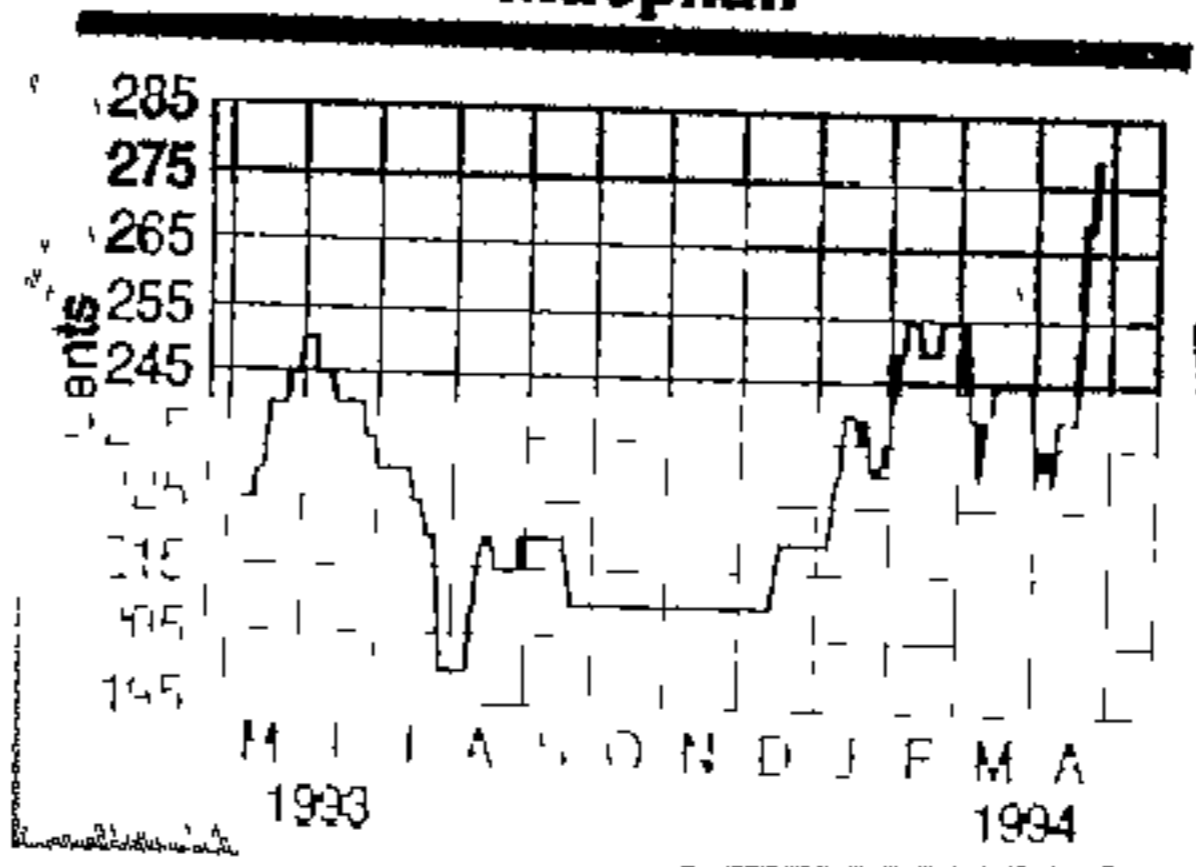
In effect, MacPhail has established a national buying and marketing organisation for selected small coal traders, especially those who operate in townships That gives them access to better prices, higher quality products and a stream of management skills; as a form of affirmative action which enriches people through their own efforts it is a development deserving of praise.

Meanwhile, the results for financial 1993 were disappointing but, in a contradiction of performance, the balance sheet continues to strengthen Turnover rose marginally but pre-tax profit fell, signalling a sustained attack on margins In the end, the bottom line was barely unchanged thanks, in part, to a sharp reduction in tax

The balance sheet is different: MacPhail has large cash assets — R19,5m, long-term liabilities of R1,7m are negligible, and there is a derisory short-term borrowing This puts the company in a strong position — all the more unusual in that it comes at the tail of a long recession On that basis, it is reasonable to presume MacPhail will do particularly well when consumers get back into buying mode *(215)*

Finally, an interesting feature is that it is participating in the feasibility study for the establishment of a new coal terminal at Richards Bay No decisions have been taken by the facilitating group of companies, but MacPhail's presence is indicative of its inherent belief in its own marketing strength

Macphail

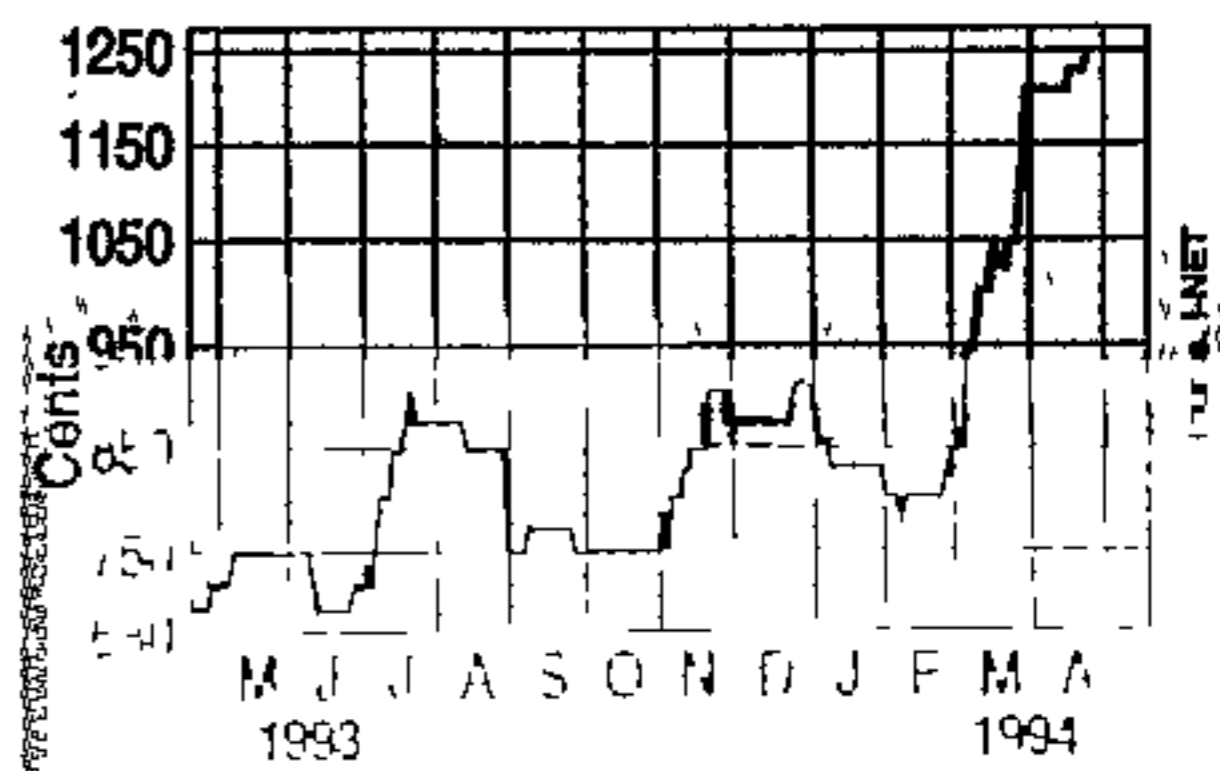


Rolfe is retiring as chairman, his duties elsewhere in beleaguered W&A clearly demand most of his time Nevertheless, he is leaving with the company in a sound position; it is always the best time to go

Whether the stock presents good value for investors is problematic It is at a new 12-month high, always a danger signal Still, if you believe in the much prophesied, long awaited up-turn, and a severe winter, this is as good a stock as any.

David Gleason

## Gold Fields Coal



Fun 6/5/94

**Activities:** Mines coal for sale on export and domestic markets

**Control:** Gold Fields 61%

**Chairman and MD:** J G Hopwood

**Capital structure:** 16,9 ords Market capitalisation R203m

**Share market:** Price 1 200c Yields 8,3% on dividend, 11,3% on earnings, p e ratio, 8,8, cover, 1,4 12-month high, 1 200c, low, 700c

Trading volume last quarter, 440 000 shares

Year to Dec 31	'90	'91	'92	'93
Coal sales (Mt)	8,2	7,6	7,8	8,4
Turnover (Rm)	259	271	284	309
Taxed profit (Rm)	27,2	27,9	24,7	23,8
Earnings (c)	120	166	147	141
Dividends (c)	90	100	90	100

dividend — have turned with them

Spot market coal prices have recovered from below US \$20/t fob Richards Bay last November to the current levels around \$25/t for two reasons: first, the coal miners' strike in the United States effectively halted US exports and forced imports; second, the flood of CIS coal into Europe dried up from October after rail tariffs — previously subsidised by the remnants of a command economy to unbelievable levels — were suddenly increased to take account of economic realities

SA exporters in general benefited from this change with total exports through the Richards Bay Coal Terminal (RBCT) rising to 51 Mt for 1994 from the previous year's 48,6 Mt

GF Coal's own export sales actually declined 100 000 t to 1,1 Mt but it gained indirectly as total export-linked sales rose to 3,3 Mt (2,9 Mt) The reason is that GF Coal managed to sell extra volumes from its stockpiles of steam coal to other RBCT members, principally Shell.

One important effect was to reduce Greenside's large stockpile of byproduct steam coal, that released large amounts of cash from working capital and was a major reason for the 10c increase in the dividend to 100c Chairman John Hopwood says Greenside has already negotiated higher prices for



Hopwood maintaining the dividend

the sale of steam coal to other RBCT members this year

The other pillar of GF Coal's business — its 50% share of the Matla colliery — also performed well though operating profit was 7,5% down at R23,5m (R25,2m) because the previous year's results were boosted by the reversal of a R3,3m rehabilitation provision no longer considered necessary

Unfortunately, the recovery in the spot market came too late to help the price negotiations for contract coal deliveries during 1994 Hopwood says most of GF Coal's contract business has been settled at prices \$2-\$3/t lower than in 1993

That has brought contract steam coal prices down to levels around \$27/t — not significantly higher than current spot prices, and that raises the prospect of spot prices rising above contract levels in an intriguing contango later this year

The renewed slide of the rand against the dollar could compensate for the lower dollar prices and Hopwood says good progress has been made improving productivity and containing unit production costs. "Further progress is anticipated in 1994 and profit margins should therefore improve notwithstanding lower export contract prices. Capital expenditure is budgeted to increase to R6m but the dividend should nevertheless at least be maintained."

GF Coal's greatest drawback is the limitation on its export capacity which comes from its small-fry status in the RBCT Two possible solutions involve the development of the new 10 Mt/year terminal being proposed by the Coalex joint venture, of which Gold Fields is a member, and the acquisition of Randcoal from Old Mutual

Hopwood's review is silent on both counts. However, as an executive director of Gold Fields, he confirms the house is interested in Randcoal but says the chances of it pulling off the deal are slim

The share currently stands at its 12-month high of 1 200c That looks justified given the forecast yield of 8,3% on Hopwood's forecast of a maintained dividend and with better times to come as coal markets continue to recover.

Brendan Ryan

GF COAL Fun 6/5/94

## Burning a little brighter

Trading conditions in the export coal markets turned around at the end of last year and the fortunes of Gold Fields Coal (GF Coal) — as shown by the unexpected increase in the

# Eskom demand and cost control boost Amcoal

BIDay 11/5/94

MUNGO SOGGOT

AMCOAL, Anglo American's coal business, reaped the benefits of greater demand from Eskom and tight cost controls to push attributable earnings to R255,7m (R240,6m) for the year to March.

The company, one of SA's largest coal producers, pushed turnover marginally forward to R1,9bn, with domestic and export tonnages showing gains

Earnings rose 6,3% to 1 015,1c a share from 955c a share before abnormal items last year. The total dividend was lifted 7,5% to 500c. (215)

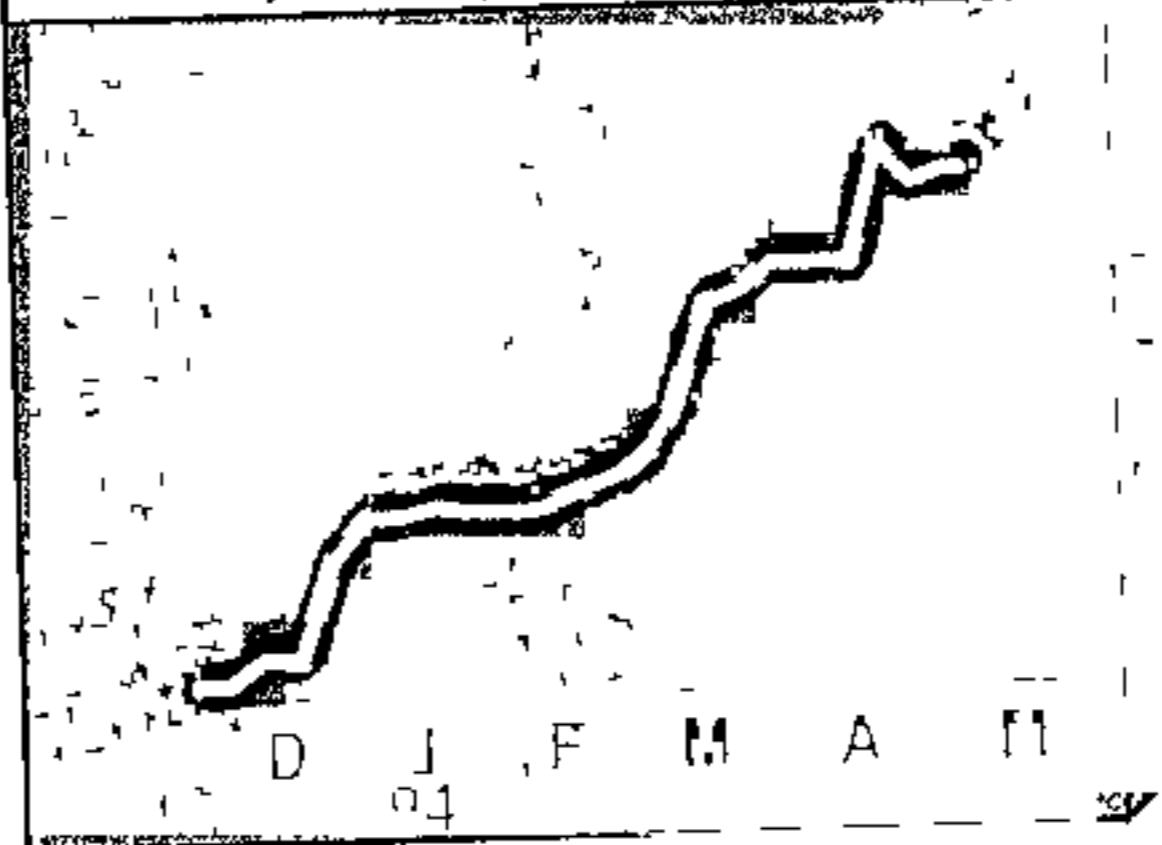
Chairman David Rankin said earnings from collieries supplying Eskom rose because of "the contractual escalation of investments in those collieries" (215)

Although dollar export prices remained under pressure for much of the year, conditions had shown a sharp improvement in the final quarter

The continued recovery in international prices and a domestic pickup were likely to lead to a "satisfactory improvement" in earnings this year, Rankin said

Sales to Eskom had risen 3,2-million tons to 31,3-million tons, mainly due to an increase in Eskom's electricity sales. Eskom had increased its coal consumption to make up for a drop in its hydro output and a reduction in the electricity generated by

Amcoal  
Share price, weekly close (cents)



## Koeberg

Amcoal had agreed to invest a further R71,7m in New Vaal colliery in return for the amendment of certain terms of the coal supply agreement

Export sales increased 0,9-million tons to 12,1-million tons, and export earnings were expected to show a significant improvement

The improvement in international demand was expected to see Richards Bay Coal Terminal hit its annual capacity of 60-million tons within two or three years.

The industry had also benefited from a jump in CIS freight charges which had prompted many European buyers to

□ To Page 2

## Amcoal

BIDay 11/5/94

□ From Page 1

switch to SA coal. And Colombian coal — which had been competing with SA coal on the European market — had entered the US market. (215)

Colliery unit working costs dropped 5,1%. Rankin said Amcoal's cost containment programme included a more effective deployment of labour and more productive mining methods.

After charging R95,7m for amortisation and depreciation, operating profit slipped 6,2% to R374m. Profit after tax dipped 7,7% to R441,4m.

The bottom line for 1992 had been lifted by a R221,3m abnormal item, stemming

from a drop in the company tax rate which affected the deferred tax balance.

Gross capital expenditure topped R182,7m, of which R24,6m was funded by Eskom. Amcoal's capital expenditure commitments — of which a significant chunk was to be funded by Eskom — were estimated at R270,9m. Most of this would be spent on the New Denmark colliery.

Amcoal was concerned about the National Electrification Forum's suggestions that the supply of electricity to major consumers be routed through municipal distributors. Rankin said this system could prove expensive and unreliable.

# Amcoals future brightens

BY DEREK TOMMEY

Conditions are looking up for Amcoals.

Bigger Eskom purchases and exports at better prices in the last quarter of its financial year enabled it to lift earnings 6,3 percent to 1 015c a share in the 12 months to March.

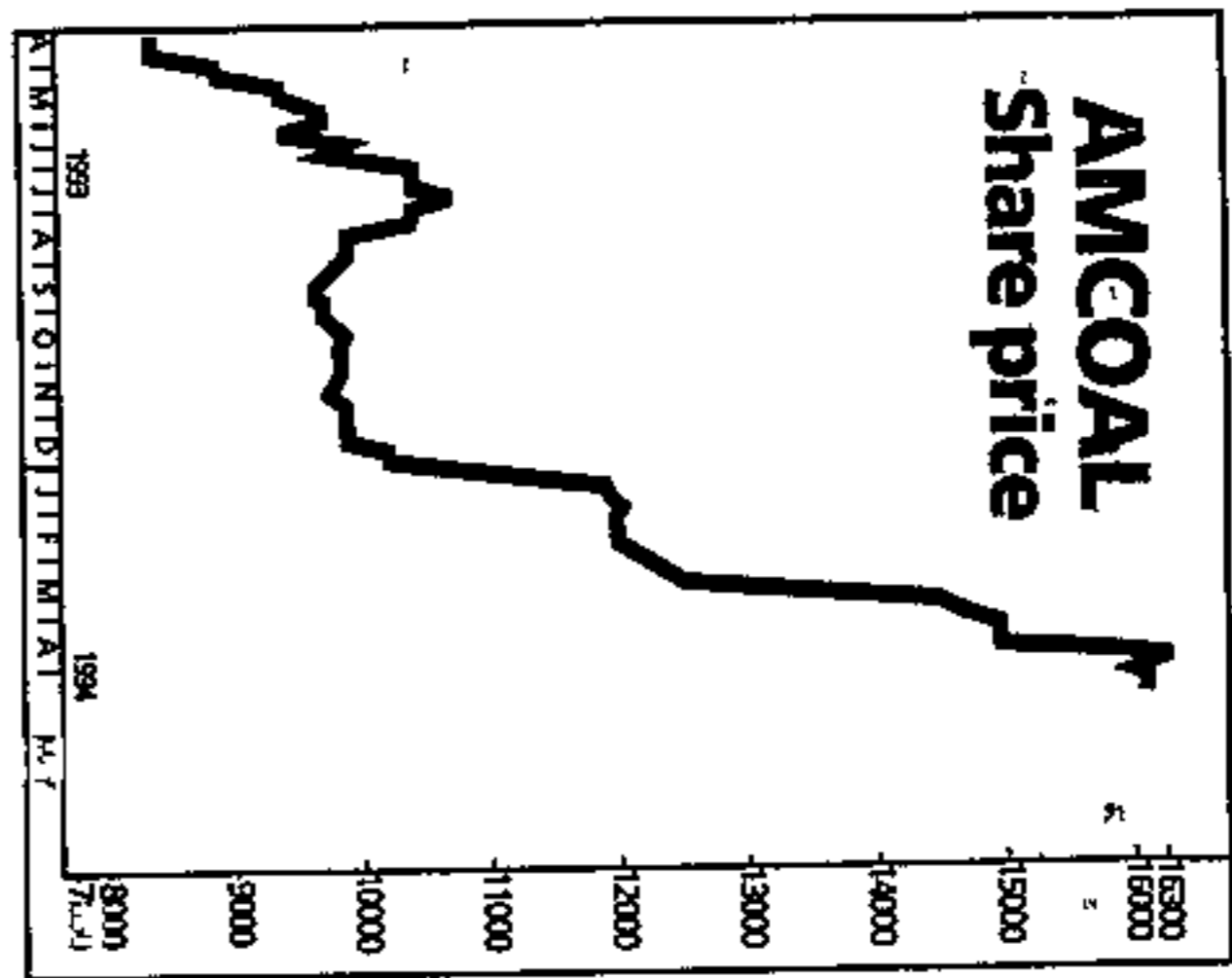
The improvement has resulted in a 11,1 percent rise in the final dividend from 315c to 350c a share.

This, with the unchanged interim, brings the total to a twice-covered 500c — 7,5 percent up.

Amcoals is looking to better times ahead, says chairman David Rankin.

The improving trend in the international market, together with continuing stability in industrial relations, should enable export earnings exports to improve significantly, he says.

A plus factor is that railage, an important cost in exports, will be lower in the current year.



He expects further growth, though more modest, in domestic earnings.

"Accordingly, Amcoals is forecasting a satisfactory improvement in results for the year ahead."

He says consideration is being given to increasing the capacity of the Richards Bay Coal Terminal from the present 53 million to 54 million tons to 60 million tons a year. He believes this could be

done by concentrating on eliminating bottlenecks which would not require large capital expenditure.

Amcoals has a 23,67 percent stake in the terminal and therefore would be entitled to this percentage of increased capacity.

The additional export coal required would probably come from existing collieries, possibly by working other seams.

Coal exports through the terminal last year rose from 48,6 million to 51,0 million tons, with Amcoals' exports rising from 11,2 million to 12,1 million tons.

SA's export earnings from coal exports last year were R4,6 billion, making coal the largest foreign exchange earner after gold.

As a result of a prolonged coal strike in the US and substantial rail rate increases in certain CIS states, spot prices for coal have risen from around \$20 a ton to \$25 a ton and are continuing to firm.

In the domestic market, Amcoals increased sales to Eskom

by 3,2 million tons to 31,3 million tons.

This increase in supply resulted in a reduction in the average price of coal sold to Eskom.

Amcoals sales to Eskom could rise significantly, should there be growth in Eskom's sales in the years ahead.

Rankin is concerned about some of the proposals made by the National Electrification Forum.

One that particularly concerns him is that the supply of electricity to major consumers, currently supplied directly by Eskom, should be routed through regional or municipal distributors.

This could lead to a less reliable supply and increased costs to the user.

He is also critical of the proposal that the cost of electricity should be funded by the electricity industry, possibly in the form of a levy on users.

This could affect the coal mining industry's competitiveness in export markets, he says.

Star 11/5/94

(215)

Port

# Amcoal bullish as coal exports surge

(215) 27/11/5/94

AMCOAL's sales, both export and domestic, surged during the year ended 31 March 1994 by 8% and 11.4% respectively, said David Rankin, chairman of the Anglo American Coal Corporation (Amcoal) in his annual review.

Looking at the export market, Rankin notes that SA coal exports amounted to 53,1 million tons in 1993, 3,5 million tons, or some 7% higher than the previous year. Amcoal's own exports for the financial year increased from 11,2 to 12,1 million tons.

"Based on recent improving trends in the international coal markets and continuing stability in the industrial relations climate, Amcoal's earnings

from coal exports are expected to show a significant improvement."

"SA's total coal export revenue for calendar 1993 amounted to R4,6bn, and coal remained the largest foreign exchange earner after gold. The lower dollar selling prices prevailing during the year were partially offset by further weakening of the rand/dollar exchange rate.

"The absence of any substantial economic recovery in the world coal importing countries again affected coal demand. Lower dollar prices were realised both on term and on spot business, and the discount of spot prices below term prices increased progressively during the

first nine months of the fiscal year. However, during the last quarter, trading conditions began to improve."

Rankin points out that two events in particular contributed to this improvement: "First, a prolonged strike in the US coal industry caused quantities of Colombian coal, which had been competing strongly in the European market, to be absorbed instead by US consumers. Secondly, substantial rail freight increases were introduced in certain CIS states," resulting in European consumers resuming purchases from SA and other suppliers. The combined result of these two events has been that spot prices have

risen from below \$20 per ton during the last quarter of calendar 1993 to \$25 and upwards by the end of the first calendar quarter of 1994.

"This strong recovery in the spot market has continued into the second quarter of 1994, but certain long-term contract prices had already been concluded at lower levels for 1994 than were achieved for 1993. As a result, current spot prices are now, in many cases, above term contract prices for calendar 1994."

Amcoal's sales to Eskom in the financial year increased by 3,2 million tons to 31,3 million tons reflecting the higher demand from the coal-fired stations.

AUDITED RESULTS FOR THE YEAR ENDED 31 MARCH 1994

DIAGONAL STREET

Julie Walker

# Glasnost at Thirving Amcoal

STIMES (RUSS)

ANGLO AMERICAN COAL believes that the annual throughput of the Richards Bay Coal Terminal (RBCT) could reach 60-million tons in a few years with minimal capital spending

The phase 3 upgrade of the terminal (from 44-million a year to 53-million) lifted tonnage shipped in 1993 to 51-million and this year 54-million is likely. Elimination of bottlenecks should allow throughput of 60-million tons a year

Amcoal chairman David Rankin says that a year ago, nobody even considered expansion of coal production and exports

Now, the improved global outlook for coal prompts Amcoal to seek ways of raising production to maintain its 23.6% share of RBCT throughput. Brownfields expansion of accessible

coal reserves is being considered

Amcoal's conference for the financial press and analysts this week was the first ever held by the group, which Mr Rankin describes as conservative. Asked why public relations policy had been changed, Mr Rankin said it was time to do "something"

However, he was reluctant to discuss Eskom contracts and had no wish to talk about Rand Coal, which is for sale

The Amcoal results justified the turning of glasnost. Although not showing spectacular improvement on the previous year, at least the trend in coal prices has turned for the better

A long strike by American miners led to the US importing Colombian coal, which had been competing for European markets. Increases in rail-age costs by former Soviet Union members led to the resumption of

other European buying of South African coal

Amcoal sold 45.5-million tons of coal last year — about 4-million more than previously. Most went to Eskom, whose hydro-electricity supply was reduced by drought. Less nuclear power was also generated

Amcoal sold 31.3-million tons of coal to Eskom and achieved higher earnings on contractual escalation, but at a lower overall price than in the previous year

Mr Rankin's chairman's statement says Eskom paid 3.7% more for coal last year — an average of R28,48 a ton and showing how successful the SA industry has been in containing costs. Amcoal's turnover of R1.9-billion was a shade down on the previous year's as was the R1.46-billion cost of sales. Mr Rankin says by way of explanation that the costly Vryheid

Coronation and other Natal operations were closed in the previous year

Amortisation and depreciation charges jumped R16-million to R95.7-million on completion of the Landau export colliery

Export earnings were lower in spite of higher tonnages and a more favourable Rand exchange rate because dollar prices were down

Amcoal exports about 60% of its output to Europe, the balance going to the Far East

Mr Rankin says spot prices — up from below \$20 a ton to above \$25 in six months — are higher than those of some contracts

However, he underlines the necessity of containing costs if Amcoal is to remain competitive in the world. Amcoal's operating profit after amortisation and depreciation fell by

6% to R374-million. Although cash rose R133-million to R669-million, interest and investment income slipped R2-million to R70-million because of lower interest rates

Pre-tax profit of R441-million was R37-million down. But the tax charge changed markedly from the 1993 year. It rose 80% to R149-million, but deferred tax fell 82% to R26-million

This gave Amcoal a small rise in earnings to R256-million before abnormal items. It recorded a deferred tax adjustment of R221-million as an abnormal profit in the previous year. Last year it was nil

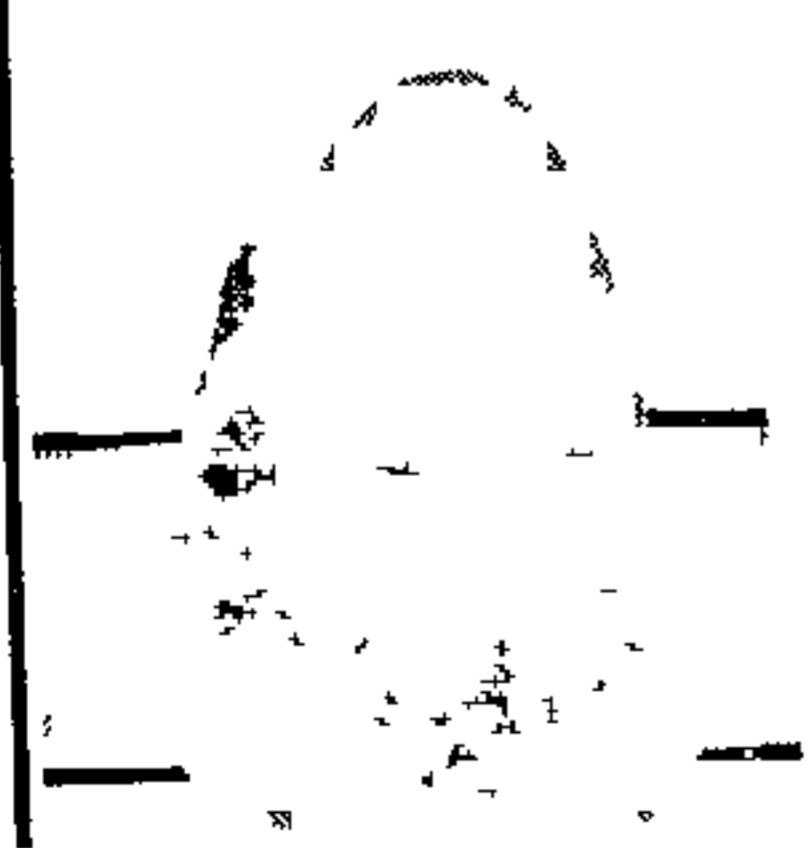
Comparing apples with apples, Amcoal's earnings a share before abnormal items edged up 6.3% to 1 015c and the dividend was lifted 7.5% to R5 for the year

Dividend cover has been eroded from about 2.6 times to two in recent

years because earnings have been under pressure. He says Amcoal's cash should be seen in perspective. A new Eskom-tried colliery would cost more than R1-billion. Amcoal has submitted a tender to supply the second three-generating sets for Mayuba power station. (It might also need some cash if it buys Rand Coal)

He expresses concern about potential changes in electricity supply. First, if Eskom discontinues supplying mines directly, they might have to pay more. Second, SA's price-competitive edge could be eroded if users have to pay a levy to fund electrification for the masses

Amcoal's share price remains at a year's high of R163, yielding 3%. Mr Rankin expects satisfactory increases in earnings in the current year.



# Coal share strength pushes index to 12-month high

MICHAEL URQUHART

CONTINUED strength in the shares of SA coal companies has powered the JSE coal index to a 12-month high, underpinned by tightening market supplies. <sup>7/16/94</sup>  
The index stood at 4 734 yesterday, nearly double its level last October.

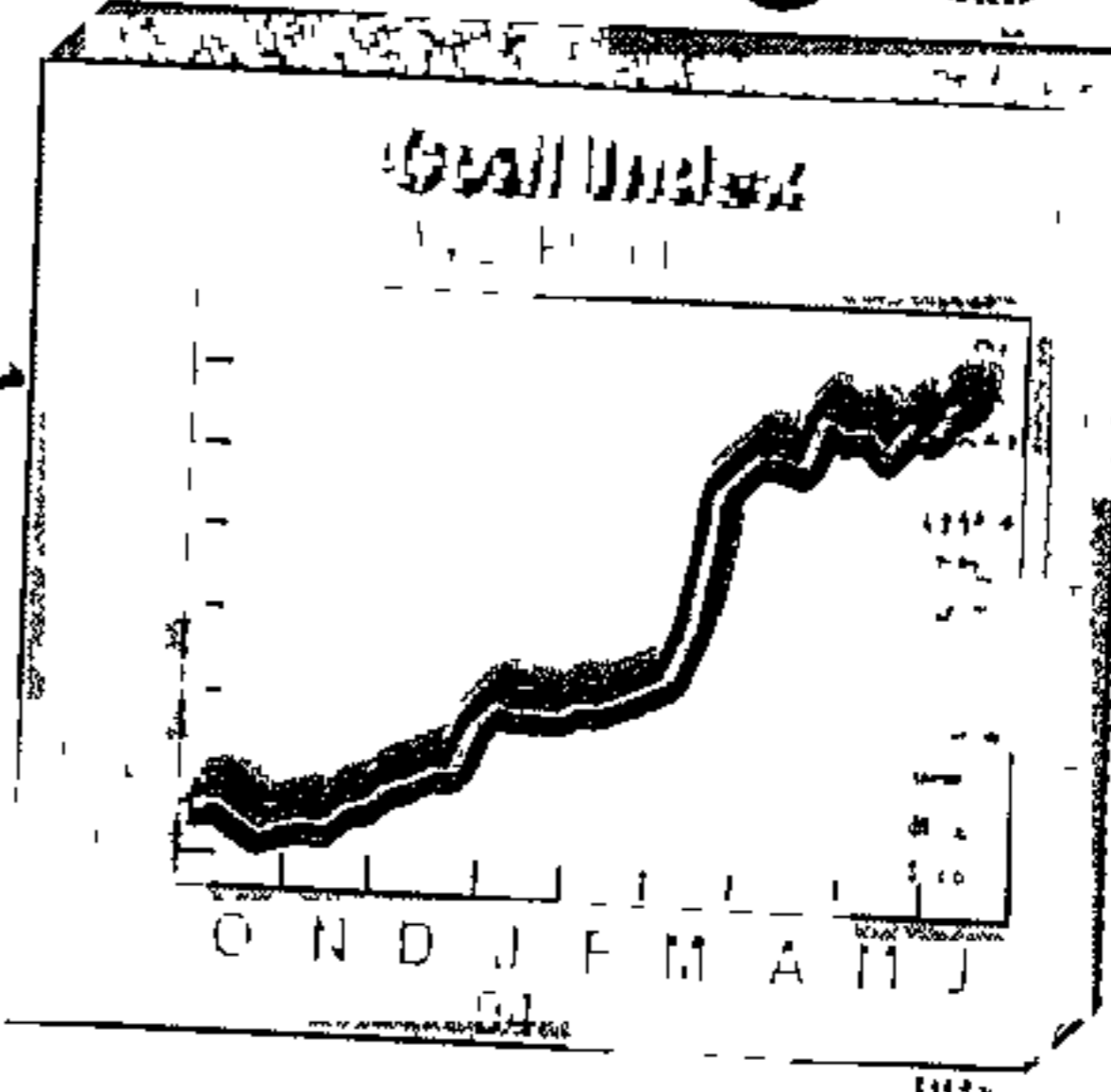
Market sources said this was largely due to the increased prices at Amcoal, which closed at a 12-month high of R170. Rand-coal and Trans-Natal were also trading close to their 12-month peaks.

Analysts said the steady increase in the index over the last nine months was due to an increasing dollar/coal spot price and the depreciating rand.

The coal spot price in turn was driven mainly by a decrease in the world supply of coal. (215)

A coal miners' strike in the US — which stopped US coal exports and meant the US absorbed a large proportion of South American production — combined with a drying up of Russian coal to decrease world supply.

Spot prices came from levels \$7 or \$8 below contract prices to an equivalent amount, and would probably go above cur-



rent contract prices this year, one analyst said.

The index has also been boosted by confident signals from SA suppliers that they could hold 1994 Japanese contract prices — which are close to settlement — at last year's levels.

Strong year end results from Amcoal have also added to improved sentiment.

Analysts said the next milestone which would give an idea of coal price trends would be the start of negotiations for European coal contracts in November.

## COMPANIES

### Coal producers settling contracts

SA COAL producers were starting to settle 1994 contracts with Japanese buyers at an average \$28,50/t, down 5,5% on prices last year, sources said at the weekend.

One source said prices were down \$1,60 to \$1,70 on last year's figures, which was "better than expected", though there had been hopes that companies could use a firmer coal market to keep contract prices at last year's level. **BIDON**

Producers were reluctant to divulge figures, but leading exporter Trans-Natal said contract prices would fall in line with prices settled with the Japanese by Australian coal suppliers. **1316194**

Prices in Australian markets fell \$2/t, a fall of 5,5%. Marketing director Gordon Osterloh said the SA contract prices had a tendency to follow Australian settlements.

Osterloh said improving spot prices meant Japanese utilities would be unable to squeeze SA producers further. **(218)**

The coal spot price would increase as

MICHAEL URQUHART

coal supply was tight, stocks were low and demand was picking up. Contract prices would pick up next year, after four years of decline.

Trans-Natal had completed some contracts, Osterloh said, and hoped to complete the rest by the end of next week.

Amcoal MD Ken Trueman said discussions would be completed by the end of the month, and had been delayed because the Japanese had wanted to finalise their Australian contracts before starting with the SA companies.

The trend in the spot price would affect negotiations positively, he said.

Randcoal hoped to complete negotiations by the end of the month, marketing director Rob Turner said. The market had turned around, and Randcoal was hoping for better prices in European contract discussions which open later this year.



# Randcoal's hazy future stifles share performance

MICHAEL URQUHART

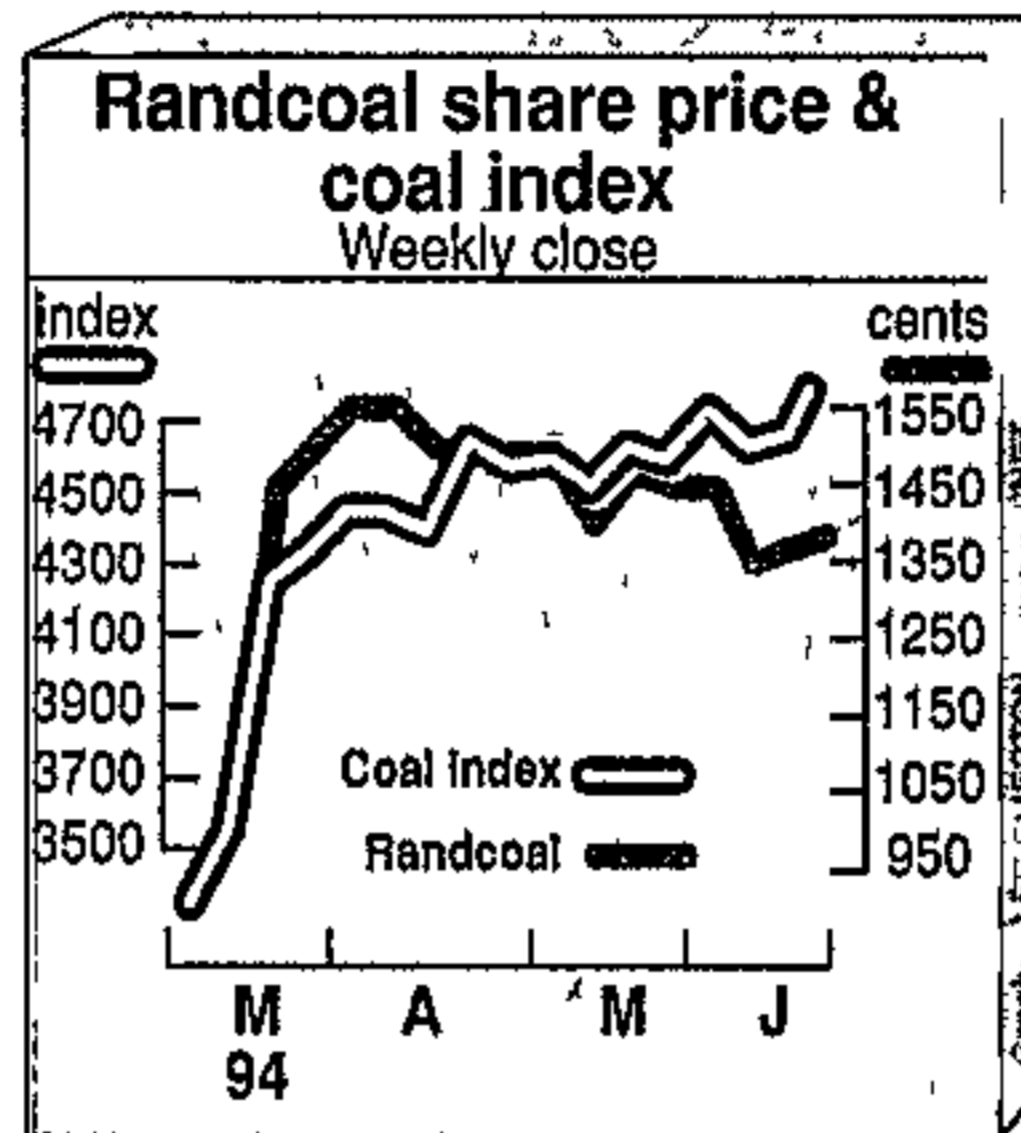
COAL producer Randcoal was underperforming on the JSE because investors remained wary about the future ownership of the company, market sources said yesterday.

Analysts said they did not expect an indication on the status of bids for Randcoal before August.

Owner Rand Mines officially invited companies in March to submit bids to take over or merge with the company after a surge of tentative inquiries.

Sources said there was no fundamental reason Randcoal should be underperforming the index. But after initial interest shown in the shares following the announcement that Randcoal was up for sale, analysts said investors were hanging on until there was a clearer picture of the company's future.

Randcoal shares soared after the announcement of the sale in March,



eventually hitting a high of R15,50.

But the shares have fallen back since then. One dealer said investors became "bored". The shares closed yesterday at R13,75.

The company was unable to say yesterday whether or how many jobs would be lost as a result of a takeover or merger.

Randcoal was also not prepared to say what progress had been made

with negotiations, stating only that "negotiations were at an advanced stage".

Although Randcoal has not released the names of companies which have submitted bids, possible contenders include JCI, Trans-Natal, Gold Fields, RTZ, Sasol, Anglovaal and Amcoal.

Despite Randcoal's earnings falling last year by one third to R112,4m, its export market and its contracts to supply Eskom are two factors which could make the company a takeover target.

Randcoal is also well placed to take advantage of steadily increasing prices in the spot market, with exposure to spot deals of about 15%-20%.

Randcoal is a 77%-held subsidiary of Rand Mines, whose major shareholder is Old Mutual.

Old Mutual took control following the unbundling of Barlows, and has made clear that it would sell the company at the right price.

Biday 17/6/94

(215)

## COMPANIES

### Coal terminal decision delayed

THE go-ahead for the R700m South Dunes coal export terminal (Coalex) at Richards Bay — due this month — has been delayed pending the outcome of talks about Randcoal's future, industry sources said yesterday.

The scheme could be affected by the outcome of the proposed sale or merger with another company of Randcoal.

Randcoal, along with Amcoal and Trans-Natal, is a major shareholder in the Richards Bay Coal Terminal. Coalex had been mooted as an alternative export facility for companies denied access to it.

Sasol, the scheme's main proponent, said yesterday it was continuing with the plans. A spokesman said it was too early to say what effect the Randcoal talks could have on the plans.

Other sources said the scheme could be badly hit. Coalex consortium members in-

MUNGO SOGGOT

clude Anglovaal, Iscor, Macphail, Gold Fields and Duiker Exploration, and several of these companies had shown an interest in Randcoal. *BIDAY*

An Anglovaal spokesman said a decision was likely in the next two months. But he said the sale of Randcoal could postpone or affect the decision, as many of the parties involved in the Coalex project "could have been involved in tenders". *7/7/94*

A Gold Fields spokesman said any comment on the Coalex decision would be "premature". *(215)*

Randcoal said recently it was still evaluating proposals concerning the group, including merger proposals, acquisitions of a strategic interest and acquisitions of a controlling interest in the group.

# SA's coal producers battle to meet demand

(215)

ET 13/7/94

From MICHAEL URQUHART

**JOHANNESBURG** — A shortage of supply in the international coal market could push spot prices up to more than \$30 a ton over the next 12 months, market observers say. SA coal producers are warning that they will not be able to meet international demand if the price of coal continues to rise.

Foreign demand for coal is projected to rise sharply in the next few years, says a report by the International Energy Agency, published in 1993.

However, the report says, supply is locked into contracts for the next several years.

The report says the supply of coal is not expected to rise sharply until the early 1990s, when it is expected to rise sharply.

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The report says that the supply of coal is not expected to rise sharply until the early 1990s, when it is expected to rise sharply. It says that the supply of coal is not expected to rise sharply until the early 1990s, when it is expected to rise sharply.

Handover marketing director Rob

Handover marketing director Rob... (text continues)

... (text continues)

## Supply problems

The shortage of supply is not expected to be accompanied by a rise in prices from the Pacific Rim.

The shortage of supply is not expected to be accompanied by a rise in prices from the Pacific Rim.

... (text continues)

... (text continues)

... (text continues)

# Shortage of coal could see price above \$30 a ton

A DEARTH of supply in the international coal market would push spot prices up to more than \$30/ton over the next 12 months, market sources said.

SA coal producers said yesterday that they were in a heavily sold position, and were having difficulty meeting levels of demand.

Trans-Natal deputy marketing director Hannes Strydom said the company's production was sold out well into 1995.

However, the company was still locked into contracts at the old prices until next March.

This meant the company would not really benefit from the higher prices until the contracts had been worked out of the system, he said.

Strydom said the trend in Spain was away from imported coal towards the use of local coal and hydro power. He said that although the

B/Day  
MICHAEL URQUHART

largest proportion of their coal to Europe was sold to Spain, the movement away from imported coal would not really affect Trans-Natal

The company had recently been diversifying in the European market, and the tight supply situation meant any drop in supply to Spain would be taken up in other areas

Randcoal marketing director Rob Turner said Randcoal's production was fully sold out. He said the tightness in the market had developed since the beginning of the year, and was largely based on the world economic recovery. The domestic market was also tightening.

Analysts said coal supplies had tightened as a result of a coal strike in the US, which had taken stockpiled coal out of the market, while unusual weather had affected production in

13/7/94  
open cast mines

The tightening supply situation had been accompanied by increasing demand from the Pacific Rim

The effect should feed through to SA companies' earnings for the first six months of the year, according to one analyst (215)

Despite increased demand for coal, the latest SA contracts with Japanese utilities were closed at about 5,5% down on the previous year's prices, in line with Australian settlements.

But any fall in dollar contract prices would be offset by the devaluation of the rand, said one analyst, while producers would reap the benefits of the steadily increasing spot price.

Contract prices are estimated at around \$28,50/t, but spot prices, which are in the region of \$28/t, are expected to outstrip this figure.

AMCOAL

FM 22/7/94

# Export demand swinging upwards

**Activities:** Coal mining for sale on domestic and export market. Makes refractories and building products

**Control:** Anglo American Corp 51,53%

**Chairman:** D Rankin, MD K J Trueman

**Capital structure:** 25,2m ord. Market capitalisation R4,54bn

**Share market:** Price R180 Yields 2,8% on dividend, 5,6% on earnings, p/e ratio, 17,7, cover, 2,0 12-month high, R180, low, R97 Trading volume last quarter, 335 436 shares

Year to March 31	'91	'92	'93	'94
ST debt (Rm)	70	104	125	138
LT debt (Rm)	—	—	—	—
Debt equity ratio	n/a	n/a	n/a	n/a
Turnover (Rm)	1 819	1 896	1 942	1 927
Pre-tax profit (Rm)	536,8	510,5	478,5	441,4
Earnings (Rm)	276	321	462	256
Earnings (c)	1 096	1 275	1 833	1 015
Dividends (c)	425	465	465	500
Tangible NAV (c)	4 844	5 672	7 041	7 554

After several years of oversupply, there are promising signs that the world steam coal market has moved into a sustainable upswing. This is one reason why Amcoal's share price, at R180, stands 86% above its 12-month low.

In his annual review, dated May 9, chairman David Rankin notes that earnings from coal exports are expected to show a "significant" improvement, based on the recent improving trend in international markets and on continuing stability in the industrial relations climate.

Two events triggered the recovery: a prolonged strike in the US coal industry caused quantities of Colombian coal, which had been competing strongly in the European market, to be absorbed instead by US consumers, and substantial rail freight increases in certain CIS states resulted in European consumers resuming purchases from SA and elsewhere.

The encouraging aspect is that the end to the strike in the US did not impede the recovery. The oversupply has been absorbed and prices are being pushed upwards mainly by rising demand for energy as world economic growth broadens and gathers pace.

Rankin tells the *FM* that supply and demand in the steam coal market are now in



Amcoal's Rankin  
export volumes rising

balance, none of the major producers is holding significant stocks. In SA, producers' stocks at Richards Bay are lower than a year ago.

Colombian supplies to the US market have grown. In the Far East, consumption is being driven by the steady — often rapid — expansion of the region's economies. In China, the industrial areas, such as those around Hong Kong, are importing more coal, partly because transportation and other infrastructure in the country's mining areas are underdeveloped.

Amcoal has over the past 18 months been returning to former markets and entering new ones. Among these are France and Denmark, both markets having been lost during sanctions. The company is supplying to the Netherlands for the first time. These developments reflect the end to SA's isolation as well as the improving world market.

Spot prices have continued to firm. After sliding to a low of about US\$19/t late last year, they climbed to \$25/t and even higher by the end of the first quarter of 1994. Rankin says \$28/t is now seen as a "fairly natural" price for SA steam coal, some commentators believe \$30/t is in sight.

Amcoal sells only a portion of its export coal on the spot market, the quantity is not disclosed, but Rankin says it is about 20%. The rest is marketed on contracts which are generally negotiated around March and October. Term contract prices negotiated for calendar 1994 are below current spot prices but the former should rise steadily as new contracts are negotiated.

Moreover, export volumes are rising. Tonnage shipped through Richards Bay Coal

Terminal — in which Amcoal has a 23,67% share — are estimated at 53 Mt-54 Mt in 1994, up from 51 Mt last year. Rankin says if the market upturn is sustained, the terminal's potential annual throughput capacity of about 60 Mt might be fully utilised within the next two to three years. This implies additional exports for Amcoal of almost 1,5 Mt/year within that period.

Amcoal holds R642m cash but would focus on brownfields expansion to lift its export production to these levels. It has, for example, recommissioned mothballed coal processing facilities at the old Landau colliery and additional output is being drawn from Kleinkopje and a new mini-pit. Also, overall volumes will assist in achieving a lower rail rate this year.

Earnings derived from the domestic market are also expected to increase, though at a more modest rate. Revival of the local economy will ensure rising sales tonnages to Eskom. Last year Amcoal's sales to Eskom rose by 3,2 Mt, or 11,4%, reflecting higher demand from the coal-fired stations. Rankin notes that output rose significantly at Kriel, New Denmark and New Vaal.

Longer-term demand will depend on the pace of expansion in both the domestic and world economies. Eskom is expecting electricity sales to grow at an average annual rate of 2,8% over the next 10 years. If this proves conservative, Amcoal will benefit sooner. International growth is now looking solid and broadly based — suggesting demand for steam coal will remain firm for at least the next two to three years.

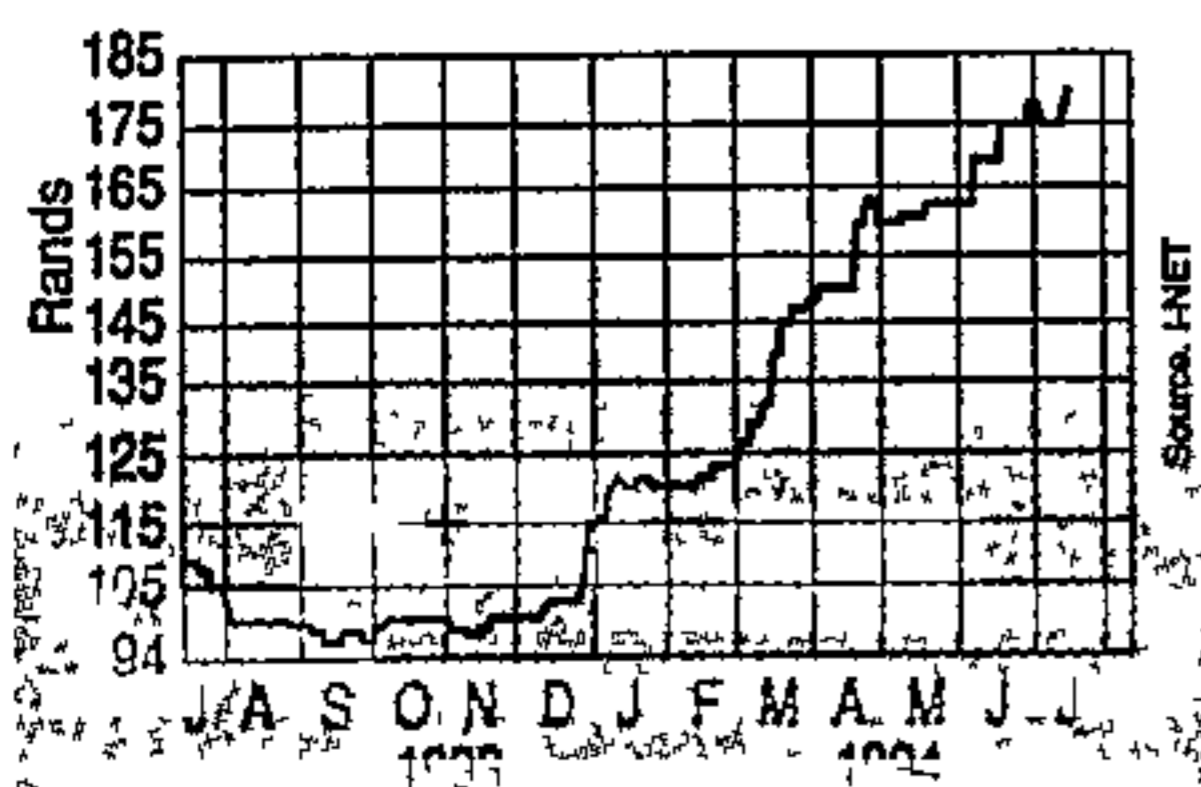
Rankin is forecasting a "satisfactory" improvement in results this year. The share is discounting much of the profit upswing and now yields only 2,7% on dividend. Even so, some analysts believe it still offers value. Rice Rinaldi's Mike Wuth, for example, is forecasting 1995 earnings of 1 283c and a dividend of 626c, giving a prospective p/e of 14 and yield of 3,5%.

Amcoal should continue to attract interest, especially with the commodities cycle

## SALES BREAKDOWN

Year to March 31	M	
	1993	1994
Domestic .....	30,39	33,39
Eskom .....	28,08	31,29
Industrial .....	1,25	1,33
Metallurgical .....	0,92	0,64
Coke & anthracite ..	0,14	0,13
Export .....	11,21	12,08
Metallurgical .....	1,88	2,05
Steam coal .....	9,16	9,98
Coke & anthracite ..	0,17	0,05
Total .....	41,60	45,47

## Amcoal



FM 22/7/94

turning upwards. The firming oil price is further indication of rising energy consumption. (215)

Andrew McNulty

## Aussie giant BHP looks to acquire Rand Coal

OFFICIALS at BHP, Australia's biggest company, were quietly confident today that they were well placed to gain control of Rand Coal, South Africa's third largest coal producer (215)

Although there was no statement from BHP, sources said they were in the final selection round and stood a good chance of success, reports The Argus Foreign Service from Melbourne

BHP is believed to have offered just under R4 billion and is very keen to make the deal which Australian analysts say would be both feasible and strategically sound

BHP already has links with South African industry, holding a joint venture agreement with Cape Town-based diamond miners Benguela Concessions. ARG 25/7/94

Investment in Rand Coal would give the Australian company better access to European markets and provide good balance for its existing Australian operations which export predominantly to Asia

■ Hunt Leuchars & Hepburn Group cautioned shareholders to expect lower than predicted results for the six months to September 1994. Group CE Neil Morris said that cane crop estimates have again been revised downwards because of the drought.

## Duiker earnings up as coal sales increase

EARNINGS at Duiker Exploration rose 24,4% to 96,5c (77,6c) a share for the third quarter as coal sales increased strongly, it announced yesterday. *26/7/94*

The Lonrho-owned company increased after-tax profit to R13,9m (R11,2m), for the three months to June, after income from operations increased to R18,5m (R21,2m)

Duiker technical director Hugh Stoyell said growth in coal sales was achieved despite the shortage of Spoornet rail trucks

He said the shortage could hamper the industry's prospects in the short and even the medium term

Sales of bituminous coal increased by 10,6% to 1,98-million tons (1,79-million tons) Stoyell said sales had increased due to the acquisition of Agipcoal and the demand for local coal during winter. *26/7/94*

Prices received were better as the quality of pro-

MICHAEL URQUHART

ducts was up after the commissioning of two new coal processing plants earlier this year, he said.

Inland sales of coal were up 40%, although exports for the quarter fell 11%.

Anthracite sold was strongly down to 18 621 tons (74 440 tons), but Stoyell said this figure fluctuated greatly from quarter to quarter, as the production during a quarter was often not enough to make up a shipment.

Taxation was pegged at R7,3m (R7,35m). Duiker said taxation for prior periods had been restated to reflect the reduction in the tax rate from 40% to 35% and the effect of the transition levy. *(215)*

The company also gained an extraordinary credit of R2,6m, due to a reduction in its deferred tax liability following the lowering of the tax rate

# Spoornet 'will expand Richards Bay fleet'

SPOORNET would increase the capacity of its fleet to Richards Bay coal terminal to 64-million tons a year by 2000 to in an attempt to head off a bottleneck in SA coal supplies, sources said yesterday.

The plan calls for building 800 new railway trucks by 1996, with a further 100 a year until 2000, adding 10-million tons capacity

Spoornet business manager for coal and ore Willem Kuys said the company would be building trucks for the line, but was not prepared to

MICHAEL URQUHART

give any details *BIDay*  
Randcoal marketing director Rob Turner said although there was a shorter supply on international markets, there were no plans to increase the terminal's capacity

The terminal's current rated annual capacity is 54,5-million tons, though Trans-Natal marketing director Gordon Osterloh said the terminal could handle up to 57-million tons

He said mines which produced for

export were already operating at full capacity. There would be no green-field projects coming on stream until coal prices climbed above \$35 to \$40/ton *281719A*

The demand for steam coal could rise 52% to more than 300-million tons by 2000 from 199-million tons last year. *(215)*

But to increase the terminal's capacity to 60-million tons would cost R10m, while increasing it further to 70-million tons would cost another R350m.



# Trans-Natal bids for Rand Coal

Star 12/8/94

■ BY DEREK TOMMEY

Trans-Natal is bidding for Rand Coal.

If its offer is accepted, the merged company would become the second largest coal company in the world, says Trans-Natal's chairman Mick Davis.

The outcome of the offer should be known before the end of the month.

He made this statement when he announced that Trans-Natal, contrary to earlier expectations, had increased its operating income in the year ended June 30 by 8 percent to R243,2 million.

However, income after tax fell by 9,4 percent to R104,6 million.

Attributable earnings after extraordinary items were equal to 132,8c (123,6c) a share.

The R28,8 million cost of mineral rights suitable for liquefaction has been written off following the lifting of sanctions.

A final dividend of 57c has been declared making an unchanged payment of 80c for the year.

Dollar prices for exports dropped 12 percent but this had been offset by the decline in the exchange rate of the rand, increased sales volumes, the containment of cost increases and by a 20 percent improvement in productivity.

Trans-Natal was looking for growth opportunities and had acquired mineral rights in Queensland, said Davis. Initial drilling had confirmed geologists' expectations. The drilling programme should be finished by end November when the modelling of the project can start.

Managing director Dave Murray said demand for coal on the domestic and export market should grow and Trans-Natal should also benefit from better dollar prices.

Handwritten: Thompson

# World markets open to SA coal

SA COAL producers were reaping the benefits of the lifting of sanctions, with markets opening up internationally, industry sources said yesterday.

Trans-Natal marketing director Gordon Osterloh said that since sanctions had been eased, markets in Denmark, France, Malaysia, India and other countries presented new opportunities for SA coal producers.

Coal Week International reported that Gulf Power in the US had begun burning 120 000 tons of SA coal purchased in January.

This was the first SA coal used by the company for seven years. Before sanctions Gulf had a contract to receive 900 000 tons of SA coal a year for ten years.

Although Osterloh was not able to quantify how much the lifting of sanctions had affected SA coal producers, he said it had contributed to a boost in exports.

Another source said though the world market was now open to SA coal producers, the years of sanctions meant SA had lost market share as coal consumers had to look to other sources of supply.

MICHAEL URQUHART

He said SA producers would have to target new consumers of coal in order to regain market share.

But he said the ability of SA coal to compete on an equal footing on world markets had led to an increase in exports through Richards Bay Coal Terminal.

Meanwhile, Eskom cautioned that the electrification expansion stemming from the RDP was unlikely to give a strong boost to domestic coal demand.

This was despite the fact that all new demand generated by the process would be supplied by coal-powered stations.

An Eskom spokesman said newly electrified households used a small amount of electricity — about 65kWh a month — which was minor when compared to industry, the spokesman said.

He said even with Eskom currently connecting 2 000 houses a working day, growth in electricity consumption would be relatively small.

Electricity consumption currently averages 23 000 megawatts, with total Eskom production capacity between 28 000 and 30 000 megawatts.

# Trans-Natal coal lifts income 8%

Bill Day 12/18/94

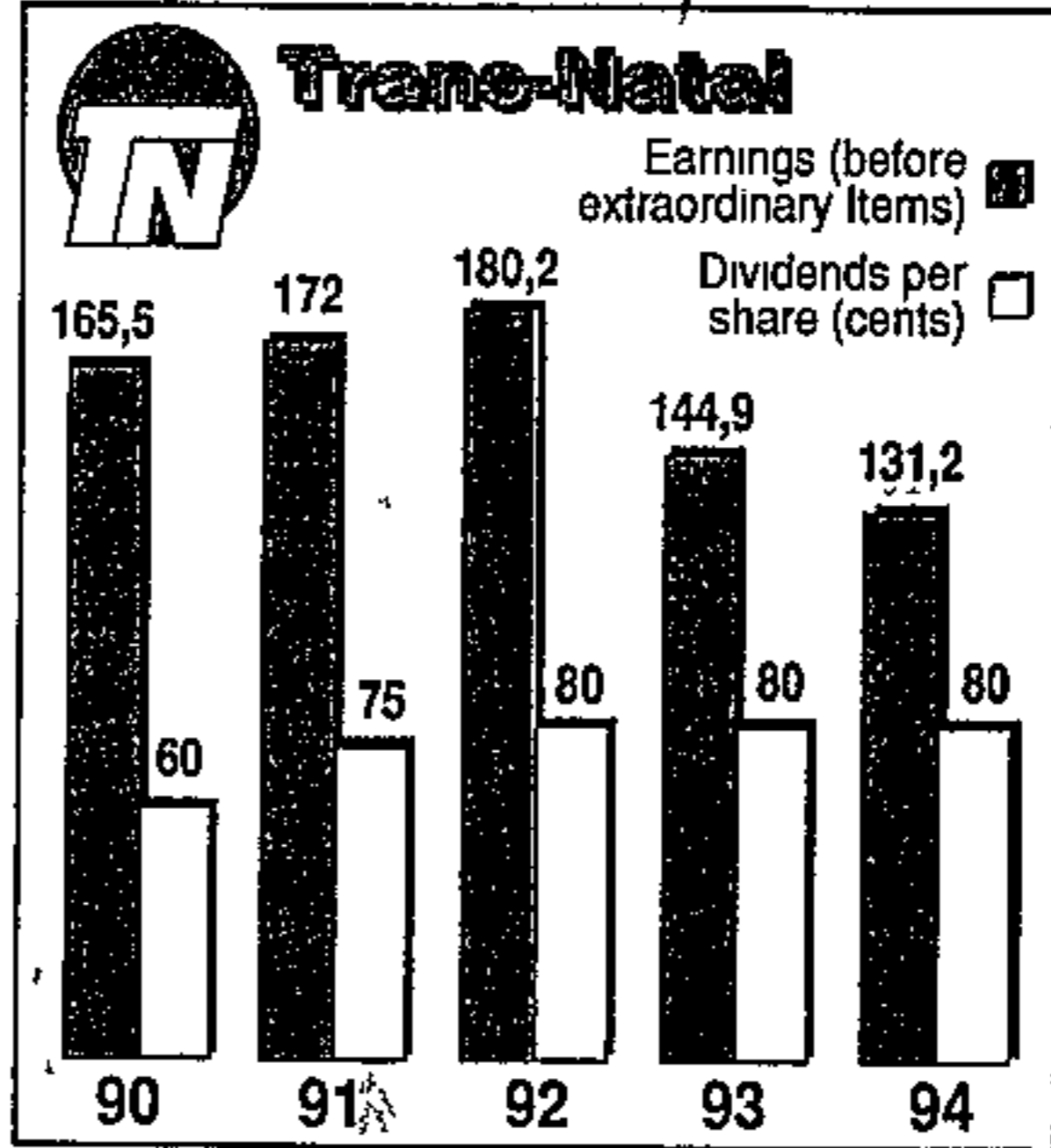
MUNGO SOGGOT

SA's largest coal company, Trans-Natal, shrugged off tough market conditions and tight export prices to lift operating income 8% to R243,2m for the year to June, after further moves to rein in costs.

However, a higher tax bill of R69,4m (R52m) helped clip the Gencor-owned company's income before extraordinary and abnormal items 9,4% to R104,6m (R115,5m). Attributable income rose to R105,8m (R98,5m) as extraordinary items dropped to R28,8m (R61,6m) and the company again netted an abnormal item stemming from tax changes.

Chairman Mick Davis said the results surpassed predictions in February when the company posted its interims, allowing the dividend to be held at 57c, and bringing the total dividend to 80c a share.

Volumes rose 4,8% as export sales, which accounted for 68% of earnings, rose 6% to 12,3-million tons. Inland sales picked up 8% to 5,4-million tons, offsetting an average 4,6% price drop inland. Volumes supplied to Eskom climbed 1,9% to 10,7-million tons. Sales revenue rose to R1,7bn (R1,6bn). Cost of sales increased 5,1% to R1,49bn and productivity improved 21,1% to 367 saleable tons a man a month.



Graphic: KAREN MOOLMAN Source: TRANS NATAL

MD Dave Murray said the company was unlikely to engineer another 20% improvement in productivity, which had been achieved for the second consecutive year.

He predicted stronger worldwide demand, especially in the Far East. Recent high spot prices — which had been traded in thin volumes — had to be sustained for a corresponding rise in contract prices. Trans-Natal had already tied up 60% of

To Page 2

## Trans-Natal

Bill Day 12/18/94 From Page 1

next year's sales.

The lifting of sanctions had allowed Trans-Natal to test the markets in South America, Malaysia and India.

The Optimum mine remained the largest contributor to earnings. Its new open-cast mine would be commissioned in mid-1996, Davis said.

Trans-Natal was waiting to hear Old Mutual's plans for Randcoal at the end of the month. Trans-Natal had bid to merge with Randcoal, which would create the second-largest coal company in the world.

Trans-Natal was looking at other possible off-shore ventures, which could be made easier by Gencor's new international connections through the Billiton deal.

"It is a mature industry in SA, so for new profitable deposits you have to go to Australia, South America and Asia," he said.

Early drilling at the company's Togara South operation in Queensland, Australia, had thrown up no surprises, but it was too early to assess the nature of the reserves. Togara South would not be operating for a few years.

215

# Higher tax clips Trans-Natal income

From MUNGO SOGGOT

JOHANNESBURG — SA's largest coal company, Trans-Natal, shrugged off tough market conditions and tight export prices to lift operating income 8% to R243,2m for the year to June, after further moves to rein in costs

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ET 12/8/94  
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MD Dave Murray said the company was unlikely to engineer another 20% improvement in productivity, which had been achieved for the second consecutive year

He predicted stronger worldwide demand, especially in the Far East

Trans-Natal was looking at other possible off-shore ventures, he said

# MacPhail rides high as winter chills set in

Staff Reporter

THE onset of the severe winter in June caused a sharp upsurge in the demand for coal, offsetting the effects of trade disruption in April and May and enabling solid-fuel distributor MacPhail to post improved earnings for the first six months of the year.

Turnover for the period rose from R153m to R203m but this reflects higher railage costs as well as increased volumes. Although margins remained under pressure, earnings improved from 17,9c per share to 19,2c. The interim dividend was maintained at 5,5c per share.

Chairman Sid Weintraub said with the exceptional cold continuing into the second half of the year, demand was still strong and the company was set for a further earnings improvement.

CT 15/8/94 (215)  
He also announced that MacPhail had decided to proceed with the development of a bulk handling facility at Walvis Bay in terms of an agreement reached with the Namibian Ports Authority.

The proposed facility will undertake the loading and off-loading of all bulk commodities at the harbour and will not be limited to coal.

"Our interest in the Walvis Bay facility stems from our belief that the unique logistical expertise, systems and infrastructure we have developed in the coal market can be applied equally effectively to other bulk commodities. Taking into account the expected increase in the requirement for handling product movements into and out of southern Africa, the participation in a new bulk coal facility at Richards Bay is being considered," he said.

## COMPANIES

### Sasol's Sigma renews Wonderwater contracts

MICK COLLINS

SASOL Coal's Sigma Colliery said yesterday it had renewed its mining contract with Moolman Mining and Grinaker Construction for its Wonderwater strip mine expansion. The six-year contract is worth R312m.

The new contract, which follows the initial R61m contract which began in August 1992, coincided with the strip project reaching its targeted production capacity of 233 000 tons a month. It also marks the completion of the first half of the boxcut of 1,3km by 75m.

*B/Daw 16/8/96*  
"Between now and March next year the boxcut will be widened to 150 metres, firstly to ensure that production is maintained consistently at target level and secondly to prepare for mining in two directions simultaneously in future — northwards and southwards," said Wonderwater manager Koos Reinecke.

The mining at Wonderwater was being carried out by the truck and shovel method, the present operation being in the centre of the 980ha site where the coal seam was at its shallowest at 25m.

During the next six-year phase about a third of the coalfield would be mined, with the seam going to about 45m in depth.

Wonderwater supplies 2,8-million tons of the 7-million tons a year required by Sasol Chemical Industries. The rest comes from Sigma's underground mining operations.

None of the coal mined would be for the export market as all production would be taken up by Sasol Chemical Industries.

Reinecke said the mine, 8km northwest of Sasolburg, applied a comprehensive rehabilitation and environmental programme. (25)

## Sasol's Sigma renews R312m coal mining deal

JOHANNESBURG — Sasol Coal's Sigma Colliery said yesterday it had renewed its mining contract with Moolman Mining and Grinaker Construction for its Wonderwater strip mine expansion. The 6-year contract is worth R312m. The new contract, which fol-

lows the initial R61m contract which began in August 1992, coincides with the strip project reaching its targeted production capacity of 233 000 tons a month. It also marks the completion of the first half of the box-cut — 1,3km long by 75m wide.

"Between now and March next year the boxcut will be widened to 550m, firstly to ensure that production is maintained consistently at target level and secondly to prepare for mining in two directions simultaneously in future — northwards and southwards," says Koos Reinecke, Wonderwater's manager — Sapa

TRANS-NATAL  
**Jam tomorrow**

In less than a year, Trans-Natal's share price, like other leading coal producers, has been strongly rerated on expectations of firming demand, particularly in foreign markets. Since last November the price has almost tripled, rising from R10 to the current R27,50, where the dividend yield is a slim 2,9%

Jun 19/8/94  
Though results for the second half of the year to June were better than predicted in the interims, mainly because of improving markets, the full-year figures emphasise that it is essentially a case of jam tomorrow. With EPS after abnormal items down 15,9%, there is little in the bottom line to justify the price surge. That won't be seen until release of the 1995 year's figures, and even then the real recovery is only likely to come through in the second half.

There has, however, been a distinct pickup at trading level, with operating income rising 8,1% largely thanks to higher tonnages sold into firming markets. Export, Eskom and inland sales all increased, total

(215)



tonnage sold was up by 1,3Mt or 4,8%. Benefits were weakened by lower product prices, though the average 11,8% drop in US\$ prices of steamcoal exports was cushioned by depreciation of the rand.

In addition to the resultant 5,5% improvement in sales revenue, the trading performance was boosted by a continuing tight grip on costs and productivity. Mining costs dropped by 0,5% and, for the second consecutive year, productivity was up more than a fifth, at 21,1%, measured by saleable tons per man per month. Jun 19/8/94

MD Dave Murray says productivity can't keep rising at 20%, but he does expect annual increases of more than 5%. This pattern, which is partly a result of the capex programme of recent years, should help towards holding or expanding share of export markets after the retreat during the sanctions era.

Spot export prices have been rising strongly since the third quarter of 1994, but Trans-Natal is so far enjoying only limited benefit as about 60% of its exports are sold on contract. Effects of the hardening spot market in the group's export prices should become progressively more evident from about January 1995.

Management is also expecting further increases in tonnages sold, with consumption now being lifted by more active local and international economies, but short-term scope for volume growth is limited. There are capacity constraints at Richards Bay coal terminal and Eskom's needs are tied to the economy. This year's tonnages will probably show similar increases to last year. (215)

The effective tax rate depressed last year's earnings after rising from 31% to 40%, but is now expected to stabilise around this level. A large slug (R14,1m) of the R69,4m tax charge went in an STC payment. The current year's STC charge will be at the higher rate, and that may persuade the board to consider a scrip dividend option. However, the balance sheet is conservatively structured for this stage of the cycle, the R129,4m cash balance offsetting interest-bearing debt of R110m.

Much of the probably powerful earnings recovery in the 1995 year is already in the price, but the share remains an attractive rand-hedge investment linked to world energy consumption. And its management has clear ambitions towards investing in operations offshore. It could also achieve a huge local expansion by acquiring Rand-coal, for which it is among the bidders.

Andrew McNulty



*Trans-Natal and Randcoal to merge*

# A coal giant is born

■ BY DEREK TOMMEY

Gencor's Trans-Natal coal mining group and Rand Mines's Randcoal are uniting to form the world's third-biggest privately owned producer and the world's largest exporter.

The company, to be known provisionally as MergeCo, comes into being on October 1

It will have a market capitalisation of R5,5 billion, control assets worth R4,3 billion, have a turnover of R3,4 billion and annual sales of 58 million tons

Gencor, through Trans-Natal, will be the largest shareholder and retain management control John Hall, chairman of Randcoal, will be chairman of the new company

The merger follows an invitation earlier this year by

Rand Mines to companies here and overseas interested in acquiring Randcoal to make representations.

Mick Davis, chairman of Trans-Natal, said yesterday the merger would produce many synergies. It would also create a company with the critical mass to seek expansion opportunities overseas

He said the merger had created a company that was well balanced in terms of market and sales mix.

The SA coal industry was mature and the merger provided Gencor and the other shareholders with a powerful vehicle to enable them to benefit from the growth of the world market, he said

Davis said demand for seaborne steam coal was expect-

ed to grow by 100 million tons over the next six years to 350 million tons a year

To increase production by this quantity would require a world export price of more than \$40 a ton. The spot export price is currently \$30 a ton

The merger would enable Khutala and Matla collieries to consolidate their reserves and tender for the supply of sets 4 to 6 at Majuba power station

It would also enable the Mid-delburg, Duvha and Optimum collieries to consolidate the Klipfontein and Klipbank reserves, resulting in higher export volumes

Davis listed a number of other areas where synergies would be achieved

Star 3/18/94

The merger will be effected by Randcoal buying the business operations of Trans-Natal by issuing 108 Randcoal shares for every 100 Trans-Natal

Based on Trans-Natal's earnings for the six months to last December, this will reduce the earnings a share of one Trans-Natal from 54,1c to 47,4c

But Davis said the synergies from the merger, together with the recent increase in the coal price from \$24 a ton, should more than make good this loss

The merger will enable MergeCo to provide greater employment opportunities and more varied career paths for staff. Where duplication existed the "best man" would get the job, he said

# JCI expresses disdain on Randcoal bid result

POTENTIAL investors in an unbundled Johannesburg Consolidated Investment would be disappointed by the result of the Randcoal bid, JCI gold and coal division chairman Ken Maxwell said yesterday.

Commenting on yesterday's announcement that Trans-Natal had won the Randcoal bid, Maxwell said JCI's offer to merge its coal assets with those of Randcoal had been underwritten with cash, whereas the Trans-Natal bid had just involved a swap of paper

Industry sources said the Competition Board should be concerned that there were now only two major coal suppliers to Eskom — Anglo American's Amcoal and Trans-Natal/Randcoal.

Analysts said the main effect of Trans-Natal's acquisition on the SA coal industry would be to increase pressure for the construction of the R700m South Dunes coal export terminal (Coalex)

Coalex had been mooted as an alternative to the Richards Bay Coal Terminal (RBCT) — in which Randcoal, Trans-Natal and Anglo American's Amcoal were major

MUNGO SOGGOT

shareholders — for those companies denied access to it **BIDAY**

Coalex consortium members include Sasol, Anglovaal, Iscor, Macphail, Gold Fields and Duiker Exploration.

Sasol GM mineral and energy resources Peet Steyn said Sasol intended to "continue its involvement with Coalex"

Anglovaal chief consultant, mines, Gerry Robbertze said the implications of Trans-Natal's acquisition for Coalex were "more positive than negative"

One analyst said Trans-Natal's controlling interest in RBCT would dilute Amcoal's influence. **3118/94**

Amcoal had tried to block Sasol's attempts to secure export allocation at the RBCT. It had also tried to block expansion plans at Coalex, in an apparent attempt to keep local prices high by keeping a lid on exports. **(215)**

The expansion plans, known as Phase 3B, would increase RBCT's capacity by 12-million tons, he said

From MICHAEL  
URQUHART

JOHANNESBURG — Gencor's coal arm Trans-Natal has emerged victorious in the bidding for Randcoal and the two companies are to merge to create the world's largest steam coal exporter valued by the market at R5,5bn

Trans-Natal beat off several rival bids to secure the share swap deal.

The new company — which would have assets worth R4,3bn, leaving it the world's third largest private coal business with annual sales of 57,5Mt — would now embark on overseas expansion, pursuing deposits in Australia, Indonesia and Colombia, Trans-Natal chairman Mick Davis said yesterday

The deal — signed yesterday just before Gencor unveiled its year-end results — ends months of speculation about Randcoal's future

In terms of the merger, Randcoal would take over Trans-Natal's operations in a share swap in which Trans-Natal shareholders would receive 108 Randcoal shares for every 100 Trans-Natal shares held

Trans-Natal would become the largest individual shareholder in Randcoal with 49,1% of the equity, Rand Mines would hold a further 45,9% and minorities 5%. Trans-Natal intends to offer minorities shares in itself for their Randcoal shares and could eventually own 54,1% of the merged firm

Trans-Natal would have management control of the merged company, but John Hall, the chairman of Randcoal, would be its chairman. Other management changes have not been finalised

# Trans-Natal, Randcoal (215) in R5,5bn key merger

CF 31/8/94

Rand Mines, whose sole asset is its stake in Randcoal, would eventually unbundle and distribute its Randcoal shares to its shareholders, including Old Mutual, Liberty Life and Sanlam

Davis said the immediate effect on Trans-Natal's earnings would be a 26% dilution, based on the earnings of the two companies over the past 12 months.

The new company would have an allocation of 41,3% of the Richards Bay Coal Terminal's capacity. Combined exports would be about 23,5-million metric tons of steam coal annually, while 45% of the company's coal production would be sold to Eskom

Davis said a number of head office employees would be retrenched, but he was unable to say how many.

JCI said yesterday that it was surprised its offer had not been successful, and that the merger was likely to affect its unbundling attractions to investors.

Randcoal's share price rose 150c yesterday to hit a new year high of R24, helping lift the coal index to a new peak of 7226,8, as news of the deal broke. Trans-Natal closed unchanged at R32,40

Merger creates new coal giant

# Trans-Natal clinches deal for Randcoal

BIDay 31/8/94

GENCOR's coal arm Trans-Natal has emerged victorious in the bidding for Randcoal and the two companies are to merge to create the world's largest steam coal exporter valued by the market at R5,5bn.

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The new company — with assets worth R4,3bn making it the world's third largest private coal business with annual sales of 57,5-million tons — would embark on overseas expansion, pursuing deposits in Australia, Indonesia and Colombia, Trans-Natal chairman Mick Davis said.

The combined company would also have far greater financial muscle to pursue overseas partnerships or acquisitions.

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MICHAEL URQUHART

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Rand Mines, whose sole asset is its stake in Randcoal, would eventually unbundle and distribute its Randcoal shares to its shareholders, including Old Mutual, Liberty Life and Sanlam. (215) (202)

Hall said some shares could be unbundled immediately, but others would have to wait three years or until new unbundling legislation was passed.

Davis said the deal would lead to a number of synergies between the two companies, and placed the new company — which has yet to be named — in a good position to take advantage of expected growth in the world steam coal market

The immediate effect on Trans-Natal's earnings would be a 26% dilution, based on the two companies' earnings over the past 12 months

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Davis said a number of head office em-

□ To Page 2

## Trans-Natal

BIDay 31/8/94

□ From Page 1

ployees would be retrenched, but he was unable to say how many. Other head office savings would be due to centralised buying and reduced stock holding.

Randcoal's Khutala reserves could be consolidated with Trans-Natal's Matla, while the two could be combined with Riet-spruit for optimal use of reserves and infrastructure. Other mergers would be Randcoal's Middelburg and Duvha with Trans-Natal's Optimum, and using Randcoal's Utrecht colliery's infrastructure to access Trans-Natal's Groenvlei reserves.

JCI, which had hoped to merge its oper-

ations with Randcoal's, said it was surprised its offer had not been successful, and the merger was likely to affect its unbundling attractions to investors.

Other bidders are thought to have been Australian mining group BHP in collaboration with Swiss-based trader Marc Rich. Sasol and Anglovaal were also interested.

Randcoal's share price rose 150c yesterday to a new year high of R24, helping lift the coal index to a new peak of 7226,8. Trans-Natal closed unchanged at R32,40.

● See Page 8

# JCI denies plans to scupper Trans-Natal/Randcoal deal

JCI has dismissed market reports that it would seek to scupper Trans-Natal's merger with Randcoal, saying yesterday that the share swap deal had left it no fixed target at which to aim another, higher, bid

Gold division chairman Kennedy Maxwell said he was disappointed but JCI would not be tabling a higher bid in a last-ditch effort to acquire Randcoal.

He said any counter-bid would have to be made against a "moving target", as Trans-Natal had not made a cash offer to minorities which could fix the bid's price

Under the terms of the deal, Randcoal would give Trans-Natal shareholders 108 Randcoal shares for every 100 Trans-Natal shares owned. The offer, if taken up by minorities, would leave Gencor with a majority stake in and management control.

Maxwell said JCI had put in a similar bid for a merger but had underwritten the bid with a cash offer to minorities.

If JCI had gained control of Randcoal it would have been merged with Tavistock

Biday 119194  
MICHAEL URQUHART

and would have been treated as a separate coal division of JCI

Old Mutual investment manager Izak Mostert said Old Mutual would not entertain another bid unless the current deal fell through. The deal still has to receive approval from the JSE and is subject to a due diligence exercise by the parties.

Liberty Life, which owns a stake in Rand Mines, said the first it had heard of the Trans-Natal bid being accepted was on Tuesday night after the media conference

Roy McAlpine of Liberty said as Liberty Life did not own shares directly in Randcoal, he would not comment on the takeover. But he added that a number of questions about the takeover still had to be answered ~~(215)~~ (215)

Analysts agreed the chances of a competitive bid were slim, saying that with the deal having the backing of Old Mutual, it was pretty much tied up

CONT

TRANS-NATAL/RANDCOAL

Fin 21/9/94

# A new King Coal

215 ~~215~~

Gilbertson's Gencor is radiating urgency and vigour

In a dramatic move this week, mining house Gencor took control of Randcoal, SA's largest coal exporter, through a reverse takeover. The assets of Trans-Natal, Gencor's listed coal mining and marketing arm, will be folded into Randcoal for shares in Trans-Natal, which will become a pyramid holding company.

The company created by this merger — as yet unnamed, though suggestions include

Trans-Rand and Rand-Natal — will be the world's third largest coal producer measured by sales (see table). With estimated sales of 57,5 Mt a year, Trans-Rand (as we shall call it for now) will rank just below US companies Cyprus/Amax (59,8 Mt) and Peabody which, with annual sales of 91 Mt, outranks everyone. Its market capitalisation is likely to be about R5,5bn. Randcoal is currently capitalised at R2,9bn and Trans-

Natal at R2,6bn.

More important is that Trans-Rand will be the world's biggest exporter of steam coal, with annual sales abroad of 23,5 Mt. Of this, 12,6 Mt goes to Europe, with 9,6 Mt for the Far East and the balance of 1,3 Mt split between South America and African countries.

Gencor's coup comes in the face of stiff competition from international and local

**LEADING ARTICLES**

It is widely rumoured that Australian giant BHP and the UK's Rio Tinto brandished fistsful of financial rands. Local bidding came from JCI, anxious to enlarge its coal division ahead of Anglo's announced unbundling, and Sasol.

Mick Davis, the recently recruited Gencor financial director and Trans-Natal chairman, was largely responsible for masterminding Gencor's hand through a long and tortuous negotiation. He says success hinged largely on two issues.

First, Trans-Natal's bid was pitched on the basis of an issue of paper — in this case, 100 Trans-Natal shares for every 108 Randcoal held. Over time, as the price of coal shares escalated dramatically on the JSE, the paper nature of the Trans-Natal bid nullified any downside for Randcoal shareholders.

Second, the share issue concept means that Old Mutual, Randcoal's principal holder, can perpetuate what it clearly considers a strategic stake in a major company. In itself, of course, this highlights a strange dichotomy in Old Mutual's approach. Last year, it agreed to unbundle Barlow Rand, in which it was the dominant shareholder. That left it with a 30% stake in Rand Mines, whose biggest asset is a 77% stake in Randcoal.

Old Mutual appointed UAL Merchant Bank to advise on the potential sale of its equity in Rand Mines. This was seen by the market as an invitation to tender for the underlying coal asset and that's what it turned out to be. So Old Mutual's intention to remain invested is surprising, if entirely sensible.

Two other factors will now come into play. First, and certainly the most important, is that Gencor has been transformed — for the second time in a month. Six weeks ago, Gencor could be described as a truncated and parochial SA mining house, mauled by a savage unbundling process and left concentrated on gold, platinum, coal, manganese and chrome, with an important (one-third) stake in the Columbus stainless steel project. It focused almost exclusively on SA.

Four weeks ago, that was suddenly and dramatically changed when chairman Brian Gilbertson pulled off what some observers considered unlikely given the attenuated time span — the purchase of international base metals and minerals producer Billiton from oil major Royal Dutch Shell, with heavy reliance on European bankers who surprisingly are prepared to lend against Billiton's assets without ultimate recourse to Gencor. That turned Gencor into an SA mining house with a heavy emphasis on the international aluminium business.



**Gilbertson**



**Davis**

This week Gencor's profile changes again and just as dramatically. Now it can justifiably be called a global player with interests in aluminium, steam coal exports and traditional SA precious metals businesses.

What becomes clear from this metamorphosis is that Gilbertson has set about altering the shape of his company. He stuck with the problems associated with the Billiton deal long after others would have walked away. Even the fact that he persisted was questioned. Now he has pulled off what many will consider is the ultimate three-card trick. It is certainly evidence that

Gilbertson has emerged from predecessor Derek Keys's long shadow with far-reaching plans for Gencor's transformation into an important global mining company.

Initially, at any rate, the impact of the Randcoal deal on Gencor will be minimal. Gilbertson and Davis agree that some analysts will conclude Gencor has paid too high a premium. "That is a view," says Davis, "which ignores the benefits which we intend to extract from the synergies which the merger offers. And it doesn't take into account the growth of the export market for steam coal or overseas growth opportunities."

Nevertheless, the point at issue now is that 108 Randcoal shares with a value (at close on Monday, August 29) of R2 430 will buy 100 Trans-Natal shares with a value of R3 240. That premium of a third is a high price by any standards.

By prior agreement, Rand Mines won't accept the offer. This means Mutual's effective 32% holding in Rand Mines will translate into 15%. Eventually, the intention is that the company will be unbundled. The

other big player, Trans-Natal aside, will be Liberty with about 10%. Unbundling Rand Mines is likely to be carried out in stages because of timing issues.

Driving factors in the deal for Gencor are the expected growth of the world's demand for steam coal, expected to expand by 50% over the next decade to 300 Mt/year, and the possibilities for mining development overseas. There is some scepticism in the market about this growth equation. In the early Eighties, similar expectations were given a wide airing and came to nothing as world economic growth slowed. Now, however, estimates of power demand in the Pacific Rim indicate the need for 40 000 MW of new capacity (that is 11 power stations the size of Kendal, Eskom's biggest) over the next 10 years. This growth estimate excludes the huge demands expected from China and India.

Davis says other factors now come into play. One is the ending of coal mining across Europe, especially in Germany, and replacement of these tonnages with imports. Another — perhaps most important — is the pervasive fear of nuclear waste disposal. Chernobyl-type meltdowns can be contained and handled. Inadequate waste disposal remains apparently insoluble. As long as it does, the chances are that new thermal power stations will be powered by steam coal.

Gilbertson reveals that the Randcoal/Trans-Natal merger has opened new international prospects. Discussions are already in progress with major trading houses relating to their equity involvement in Trans-Natal, in exchange for guaranteed coal deliveries over a specified period at market-related prices, coupled with access to finance overseas for new mine development. This is concentrated in South America and Gilbertson confirms the project under investigation is on the Atlantic seaboard. He won't be drawn further. Nor will he admit that the financing discussions are with Japanese companies. "It is certainly true the Japanese are showing considerable interest but they aren't the only players, you know."

None of this should be taken to suggest the deal will be without difficulties. Randcoal's last annual results were disappointing with EPS slashed to 87c from 1992's 168c. Much of this is ascribed to falling spot coal prices over that year, a feature which directly attacked Randcoal's policy of reducing its contractual sales. Since then, of course, spot prices have firmed substantially and Gencor's managers will want to apply their policy of contractual sales with limited spot sales.

Davis says he believes a major synergy can be achieved from merging the head offices — he expects as much as R30m a year to flow from that. "And we've undertaken to apply the principle of the best man for the job," he says, in a direct reference to the selection criteria to be applied in the winnowing process. Refining

INTERNATIONAL COALS

COMPANY	ANNUAL SALES (million tons per year)
PEABODY	90,8
CYPRUS/AMAX	59,8
TRANS-RAND	57,5
RUHRKOHLLE	54,7
CONS COAL	52,0
AMCOAL	42,4
SASOL	40,1
ATL RICHFIELD	39,8

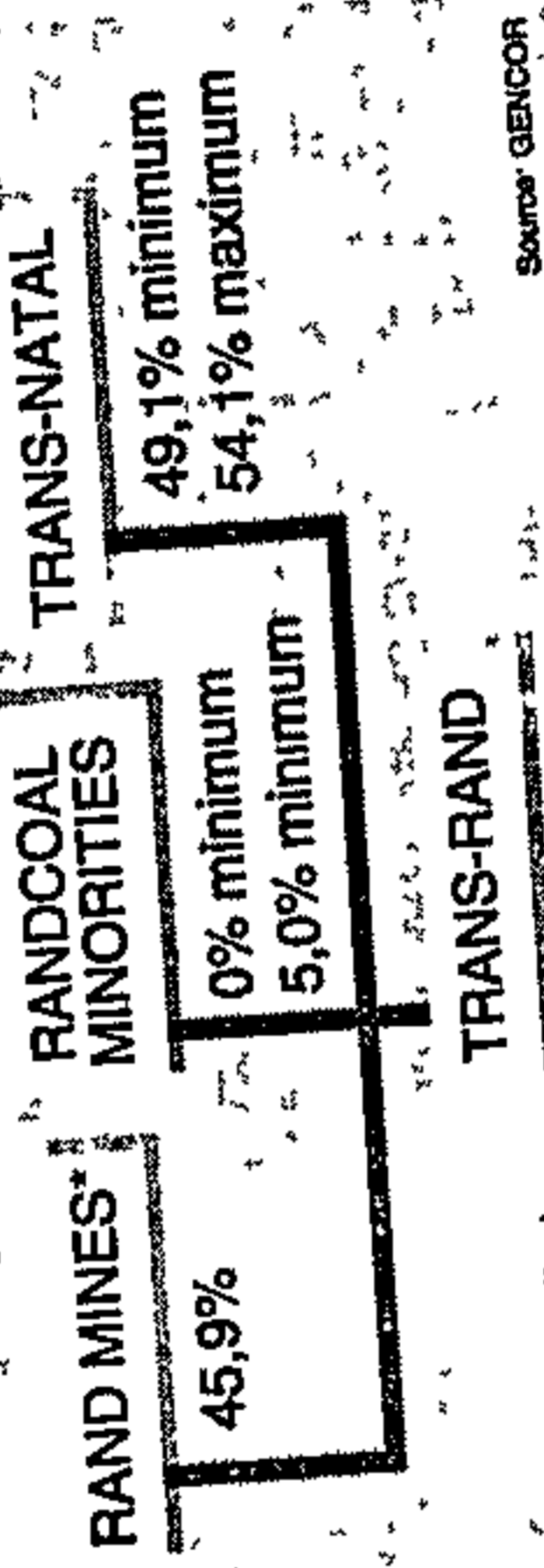
Source: GENCOR

**LEADING ARTICLES**

*fm 21/1/94*

**OWNERSHIP OF SA'S NEW COAL GIANT**

**Final structure**



To be unbundled

Source: Gencor

been a fiefdom dominated largely by Amcoal, Anglo American's coal producer. While the change in effective control is unlikely to affect RBC's operating policies, it is impossible to believe there will be no perceptible movements in approach over time.

In the end, of course, the greatest impact of the entire deal will be felt on Gencor itself, not least because of the transformation which the move will encourage in market perceptions about the group as an emerging mining house dynamo.

Gilbertson has never shrunk from his publicly stated intention to turn Gencor into an international player. What is startling is the speed with which this now appears to be taking place and the momentum which has developed.

Some of this may be an accident of timing. The Billiton deal, for example, should have been consummated months earlier. Nevertheless, the impression of urgent growth is now indelible. It is said that fortune favours the brave. Gilbertson and his new-look Gencor certainly cannot be said to be timid.

David Gleason

the head office staff and functions, coupled with benefits in other areas such as buying, stores and so on, could achieve savings of about R50m a year. Gilbertson has announced that Randcoal chairman John Hall will be chairman of the merged company.

Coupling Trans-Natal's reserves with those of Randcoal could provide the solution to Randcoal's Majuba colliery embarrassment. Not many investors will have forgotten that Randcoal was obliged to close Majuba after spending the coal it opening it, then discovering the coal it thought was there was not really there. Closure involved some remarkable sleight of hand. Coal for the first three generating sets at Majuba power station was to be sourced from Khutala colliery (which supplies Eskom's Kendal station). The idea was to rail the coal along the line to Ermelo and then build a new 70 km-long spur to Majuba. This would cost R300m, which was expected to be borne by Eskom and Spoornet. Now Davis says the solution is at hand and it lies in adding Trans-Natal's reserves in the area to the pile. This will make it possible to supply all Majuba's eventual six sets in addition to meeting demand from the Kendal and Matla power stations.

Other areas of synergy relate to blending intentions for the expanded group's Duvha, Middelburg and Optimum collieries; this

could create an excellent product for export, says Davis. Down the line are plans to retain a foothold in the Natal market. And there is a possibility that the Camden power station may be reopened because of burgeoning power demands. The difficulties of recommissioning mothballed power stations, aside, if Camden is brought back on stream, the impact on Trans-Rand will be significant. (215)

Another issue is that Trans-Rand will be the single largest shareholder of Richards Bay Coal Terminal (RBC), the private company which owns and manages the country's massive coal exporting facility on the Natal north coast. In the past, this has



# Liberty 'in the dark' on new coal merger

By Day 8/19/94

LIBERTY Life has broken its silence surrounding Trans-Natal's proposed merger with Randcoal, yesterday claiming that the share swap deal had left the life assurer, a main shareholder in Rand Mines, in the dark.

The merger will create the world's largest steam coal exporter, and the new company, with assets worth R4,3bn, will be the world's third-largest private coal business with annual sales of 57,5-million tons.

Liberty Asset Management chairman Roy McAlpine said as the proposed transaction was complex and involved no cash underpin, its merits were very much dependent on the share prices of three listed companies, namely, Rand Mines, Randcoal and Trans-Natal.

The Liberty group — which held a 20,5% stake in Rand Mines, which in turn owned 76,8% of Randcoal — said the majority of shareholders in Rand Mines were not properly consulted on the merger.

McAlpine said there had been a number of suitors interested in Randcoal.

UAL Merchant Bank, which had recommended the merger, did not make public the other suitors or their offers.

If this were a cash deal, the winner would be the highest bidder, but in the share swap with Trans-Natal, it was difficult to know if it was the best offer.

It was also difficult to determine whether a sufficient premium had been paid by

## MADDEN COLE

Trans-Natal to acquire legal control of Randcoal. The ruling share prices on August 29 had Trans-Natal at R33, Randcoal at R22,50 and Rand Mines at R30,50.

Since then Trans-Natal had dropped back to R26,50c, Randcoal was unchanged at R22,50c and Rand Mines closed at R33 yesterday.

McAlpine said he had no reason to believe that Trans-Natal's share price had been supported before the announcement of the merger.

But there should have been a shareholders' meeting of Rand Mines to decide on the merits of the offer. "After all, shareholders own the company," he said.

He did not know if there were other shareholders who shared his view. But Old Mutual, the largest shareholder in Rand Mines, was said to have approved the merger. If so, it was reasonable to believe Old Mutual had been in possession of privileged information. (215) (22)

Trans-Natal MD Dave Murray said last night he could not comment on McAlpine's remarks, but strongly dismissed analysts' allegations that Trans-Natal's share price had been supported to bolster the merger.

Randcoal chairman John Hall — who will be chairman of the newly merged coal company — and Old Mutual could not be reached for comment yesterday.

## Anglovaal looks at exporting coal

MICHAEL URQUHART

IMPROVED prospects in coal export markets had prompted Anglovaal to examine the possibility of producing export coal from its coal rights in the Bethal district. *BIDON*

In the annual report of Anglovaal's financial arm Middle Witwatersrand (Western Areas), the company said the reserves contained a considerable quantity of coal suitable for both the export market and for local power stations. *149194*

A lack of loading and port facilities had in the past hampered the possibility of producing export coal, and opportunities were being examined to alleviate this.

An Anglovaal spokesman said the options included either the construction of the Coalex facility at Richards Bay or getting a Richards Bay Coal Terminal entitlement.

Midwits said prospecting on the Slaaihoek nickel project, which is being undertaken in a joint venture with Eastern Transvaal Consolidated, had continued satisfactorily. A total 56 000m of diamond drilling had been completed, the pre-sink phase of the exploration shaft was completed and a head frame was erected.

Approximately 1 000m of development was planned for the current financial year to produce a 6 500-ton bulk sample for pilot plant metallurgical test work. Wet commissioning of the pilot plant is planned for April next year.

Midwits received a R64,5m royalty from Venetia via its investment in Saturn mining. *(215)*

## Sasol opens new shaft

MICK COLLINS

FUEL and chemicals producer Sasol yesterday opened its Brandspruit number two shaft, the coal industry's first shaft combining transport and ventilation functions.

More commonly used in the gold mining industry, the shaft cost R19,3m after cost savings of about R10m.

The project took 11 months to complete.

Brandspruit is one of four coal mines lying in the Secunda coal-field complex. The four mines produced 36-million tons in the past year for the Sasol Two and Three plants.

"This is Sasol Coal's most successful shaft project to date," said manager Frik Grobbelaar. 14/9/94

He said the mine aimed to increase current annual production of 8-million to 9-million tons over the next three years.

The mine is highly mechanised with a labour force of 1 500. The shaft is 165m deep. (215)

GFSa GOLD PRODUCERS

For 30/9/94

# Balancing profits and longevity

(214)

**Gold mines** in the GFSa group report strangely mixed results for financial 1994, which highlight this famous group's operational strengths and define some of its weaknesses

**Doornfontein** is GFSa's vulnerable link and it is clear from the comments of chairman Mike Fuller-Good that the mine's future is tenuous. This company, which began life in 1947, has an ore deposit which, to all intents and purposes, is gone — mined out. The eastern portion of the lease area has been extracted, westward, the area is uneconomic.

The consequence is that Doornfontein is struggling to stay alive. The mine is treating proportionately more surface dumps but head grades are low. It has little going for it. Doorns' position emphasises — if this is necessary — that mines are fragile, distinctly finite investments, robust in youth, decrepit in late life. It also highlights a curious GFSa failing: the house's tendency to be late with its shaft development. At Doorns, its No 3 vertical and sub-vertical shafts were very late, when they finally gave access to the extreme eastern and SE portions of the lease, *in situ* values proved disappointing.



**GFSa's Plumbridge** needs to mend fences with labour

Doorns is now a marginal producer. If the price of bullion blossoms, the share price will gallop. But investors must be warned: this is a horse easily blown.

In a sense, Doornfontein's experience is repeated at **Deelkraal**. The mine has failed to establish sufficient working areas. The company's ore reserve plan reveals its comparative poverty of developed areas.

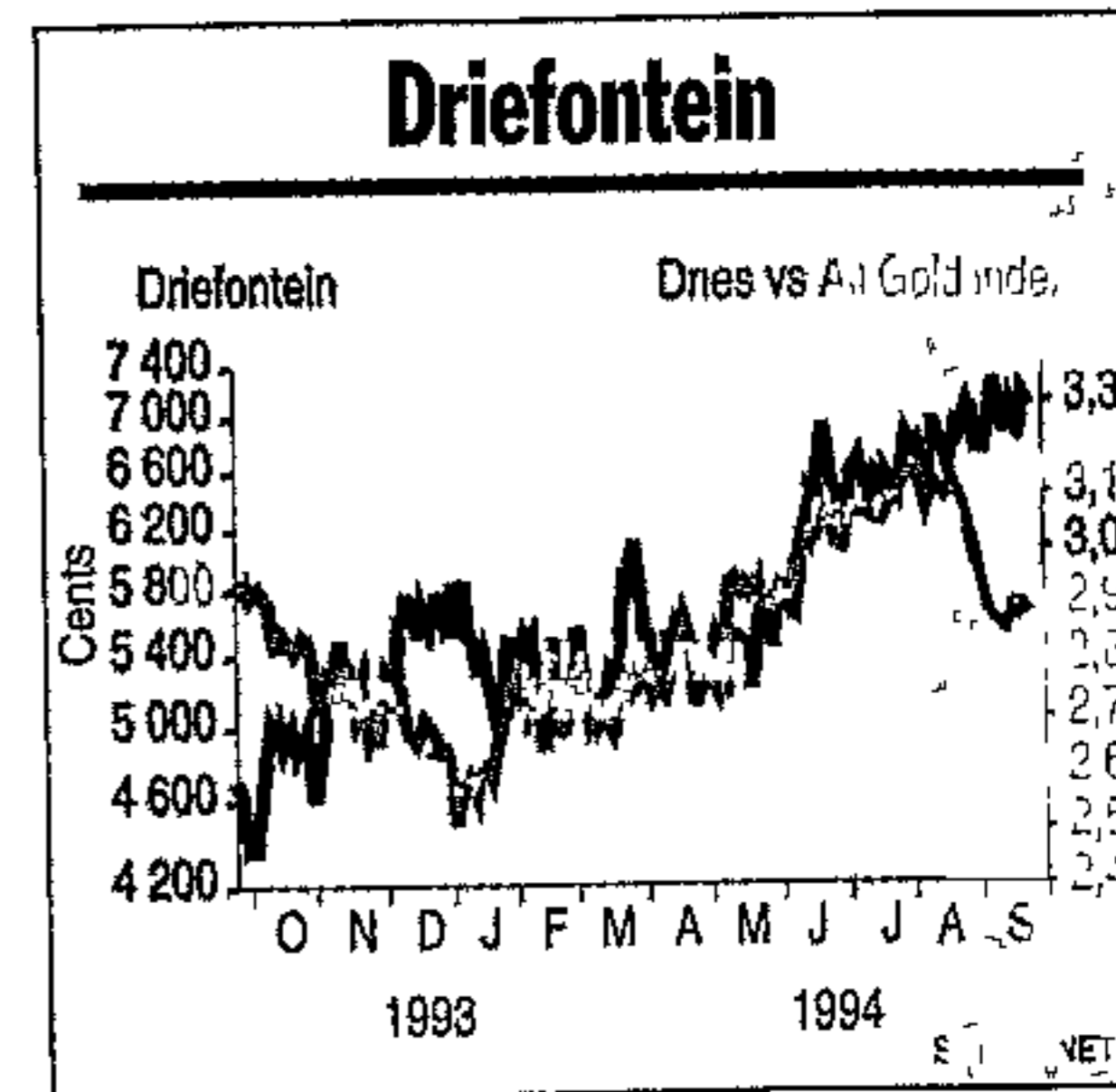
And this marches in step with the failure to complete the new sub-vertical shaft, now hopelessly behind schedule.

It points again to GFSa's capital expenditure project delays. It is a characteristic of this house that its shafts are rarely ready in good time. In the case of Deelkraal, the No 3 shaft project was aborted when funds ran out. It now urgently needs the cash to complete the project. An examination of the company's resources suggests that a rights issue must be on the cards, perhaps as much as R500m.

Deelkraal's ore reserve plan shows clearly how urgent the new shaft systems have become. And when available developed areas underground are limited, pressure on production personnel intensifies. This is often accompanied by a deterioration in morale. I make these comments because gold mining involves more than the hype

of the bullion price and making money quickly on the exchange.

The contrasts within GFSa are highlighted by the group's two extraordinary companies: Driefontein and Kloof, arguably



the world's greatest gold producers. After all these years (West Driefontein started production 42 years ago), **Driefontein Consolidated** continues to be gold mining's Holy Grail. And over financial 1994, a vigorous management regime pulled production up to nearly 62 000 kg — roughly the same level last achieved in 1987.

This means Driefontein's managers have restored the mine to a new production peak, the kind of achievement too easily brushed aside by shareholders. In Driefontein's case, a strongly disciplined approach has yielded exceptional results. But it is inevitable that the company will resume its long downward production trend, declining probably at about a ton of gold a year. Analysts expect that by the year 2000, Dries' annual production is likely to be about 54 000 kg.

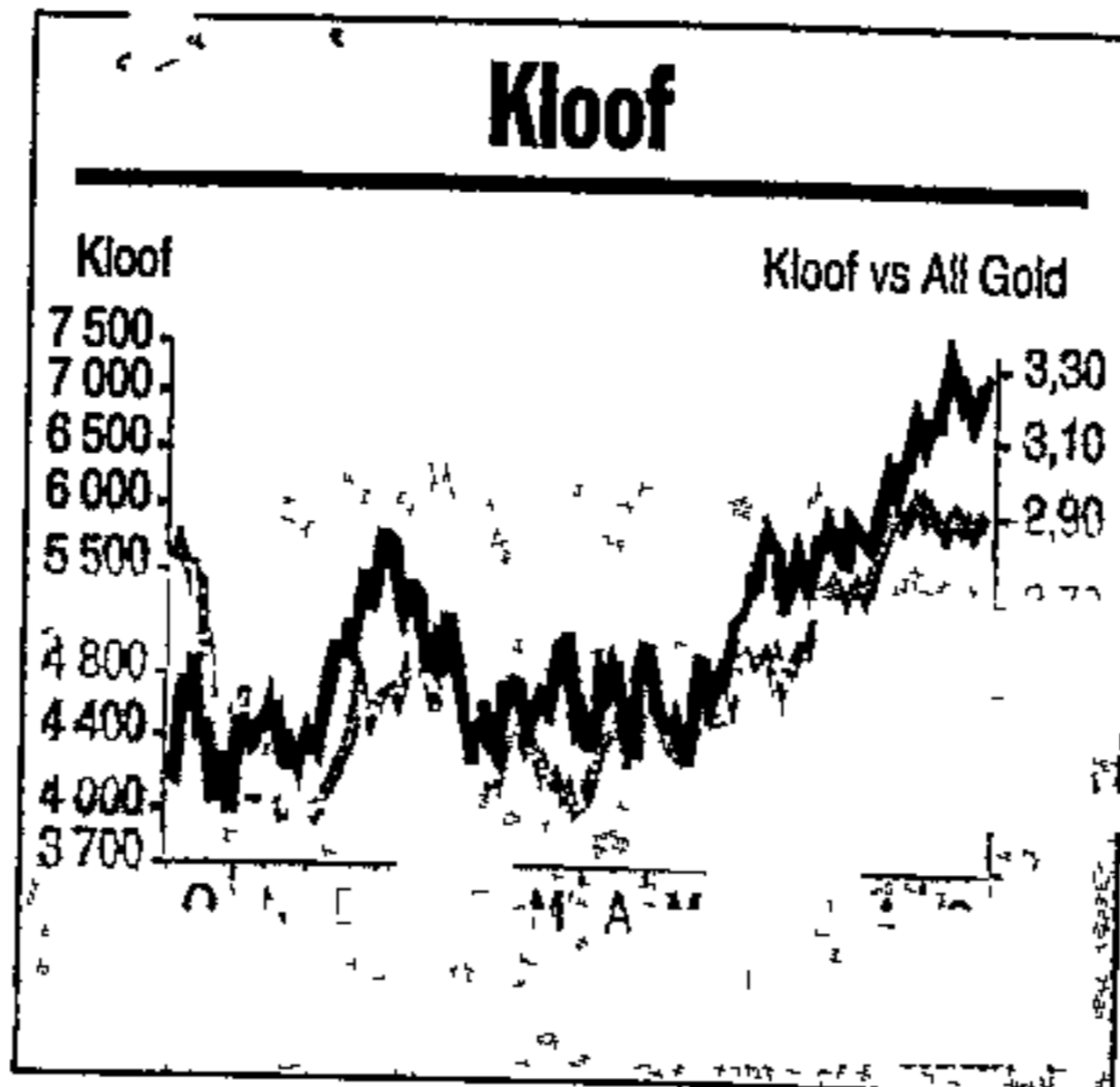
Negative areas are that the No 5 vertical and sub-vertical shafts are behind by about two years. There have been so many setbacks that the mine now has reduced operational flexibility. A result is that capex will need to increase substantially from R324m in 1994 to about R400m this year and again in 1996.

Any consideration of **Kloof** is made complex by the company's recent absorption of ailing neighbours Libanon and Venterspost. The company comprises the original mine — now Kloof division — Leeudoorn division, the new mine in the south, and Libanon.

Over financial 1994, Kloof's major area of difficulty was caused by a shaft accident when heavy duty water piping burst, fell down the shaft and caused huge damage. That was accompanied by a lack of the development flexibility underground need-

## GFSa'S GOLD MINES

Trading Stats:	Doornfontein	Deelkraal	Kloof	Driefontein
Capital structure (ords)	40m	99,5m	138,6m	204m
Market cap (Rm)	240	831	9 909	1 4 280
Price (c)	600	835	7 150	7 000
12-month high (c)	500	1 025	7 150	7 100
12-month low (c)	210	660	4 100	4 800
Trading volume last quarter	1,6m	2,9m	4m	6,2m
Chairman	M R Fuller-Good	A H Munro	A H Munro	A H Munro
<b>Year to June 30 1994</b>				
Revenue (Rm)	147	351	2 018	2 587
Costs (Rm)	146	287	1 297	1 235
Tax (Rm)	—	9	9	678
Attributable (Rm)	6	64	748	785
Tons m (000)	1 242	1 461	5 110	5 570
Grade (g/ton)	2,8	5,7	9,4	10,9
Gold produced (kg)	3 516	8 379	48 199	60 580
EPS (c)	n/a	64	540	385
D'vs (c)	n/a	20	180	240



From 30/9/94

ed to counteract seismological problems and weak hanging walls.

At Leeudoorn, delays in the completion of the sub-vertical shaft brought about associated problems. And the recovery grades of 7 g/t are not up to the initial expectations of around 9 g/t. At Libanon, though, efforts to improve production have largely succeeded, with a small increase in recovered grade. Given a little luck — freedom from accidents mainly — Kloof is expected to return a better than average performance for 1995.

(214)

These are good results from important SA companies. But GfSA chairman Robin Plumbridge needs to mend fences with labour. The group's industrial relations record is nothing to write home about and leaves it vulnerable to clichéd charges which are given added force by the house's mixed reputation in the industrial relations field. GfSA emphasises upward labour mobility and rewarding skills incrementally. That is an acceptable philosophy but the group has not sold it well. And perception, after all, is always more important in the end.

David Gleason

# Black Mountain is on a high

MADDEN COLE

*Bill Day*

GOLD Fields' coal and base metal operations reported overall increased productivity for the September quarter after a further strengthening of copper and lead prices, with zinc and silver prices remaining relatively unchanged. *12/10/94*

Coal and base metals executive director John Hopwood said yesterday Black Mountain Mineral Development Company was the main contributor to the division's improvement. The company, which nearly doubled operating profit to R28,3m (R14,9m), had become the fourth most profitable mine in the group.

Profit after tax increased to R17,6m (R11,9m) on sales of R72,4m (R50,3m).

Production at O'okiep Copper Company benefited from the absence of labour problems. *(215)*

Profit after tax rose to R4,2m from the previous quarter's R1,2m.

Zincor's results were hit by high cost of sales resulting from lower production after a major planned maintenance shutdown of the No 2 acid plant during the quarter.

Profit after tax was sharply down at R4,4m (R8,3m) with both zinc production and sales recording decreases to 20 681 tons and 24 343 tons respectively. *(215)*

Demand for coal remained firm, and Gold Fields Coal saw production and sales increases. Profit tax came in at R5,5m (R9,9m) on sales of R48,7m (R45m). Cost of sales moved up to R47,7m (R38,8m).

Gold Fields of Namibia continued its good performance at the Tsumeb mine. Production was back to normal at the Kombat mine. Otjihase mine reported an improved mill throughput. Copper grades at Kombat and Otjihase remained below expectations and lead grades at Tsumeb and Kombat were poor. After-tax profit fell to R6,2m (R8,3m).

# Randcoal's final showing a good one

Biday 25/10/94

MICHAEL URQUHART

RANDCOAL, the coal producer which is to be merged with Gencor's Trans-Natal, increased attributable earnings 10% to R124m for the year to September, its last reporting period as a separate entity.

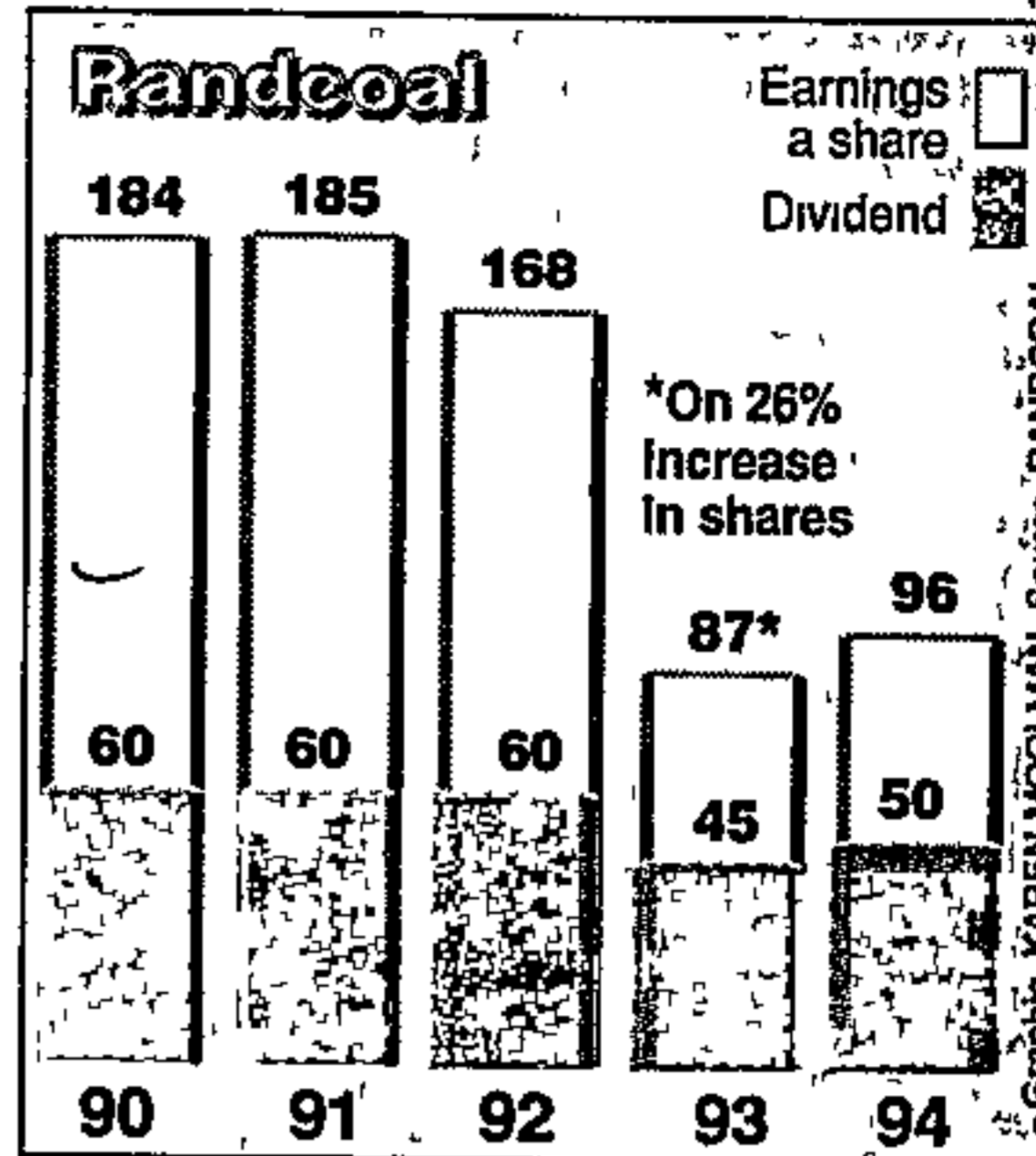
The results were achieved on a relatively static turnover of R1,7bn, despite what chairman John Hall said were tight market conditions locally and abroad. Export and inland sales were lower, and there was a decline in the dollar price for export coal.

He said the weaker exchange rate, lower rail tariffs in the second half and cost containment had contributed to the improved performance. (215)

The final dividend was 30c (25c), bringing the total dividend for the year to 50c, against 45c the previous year.

Interest on bank borrowings was down to R11m (R17m), although the overall interest charge doubled to R58m as interest on Eskom loans was no longer capitalised.

The tax bill was up sharply at R16,7m



(R9,4m) due to the increase in secondary tax on companies to 25% (15%) and the higher final dividend

Rand Mines, whose sole asset is a 77% stake in Randcoal, posted a fall in attribut-

To Page 2

## Randcoal

Biday 25/10/94

From Page 1

able earnings to R37,6m (R69,7m). The total amount is to be paid out as a dividend, with a final dividend of 40c bringing the total dividend for the year to 63c (57,5c).

Randcoal was excluded from the consolidated results, due to the impending merger with Trans-Natal. Its effect will be to reduce Rand Mines' holding in Randcoal to between 36% and 46%.

The Commissioner for Inland Revenue has also approved in principle the unbundling of Rand Mines. The board was considering the most appropriate way of unbundling, but this would take place only once the Trans-Natal/Randcoal merger had been completed. (215)

Trans-Natal MD Dave Murray will be MD of the merged company. Randcoal and Rand Mines chairman John Hall will be

chairman.

Randcoal will acquire the business operations of Trans-Natal in exchange for the issue of 88-million new Randcoal shares. Trans-Natal will make an offer to Randcoal shareholders to exchange their shares for new shares issued by Trans-Natal.

The completion of the due diligence investigation of the two companies has been completed and the ratio of 100 Trans-Natal shares for 108 Randcoal shares will remain unchanged. The completion of the agreement is conditional on Trans-Natal acquiring at least 50,1% of Randcoal's equity. The merger's effective date will be October 1.

Trans-Natal declared a special dividend of 20c to compensate shareholders for the difference between its previous June year-end and the date of the merger.

# Blockbuster coal mines merger is on the cards

ARG 25/10/94 (215)

## Business Staff

THE merger of Trans-Natal and Randcoal is on track

John Hall, chairman of MergeCo, the provisional name for the new group, said yesterday a diligence exercise had been completed and that Rand Mines, Randcoal, Trans-Natal and Gencor had signed the formal agreement giving effect to the merger.

However, shareholder approval and endorsement by the European Commission in terms of the anti-trust rules of the European Coal and Steel Community (ECSC) were still needed

Mr Hall said MergeCo's advisers were confident that authorisation would be forthcoming by December at the latest

The proposed executive committee would be Dave Murray (MD); Noel Halgreen (business development, projects and services), Derek Nightingale (finance), Pieter von Bredow (human resources); and Gordon Osterloh (export marketing).

Piet Henderson, Johan Kriek, David Michael and Rick Mohring would split operations on a regional basis. Kriek would also be responsible for anthracite and inland marketing.

Allan Cook, CEO of Randcoal,

had elected to retire and would be retained as a consultant

Until approval was received from the EC, marketing would continue through existing channels. All existing commitments and contracts would be honoured.

Mr Hall said Randcoal's earnings in the year to September equalled 96c (87c) a share. The final dividend has been raised to 30c (25c), making 50c (45c) for the year

Rand Mines earned 63c for the year and has declared a final dividend of 40c a share

Rand Mines will be unbundled and will distribute its Randcoal shares to its shareholders

■ Banking, securities trading and related financial services group Sechold, which was recently acquired by Investec, has undertaken a close scrutiny of its risk management process, which has now been integrated with Investec's.

Sechold MD Bernard Kantor says in the group's 1994 annual report the R197,7 million loss Sechold incurred on futures trading in late 1993 indicated a flaw in its risk management process.

This process was essentially sound at subsidiary level, but was not co-ordinated at group level

In March, Investec injected R125 million of new capital into Sechold and became the controlling shareholder with 78 percent.

Sechold now reports directly to Investec's group risk manager on its risk management activities and these are examined at group and subsidiary level.

The risk management process focuses specifically on counterparty, interest rate, liquidity and price risks.

Although the group's results for the year to June were hit, not only by the trading loss, but by a R20 million provision, the four main subsidiaries — NDH Bank, District Securities Bank, Securities Investment Bank and Secfin Bank — traded well for most of the year.

The group's capital has been increased substantially and it is now considered adequately capitalised to conduct its traditional business and grow as opportunities arise.

In the coming year, Sechold will continue to focus on its core activities in the securities market, Mr Kantor says

Its priorities will be to improve information technology and further strengthen risk management



# Derailments disrupt coal deliveries

B/Daw 28/10/94

MICHAEL URQUHART

CERTAIN partners in Richards Bay Coal Terminal Company have declared force majeure, telling customers they would not be able to keep to their current shipping schedules, the terminal company said yesterday.

The partners, believed to be Amcoal and Trans-Natal, had their shipping deadlines upset by two derailments earlier this month, it said. Other partners were believed to be considering whether to follow suit.

An investigation was under way to determine the causes of the derailments, the company said.

Amcoal chairman Dave Rankin said tonnage on the line was starting

to build up after the derailment, and Amcoal would make every effort to ensure minimum disruption.

An industry source said the force majeure declaration was very serious, but customers so far had been understanding. The partners had to negotiate with their customers for extensions on existing contracts.

But the industry did not yet have a final figure on how much tonnage had been lost or how soon the system would return to normal.

Analysts saw the disruptions as likely to help boost the coal price. SA

coal producers are expected to settle the European round of coal contracts — for which negotiations start next month — at least 10% higher than last year, analysts said yesterday.

They said the extremely tight world coal market, and the shortage of spot coal, meant SA producers would be in a much stronger position when negotiating for next year's contracts. This meant contracts could be settled slightly above \$30 a ton, compared with \$28 a ton for the same contracts last year. (215)

Over the same period the spot price had moved from about \$20 a ton to its current level of about \$30 a ton.

# Amcoal earnings up 33% on strong exports

Own Correspondent (215)

JOHANNESBURG — Anglo American's coal division, Amcoal, increased attributable earnings 33% to R162m for the six months to September compared with R122m for the same period the previous year as it took advantage of improved export markets to offset lower sales to Eskom.

Turnover was slightly up at R1,06bn (R944m), despite reduced sales of coal and coke of 22,5m tons (22,85m tons), as profit on both export and domestic sales increased

CT 3/11/94  
An "unplanned failure" at the Letaba power station had led to lower than expected domestic sales, Amcoal chairman Dave Rankin said.

An interim dividend of 180c (150c) was declared on earnings a share of 643,7c (483,6c), raising dividend cover from 3,2 times to 3,6 times

Rankin said dividend cover was high, but Amcoal traditionally declared a low interim dividend.

# Improved exports boost Amcoal earnings 33%

MICHAEL URQUHART

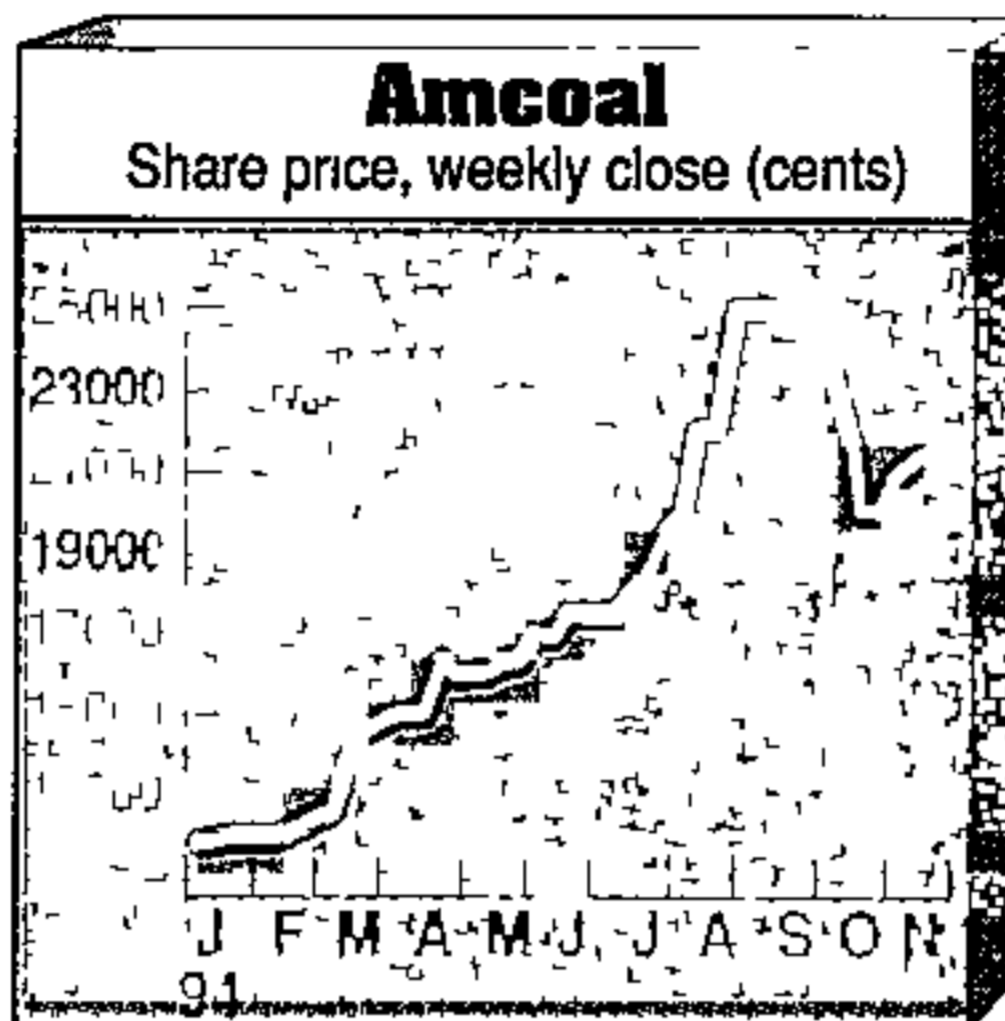
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An unplanned failure at the Letaba power station set had led to lower than expected domestic sales, Amcoal chairman Dave Rankin said. But the higher volume of export sales, the weaker rand and higher export prices resulted in an export sales revenue increase.

An interim dividend of 180c (150c) was declared on earnings a share of 643,7c (483,6c), raising dividend cover from 3,2 times to 3,6 times.

Rankin said dividend cover was high, but Amcoal traditionally declared a low dividend in the interim period.



He said improved export prices would be realised during the second half, but lower volumes due to the Richards Bay Coal Terminal derailments led to expectations of similar second-half earnings (215)

The mining industry would lose between one- and two-million tons of exports because of the derailments, Rankin said. Of this, Amcoal would lose between 250 000 and 500 000 tons. All contracts would be honoured but some deliveries would be delayed.

He said the company had been forced to declare force majeure, and the first delayed shipment would be in the second half of the month.

The derailments had seen the terminal's stockpile reduced to 1,5-million tons.

Exports through the terminal should increase to 60-million tons within the next two to three years, Rankin said. He said Amcoal was currently looking at expansion of brownfields projects to cater for increased capacity at Richards Bay.

Amcoal had already started talking to its customers on prices for 1995. It expected a price increase because the balance between demand and supply had moved in favour of the producers.

Cost of sales was up 7,3% to R770m. Rankin said the sharp increase was a result of the higher volume of high-cost export sales.

Inland sales had decreased but the cost of inland sales had not fallen to the same degree because of the proportion of fixed costs.

Interest and investment income were up at R39m (R33m) despite a slightly lower interest rate over the period, due to an improved cash flow. The tax bill jumped sharply to R112m (R89m), excluding a transition levy payment of R15m, on the back of the improved earnings.

Amcoal took a provision of R39m for unfunded post-retirement medical aid liabilities, in line with international trends and following Anglo American's policy.

## Export sales boost Amcoal

■ BY DEREK TOMMEY

Higher export sales helped Amcoal increase attributable earnings by 33,1 percent in the six months to September from R121,8 million (643,7c a share) to R162,2 million (643,7c).

The interim dividend has been raised 20 percent from 150c to 180c. *Star*

Export sales rose by 554 000 tons to 6,6 million tons, more than offsetting a drop in sales to Eskom after the shut-down of an electricity generating set at Letaba power station and three sets at Kriel. *3 11194*

The drop in company tax rate from 40 percent to 35 percent resulted in a deferred tax credit, of which half — R53,9 million — was treated as an abnormal item and used to meet the 5 percent one-off levy and a provision of R39,1 million for post-retirement medical aid liabilities.

Chairman David Rankin forecasts that earnings for the year as a whole are likely to show similar improvements to those of the first half.

Despite two derailments last month on the Richards Bay line, Amcoal is meeting all its contractual commitments.

The derailments are likely to cause the export coal industry to lose 1 million to 2 million tons of railings.

Amcoal's railings could be down by 250 000 tons to 500 000 tons.

Rankin says negotiations for next year's export sales contracts have just started and he cannot give likely selling prices. *(215)*

But he says the spot price of coal overseas had risen from \$19 a ton in September 1993 to \$29 a ton.

Although the spot price is volatile, he hopes it will be sustained at current level for the medium term. But he does not expect the recent rate of increase to be sustained.



**Suncrush's Hamilton** . benefits in competition

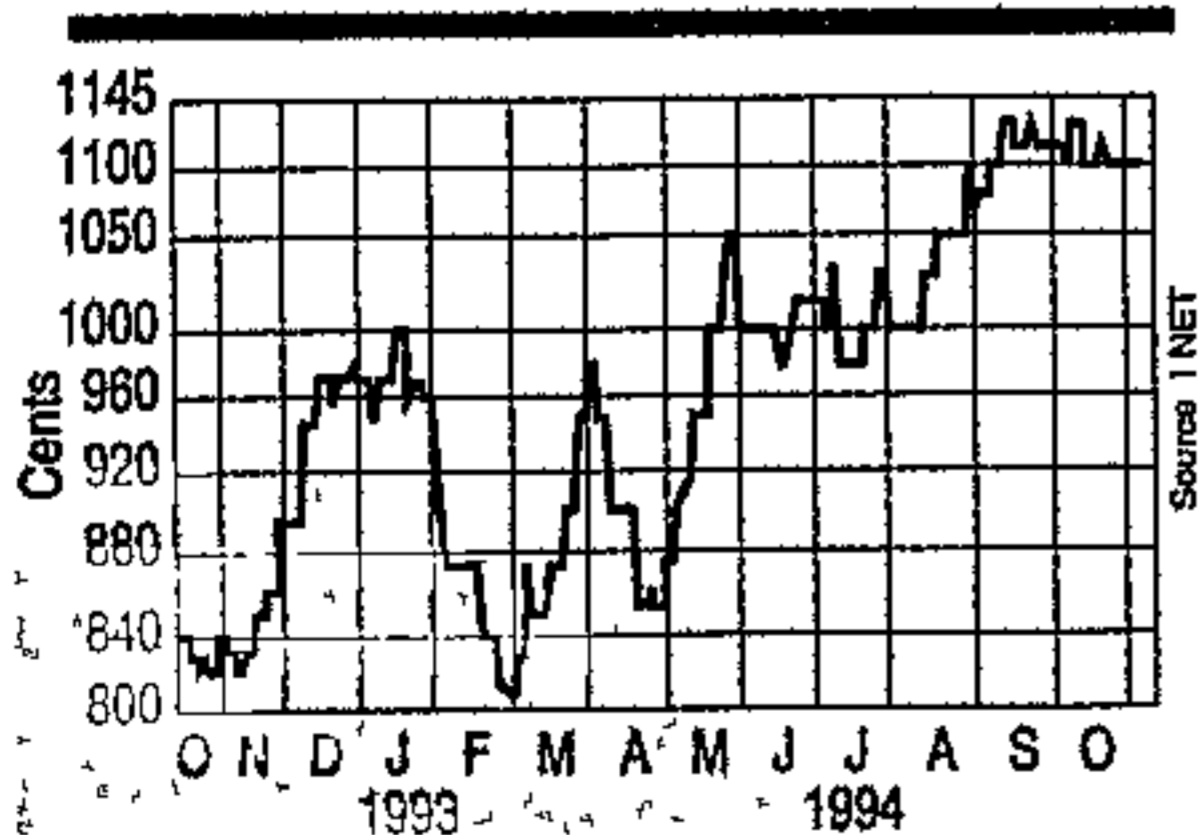
mainly from the return of Pepsi-Cola to SA and, to a lesser extent, from the no-name brands of cola on the market. The effect of Pepsi, Hamilton says, is hard to call "It is difficult to anticipate what they are going to do. A lot depends on pricing policy and where they are going to operate"

It seems, though, that competitor ABI will probably pick up most of the initial direct competition from Pepsi. Analysts say Pepsi will probably first target the PWV, then Durban, areas outside Suncrush's network of operations.

Indirectly, Pepsi is a real threat to Suncrush and the other bottlers, as the worldwide cola war is extended to SA. At least Suncrush might have the benefit of a little time to observe Pepsi's operations and the response from ABI. Hamilton takes a philosophical view, saying the competition will keep his group on its toes.

The no-name colas are less of a threat

**Suncrush**



Penetration is still small — estimates give them less than 5% of the domestic market — but, more important for Suncrush, they are only being distributed in cans and nonreturnable, two-litre bottles which are not popular in the mass market.

This is Suncrush's area of expertise. Its plants and branches extend inland from Richards Bay and Maritzburg to cover the mainly rural areas of northern Natal, the Free State and north-western Transvaal

The problem with the local industry is that territories are clearly demarcated, making it difficult to grow except through acquisitions. Suncrush, with its cash generating ability (gross cash flow is up from R76m to R92m), is becoming increasingly reliant on investment income to boost earnings growth.

In financial 1994 investment income more than doubled to R13,7m, mainly from the increased holdings in Tempora and Ettington Investments now account for 12,8c, nearly a quarter of EPS. Hamilton says this component should increase to about 14c this year.

Signs of an improving market came through at the interim, which helped push the share price up from a low of 810c to 1 100c now, just off the high for the year. The price may have run ahead of improved prospects. Suncrush is a safe investment but looks fully priced.

Shaun Harris

SFW

**Diminishing returns**

**Activities:** Production, marketing and wholesale distribution of liquor products

**Control:** Rembrandt-KWV Investments 60%

**Chairman:** F J Davin MD F H Stroebel

**Capital structure:** 140m ords Market capitalisation R560m

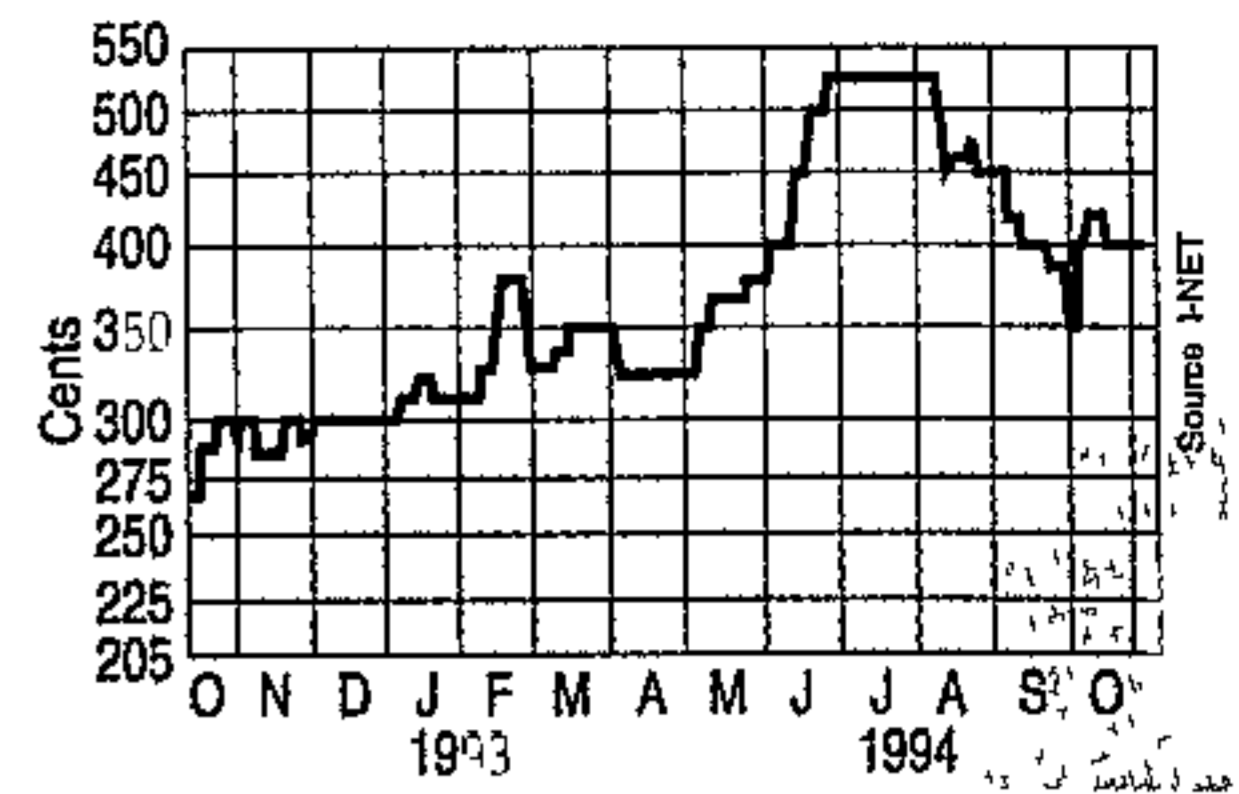
**Share market:** Price 400c Yields 3,0% on dividend, 9,3% on earnings, p e ratio, 9,3, cover, 3,1 12-month high, 525c, low, 220c Trading volume last quarter, 271 000 shares.

Year to June 30	'91	'92	'93	'94
ST debt (Rm)	26,6	21,4	5,7	6,6
LT debt (Rm)	54,2	52,6	30,0	23,9
Debt equity ratio	0,11	0,87	0,56	n/a
Shareholders' interest	0,74	0,76	0,78	0,76
Int & leasing cover	11	21	21	n/a
Return on cap (%)	14,5	13,8	12,3	9,8
Turnover (Rm)	n/a	915	1 034	1 229
Pre-int profit (Rm)	105,8	108,7	99,8	85,7
Pre-int margin (%)	n/a	11,9	9,7	7,0
Earnings (c)	39,2	42,0	39,6	37,3
Dividends (c)	11,5	12,5	12,0	12,0
Tangible NAV (c)	385	427	453	472

It's all very well comparing the market if your investment generates a reasonable return. If it doesn't, the strategy is defeated. That is the view an investment analyst is compelled to take. In these terms, and judging by the returns over the past six years, Rembrandt's dominance of the (non-beer) liquor market and, more particularly, its control of Stellenbosch Farmers' Winery (SFW) has been a flop.

SFW's dividend, for example, has increased from 10,5c in 1988 to 12c in 1994, which is 2,3% compounded annually. EPS has grown similarly. This was negative real growth over of about 10% a year. One reason is the change in wine consumption patterns at the lower end of the market, where sales stagnated through the Eighties. This problem has been compounded for SFW. It is bound by the Wine & Spirit Control Act to conform with KWV's fixed

SFW



minimum prices that distinguish between distilling wine and natural wine

The primary producers (wine farmers and co-operative cellars), on the other hand, have been selling wine to consumers for less than the statutory minimum price. SFW has had to watch its share of the medium-to standard-priced wine market decline over the years while this practice continued and the market contracted in real terms.

These wine categories once constituted SFW's largest proportion of sales and were the backbone of its earnings, no longer.

SFW was once the largest seller of brandies too. It was long ousted from that position by Distillers Corp. It was also the largest seller of white spirits, especially after the introduction of Mamstay cane spirits. Alas, no more. Recession and keen competition further reduced margin, as consumers moved to cheaper products.

In financial 1994, township unrest inhibited normal deliveries, yet sales increased by a surprisingly high 19%. One cause was that retailers, spurred by fears of sharply higher excise duties, stocked up.

There were also concerted marketing campaigns to try to win back brandy, whisky and white spirit market share and to promote sales of cider products which are gaining consumer acceptance. Though these objectives were met, margin suffered, pre-interest profit fell 14%. A higher effective tax rate further reduced earnings.

Debt has been reduced and the year-end cash balance was R38m, thanks largely to lower capex and working capital.

The liquor market remains tough. Nevertheless, SFW's share price has continued to rise from a low of 110c in 1990, it reached a high of 550c in July before falling to 400c now.

The p e seems modest compared with the industrial market, but the earnings record suggests it should be even lower. Clearly, though, some investors are expecting better. Yet there is little assurance that improved sales generated after the elections will be sustained, or that better sales will mean healthier profits.

Gerald Hirshon

Q DATA

**Keeping returns high**

**For companies** operating in the dynamic and rapidly changing information technology (IT) sector, it is in the nature of the

# Taiwan in bid for SA coal (215)

CT 5 11  
From MICK COLLINS (216)

JOHANNESBURG — Taiwan has called on SA to investigate the possibility of supplying coal worth more than \$450m a year to meet its expected power needs. But there are serious doubts about SA's ability to increase exports that substantially

Taiwan also wants to double its imports of Iscor steel.

Taiwanese trade sources said the additional 15-million tons of coal, which would more than quadruple SA coal exports to that country, would be needed in the medium term. For the year to August, SA exported 4,5-million tons of coal to Taiwan.

But analysts said the Taiwanese request could not be met under existing export capacities. They pointed to wharfage and rail bottlenecks at Richards Bay.

"With the recent collapse of the Coalex project, the only plan for export expansion on the table is the 12-million ton facility at Richards Bay's phase 3B project. There is no way SA could service the Taiwanese request unless exports were switched from Europe," one said.

Taiwan said it also intended to more than double existing steel imports from Iscor in 1996. Iscor would be requested to increase its current exports from 80 000 tons of hot roll bands to 160 000 tons. Iscor would also be asked to supply an additional 80 000 tons of steel slabs.

An Iscor spokesman said the company would not have any difficulty regarding the supply of hot rolled bands, but the slabs could pose a problem.

# Taiwan makes huge bid for SA coal

21 Day 5/12/94

MICK COLLINS

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The coal would be used to supply smaller coal buyers and the Taiwanese electricity utility Taipower (215). SA and Taiwan have already agreed that

a regular information channel be set up to facilitate coal trade between the two countries. This would see the SA Minerals Bureau developing a six-monthly monitoring report addressing policy changes, markets and coal production. It would also give five-year forecasts and provide a summary of other information to the Taiwan Energy Commission.

Taiwan said the information would be needed by Taipower and smaller buyers of coal, especially as Independent Power Production (IPP) policy was set to become an important source of power supply in Taiwan. In turn, the Energy Commission

□ To Page 2

## Coal

31 Day 5/12/94 □ From Page 1

would monitor coal demand and provide information on the IPP policy to SA.

But analysts said the Taiwanese request could not be met under existing export capacities. They pointed to wharfage and rail bottlenecks at Richards Bay. (215)

"With the recent collapse of the Coalex project, the only plan for export expansion on the table is the 12-million ton facility at Richards Bay's phase 3B project. There is no way SA could service the Taiwanese request unless exports were switched from Europe," one said.

A coal industry source said Australia and China were better positioned to supply the additional tonnage as both countries were busy expanding export capacity.

He said local coal producers had long-term contracts and would not disrupt supplies to present customers. "The spot market is not an option for local producers as

present exports of coal have been built on the back of long-term business."

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The China Steel Corporation said the additional imports would go towards meeting domestic demand and fully utilise production capacities of hot strip mills and cold reduction mills.

An Iscor spokesman said the company would not have any difficulty regarding the supply of hot rolled bands, but the slabs could pose a problem. The company did not have a surplus for export as total production was taken up locally. But, he added, the matter was being investigated at the request of government.

# Coal industry's hands tied on higher export demand

(213) BD 8/12/94

MICHAEL UROUHART

THE SA coal industry would not be able to satisfy increased demand for exports due to constraints on harbour, mine and rail capacity, industry sources said yesterday.

A source said the Minerals Bureau had been approached by Germany for the possible supply of 6-million tons

Total exports to Germany last year were negligible

With the European coal mining industry in decline, SA could expect further demands for coal from this area, he said

The Taiwanese had also indicated that they wanted to increase purchases from SA, by 15-million tons in the medium term

But sources said the SA coal export industry was already operating at full capacity, and any expansion of capacity would have a long lead time

To increase exports, Richards Bay Coal Terminal's capacity would not only have to be expanded, but new mine capacity would have to be brought on stream and more rolling stock for railage purchased

One analyst said SA had the coal reserves available, but these would take a

couple of years to bring on line

He said the danger of starting extra capacity at this moment was that by the time the capacity came on stream the coal market could be in the bottom of a down cycle again

The advantage of all the extra demand for coal would be the effect it would have on the coal price.

Duiker MD Hugh Stoyell said although some of the extra demand might be accommodated, it was not possible with the constraints on current export capacity to meet the entire demand.

The minimum lead time to increase demand would be at least two years, he said, and capacity constraints at Richards Bay Coal Terminal would be a bottleneck

The terminal, which would export about 53-million tons, was the only harbour which was really viable for coal exports Durban and Maputo together totalled about 35-million tons, while railage for other harbours would be excessive.

More



# MacPhail plans key rights issue

(215) CT 9/12/94  
Business Editor

COAL distributor MacPhail Holdings — which has bought Cape-based Coalcor — is planning a rights issue early next year to help fund its local and international expansion programme

CE Paul McNaughton said yesterday that the rights offer would be used mainly to repay short-term debt raised to buy Coalcor and to take a 75% stake in an established UK coal distributor with a facility at Swansea.

The UK business would trade as MacDeca and a second distribution facility was planned for Newport.

McNaughton said the continuing pit closure programme in the UK and the privatisation of the coal distribution network there had created significant opportunities for MacPhail.

"MacDeca has very good facilities strategically located to serve the Midlands market, which accounts for half the UK's total industrial and domestic coal consumption.

"It has the potential to become a major player in the market and we have our medium-term sights set on a market share of around 15%

## Export activities

"The UK operation will be sourcing coal from various countries, including SA. In that respect it will be supplementing the existing export activities of the local mining houses and, in effect, extending and adding further value to the already close relationship MacPhail has with them."

McNaughton said other planned developments included the construction of a new bulk depot on the East Rand to serve industrial customers.

Coalcor, whose Cape Town coal depot at Maitland is the largest in the country, was bought after applying for provisional liquidation.

McNaughton said its expansion outside the Cape had led it into financial difficulties. The Cape Town depot, together with Coalcor facilities at Worcester, Port Elizabeth, Butterworth and George, would provide a strategic complement to MacPhail's existing depot and distribution structure

MacPhail shareholders will be asked, at a general meeting on January 6, to approve the rights offer

● MacPhail Namibia was listed on the Namibian Stock Exchange this week. In addition to distributing coal the Namibian company has tourism interests and is developing a bulk cargo handling terminal at Walvis Bay.

## COAL MARKETS

# Sea change for exporters

For 9/12/94

**Coal stocks** are clearly the place to be. After years in the doldrums, the shares have enjoyed a sudden burst of popularity, the index has moved from 3 149 at the start of the year to the current 7 348, better than doubling in just 12 months.

On that basis, the thesis advanced by some analysts — that the run cannot last much longer — certainly appears reasonable, other commodity analysts, however, point to the fundamentals underpinning world coal demand and trade. As these are expected to be sustained for some years, they say SA coal shares still have the potential to increase substantially.

Two factors have come together to bring about this sea change in the fortunes of the coal industry. First, local demand for coals is far more energetic than many realise. Prices for domestic coals have rocketed dramatically — across the board by 25%, in some specialised cases they have risen by as much as 90%.

And they come in the wake of substantial shortages, as cement producers and general industry battle to get the quantities they need to sustain demand for increased production. After four years of flat prices, a time during which many coal mines found their survival was at stake, this recovery in prices is marked by its unusually fast pace, as though pent-up demand has breached dam walls.

Second, and taking place concurrently with the recovery in local demand, is a fundamental change in the dynamics of the world's seaborne steam coal trade. Spot prices of steam coal bottomed in May 1993 at about US\$21/t and then hung around disconsolately. By end-1993, however, it was becoming clear demand was rising, spot prices suddenly moved into the fast lane. They are now around \$32-\$33/t fob Richards Bay and appear headed for between \$35-\$37/t during 1995.

This dramatic shakeout has its roots in fundamental changes in the international coal business which have an impact, in turn, on supply/demand factors. International coal consultants now believe global demand for steam coal will grow by as much as 16 Mt-20 Mt in 1995. That would take the world market in seaborne steam coal from about 212 Mt to more than 230 Mt next year.

All this needs to be placed in the context of a global market in the early part of the next century which could easily be in the area of 300 Mt-340 Mt — in other words, over the next decade, world demand could grow by as much as 100 Mt.

However, there is a critical difference between this coal demand boom and the last. This time around, there are no new major coal mines about to come on stream. Coal analysts vividly recall that, as the world entered the upward turn in the demand cycle during the previous commodity boom, huge new producers were waiting in the wings. Indonesia, where supply doubled every year for three years (from 2 Mt in the first year to 4 Mt in the second, 8 Mt in the third and 16 Mt in the fourth), and then came Colombia.

Not this time. The world's coal resources are better known, delineated and mapped, it isn't possible anywhere for huge quantities to be brought into production swiftly. And, anyway, the three major traditional suppliers of steam coal — Australia, SA and the US — have problems of their own to contend with.

In particular, Australian and SA producers have moved up the cost curve so their ability to continue supplying at current

Meanwhile, in the US, the world's largest producer, the impact of clean air legislation on the demand for low sulphur coals is likely to drive domestic prices up to as much as \$37-\$38, to meet that demand, some areas of the US are importing coal from South American and other sources, so removing coal which would otherwise find its way to Europe where many high cost, State-subsidised coal mines are being phased out and closed.

This is a process which is adding to the demand pattern. In the Far East, demand for energy from rapidly expanding economies has led to a surge in coal imports, coal is seen as a stable commodity, non-political in nature, certainly by comparison with oil and nuclear fuels, and relatively cheap in terms of power plant construction costs.

The inescapable conclusion, therefore, is that the strength of the recovery in SA's coal export industry has been underestimated. Historical price ratios for the big SA producers — Ingwe (the merged company from Trans-Natal and Randcoal), Amcoal and Duiker — are now high (Amcoal on 21, Duiker 19, Randcoal 27 and Trans-Natal 22) but the potentially dramatic surges expected in earnings should soon reduce these.

Interestingly, both Amcoal and Ingwe have large Eskom-related exposures through collieries tied to power stations; these form a powerful support segment of their businesses, especially during the hard times.

Now, however, as the country's coal exports burst into new territory it is Duiker, alone among the majors with no power station business, which has a greater exposure to the swing in this cycle, a factor which may explain the phenomenal increase in this counter's price, from 1 225c in January to R75 now.

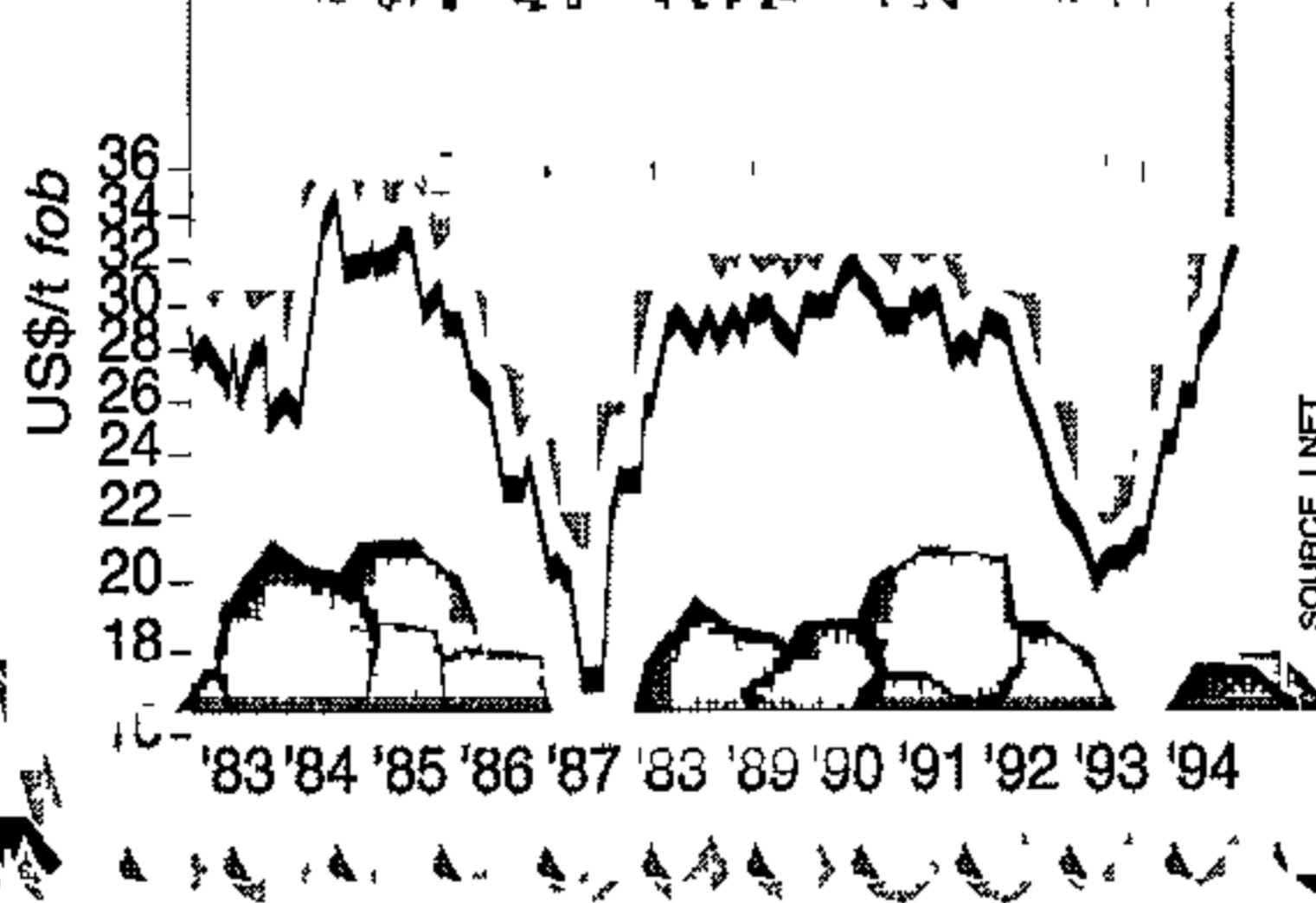
For all three companies, however, the benefits from these increases in export prices will result in large cash generation and super-profits over financial 1995.

It is also clear that every effort will now be made by the RBCT shareholders to tweak the port's coal export capacity, it is believed, for example, that minimal capex programmes could increase exports from the current 54.5Mt/year to as much as 65Mt/year.

On the available evidence, therefore, it certainly looks as though the JSE's coal board is the place for investors to be, at least for the next two — perhaps three — years, as world economic conditions continue to power growth in energy demand.

David Gleason

## PRICES SURGING OUT OF THE TRENCH



levels is now dependent on improved prices. To add to their woes, Australian mines are struggling with the appreciation of their currency against the US dollar, Australian trade unions, clearly aware of the difficulties and concerned that steadily rising costs may make their mines unprofitable, are publicly demanding huge — \$10/t — increases from the annual contract negotiations with Japanese buyers.

SA producers indicate they need a sustained price of \$37/t to encourage them to examine new mine developments along with grassroots growth of export facilities like Richards Bay Coal Terminal (RBCT). It's an understandable negotiating tactic. And early indications are that producers are securing contracts at better than \$32/t for 1995 delivery, next year, contracts could move as high as \$35-\$36.

## Randcoal productivity up 18,8%

ET 13/12/94  
Own Correspondent

RANDCOAL improved productivity by 18,8% from 239 to 284 sales tons per employee in the year ended September 1994, Randcoal CEO Allen Cook said in his operational review (215)

Cook said the improvement was the result of rationalisation exercises undertaken at certain collieries during 1993. These, with efforts to control costs, had resulted in unit costs decreasing by 3%.

This, with a reduction in the export rail tariff, had enhanced profitability.

Cook said the negotiations of Eskom and Randcoal about the supply of coal to the Duvha power station from the Coal Reserve Utilisation Project had been completed. Coal sales to the station would be sourced in future from the Middelburg, Duvha and Douglas collieries.

Construction of the infrastructure to merge Middelburg and Duvha into a multiproducer mine supplying Duvha power station and the export market was under way, and the first phase of the project was expected to start by the first quarter of 1995.

# Prospects bright for Ingwe

BY DEREK TOMMEY

Ingwe, the coal company being formed from the merger of Trans-Natal and Randcoal, has the financial muscle to participate in the rapidly growing world steam coal market, says John Hall in his final Randcoal chairman's statement.

Ingwe will produce 60 million tons of coal a year from 14 collieries

He says Randcoal has moved into the merger in good shape, while the merger is taking place at the beginning of a market upturn which augurs well for the new company

"World coal consumption is expected to grow

by a third in the next 10 years."

Hall says the company has an urgent need to develop skills and there will be no shortages of opportunities for individual career development. The company is committed to the development of all employees.

He says that since the end of 1993 the international market has turned significantly. Spot prices have risen by 50 percent in dollar terms from their low point.

This was the result of a number of factors which have combined to alter the demand/supply balance and transform market sentiment.

Star  
13/12/94  
Randcoal's chief executive officer Allen Cook says the improvement in the steam coal market will be reflected in the 1995 contract prices.

Earnings from Eskom business should also improve as the Khutala mine, which supplies the Kendal power station, is scheduled to increase production from the 7,9 million tons this year to 9,6 million tons in 1995 and to 10,4 million tons in 1996. (215)

Randcoal's drive to improve profitability, particularly on marginal operations, resulted in an 18,8 percent increase in productivity in 1993-94.

# Randcoal finds revamp and cost control pays

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**MICHAEL URQUHART**

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Construction of the infrastructure to merge Middelburg and Duvha into a multiproducer mine supplying Duvha power station and the export market was under way, and the first phase of the project was expected to start by the first quarter of 1995.

Chairman John Hall said the international coal market had turned significantly, and since the end of 1993 there had been steady improvements in spot prices, which had increased by 50% from their low in dollar terms.

Encouraging demand forecasts for 1995, and higher spot price levels, could be expected to provide a platform for considerably higher contract prices.

Earnings from Eskom would improve because of further expansion of the Khutala mine, which supplied Kendal power station.

Referring to the merger of Trans-Natal and Randcoal to form Ingwe Coal Corporation, Hall said the new entity would provide the financial muscle to take part in the rapidly growing world steam coal market.

## Major SA coal deal gets EU nod

BRUSSELS. — A planned merger by two South African coal groups would not run afoul of European Union competition rules, the European Commission said here.

It authorised under EU rules the acquisition of control of Randcoal Ltd by Trans-Natal Coal Corp Ltd, both of South Africa

The newly merged operation was renamed Ingwe Coal Corp Ltd last month.

It has 26 billion tons of coal reserves and is the world's biggest exporter of steam coal.

The Commission, the EU's executive, said the merger fell under EU competition rules because the two companies involved exported substantial amounts of coal products to the bloc.

But it said Ingwe's combined share of the EU coal market resulting would be less than four percent overall and no more than 16 percent in any individual EU state.

"Examination of the transaction shows that it meets the criteria for safeguarding competition laid down in (EU treaties," it said in a statement.

Meanwhile MacPhail Holdings, South Africa's leading coal distributor, is setting its sights on a similar role in the UK.

Chief executive Paul McNaughton said that its British subsidiary had acquired a 75 percent stake in an established coal distributor with a facility at Swansea. — Business Staff, Reuter.

# Ingwe expects cost savings from merger

BB19/12/94 (215)

MICHAEL URQUHART

INGWE Coal Corporation's priority would be to take advantage of the synergies of the merger between coal giants Trans-Natal and Randcoal for extra capacity and cost savings, Ingwe chairman John Hall said at the weekend.

Ingwe's recent formation created the world's largest steam coal exporter.

Hall said synergies could arise from the merging of neighbouring mines, which could lead to savings on management costs. Blends from the two companies' mines could also be used to extend Ingwe's product range.

Ingwe would be saving about R20m a year on head office costs and centralised marketing. About 157 people had been retrenched from Trans-Natal and Randcoal, but Hall declined to say how much this had cost. Ingwe would have a head office complement of about 130 people.

Hall said Ingwe was in the preliminary stages of looking at the synergies from the merger. Teams had been appointed to investigate these, but he said it was still "early days".

The first meeting of the new board of directors would be on January 9, where decisions would be made on the new company's priorities.

Neighbouring Trans-Natal and Rand-

coal mines could be merged to save on management structures. The merger of Duvha and Middelburg, both Randcoal collieries, would come through next year.

A policy of best practices would be used, where techniques used by collieries from the two companies would be compared to decide which was more efficient.

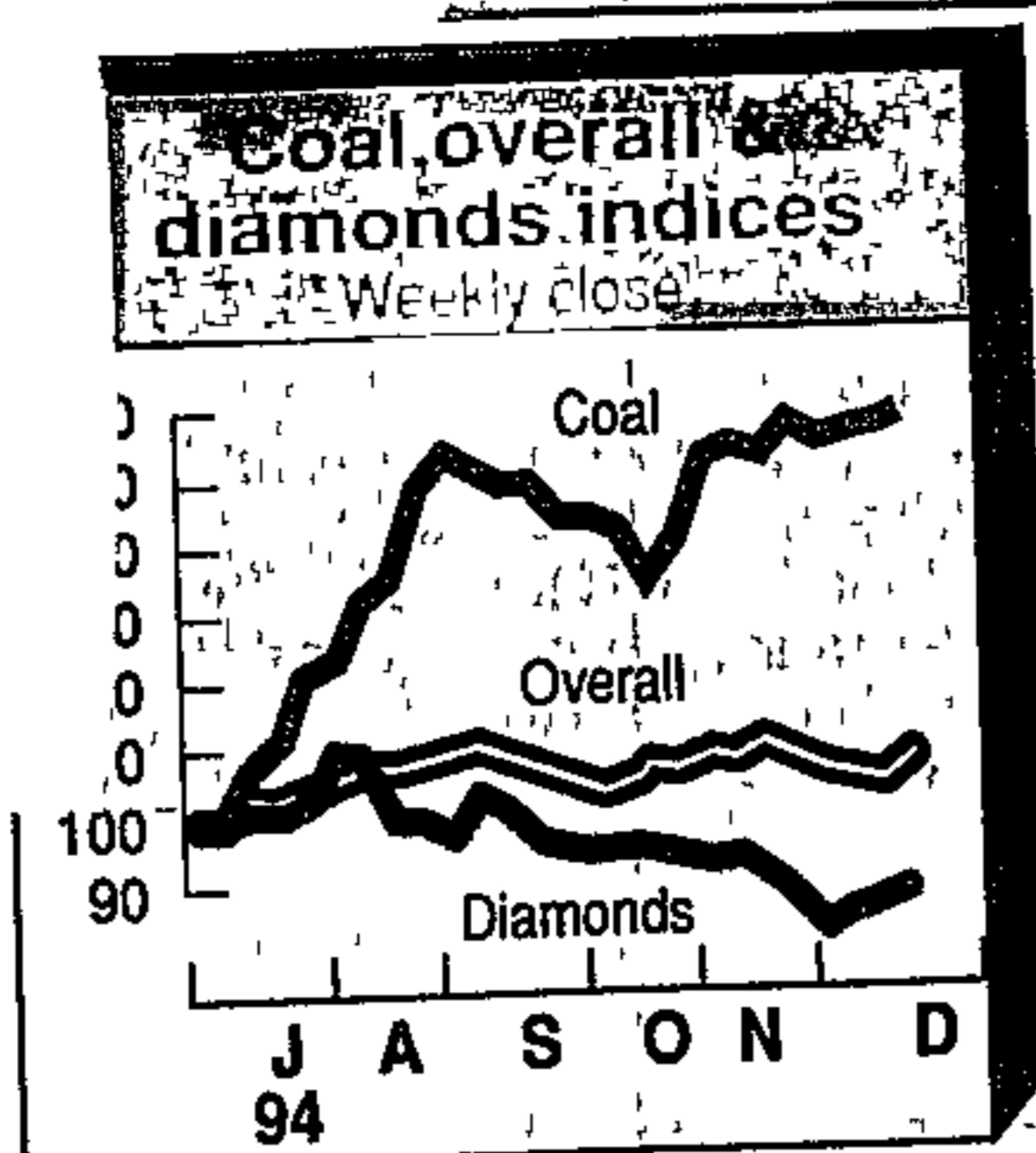
Hall said he was confident that with the swing in the supply and demand balance in favour of producers, contract prices for next year would be substantially higher.

But this would not show through in Ingwe's results to June next year as European contracts were only being settled now and Japanese contracts would take effect only from April next year.

Hall said the domestic market was firming and coal producers were likely to be pleasantly surprised by the higher electricity offtake arising from the RDP's electrification programme.

Despite the booming coal market, both domestic and export, there were no greenfields projects in the pipeline.

The merger had left Ingwe with the financial muscle to look overseas, but it had not made any decisions. With the lifting of exchange controls, Ingwe might look for overseas acquisitions.



## Coal stocks JSE star performers

BEATRIX PAYNE

COAL stocks have been the star performers on the JSE, notching up a gain of 162,6% during the past year — well ahead of the all share index, which rose 23,6%.

The diamond index posted one of the year's worst performances, slipping 4,2% as a result of blue chip De Beers' "torrid" trade, analysts said yesterday

Other top-performing indices included paper and packaging, which came in second place as the index surged 83,4%, Davis Borkum research director Dana Wakefield said. The printing and publishing index was ranked next, notching up gains of 64%.

Among the worst performers was the food index, which rose only 4,3%, and property trusts, which gained only 3,5% during the year. Industrial holdings lagged the all share index, rising 20,7%, while the hotel and beverages sector rose 24%.

Wakefield said most sectors had posted growth until August as Wall Street became increasingly volatile and global markets more cautious.

Coal's solid performance was underscored by the rising coal price and forecasts that there would be shortages of the mineral next year. Duker, owned by Lonrho, scored the year's sixth-largest price gain overall, rising 540% or R67,50.

Base metals had done well, but US interest rate hikes had had a negative effect, especially on diamond sales, she said. De Beers had had a choppy year as Central Selling Organisation sales fell and fears that illicit diamonds from Russia would flood the market saw investors move into other counters.

□ To Page 2

Coal (215) BD 23/12/94

□ From Page 1

Platinum shares had posted good gains until September but slipped as demand from the East tailed off and precious metals prices eased.

The best paper stock performance was from Sappi, which rose 176,7% or R45,50, boosted by a firmer paper price. Analysts expected paper prices to continue strengthening next year.

Demand for clothing and furniture after

the elections and expectations of a take-off in building activity had buoyed stocks in the construction and retail sectors. However, counters had sagged during the second half, when it became evident that it would take time to deliver on reconstruction and development promises.

The banking and financial services sector had shown good gains during the second half, and this trend was likely to continue next year, Wakefield said.



# MacPhail set for R24m rights offer

## Business Staff

COAL distributor MacPhail Holdings has announced the terms of its R24,5m rights offer to fund the acquisition of Cape-based Coalcor and its expansion into the UK market

In terms of the rights offer, 7 554 011 new ordinary shares will be issued at 325c each at a ratio of 53 new ordinary shares for every 100 ordinary shares held. The new shares will rank pari passu with the existing ordinary shares

The company said certain shareholders in MacPhail had undertaken to exercise their rights to the extent of 8,97 million shares. The remaining shares have been fully underwritten by Standard Merchant Bank

Coalcor, whose coal depot at Maitland is the largest in the country, was bought after applying for provisional liquidation in October after the expansion programme it embarked on during the course of 1993 resulted in increased capital, distribution and overhead costs that could not be sustained by the business. The loss of a major customer in March this year and an abnormal stock write-off amounting to about R4m increased the level of the Coalcor group's financial difficulty

Today's announcement says that, if the Coalcor acquisition had been effective from the beginning of 1994, it would have increased MacPhail's net asset value per ordinary share by 4,3% to 235,1c but would have decreased earnings per share by 17,9% to 48,1c and dividends per share by 12,6% to

19c.

However, the non-recurring nature of Coalcor's stock losses and the rationalisation of its under-utilised assets would give MacPhail an immediate benefit, said the company

The increase in tonnage handled by the Coalcor subsidiary of MacPhail will generate economies of scale in a number of areas which will have the effect of reducing the rand cost per ton of coal converting what was a loss-making operation into a profit centre, the company said

Macphail CE Paul Naughton announced earlier this month that the group's expansion into the UK market via the acquisition of a 75% stake in an established coal distributor with a facility in Swansea.

The UK business, he said, would trade as MacDeca and a second distribution facility was planned at Swansea. CT 27/12/94

He said the continued pit closure programme in the UK and the privatisation of the coal distribution network there had created significant opportunities for MacPhail.

"MacDeca has very good facilities strategically located to serve the Midlands market which accounts for half the UK's total industrial and domestic coal consumption.

"It has the potential to become a major player in the market and we have our medium-term sights set on a market share of about 15%"

The UK operation, he said, would be sourcing coal from various countries, including SA.

# Demand boosting coal prices

Star 29/12/94

## ■ BUSINESS STAFF

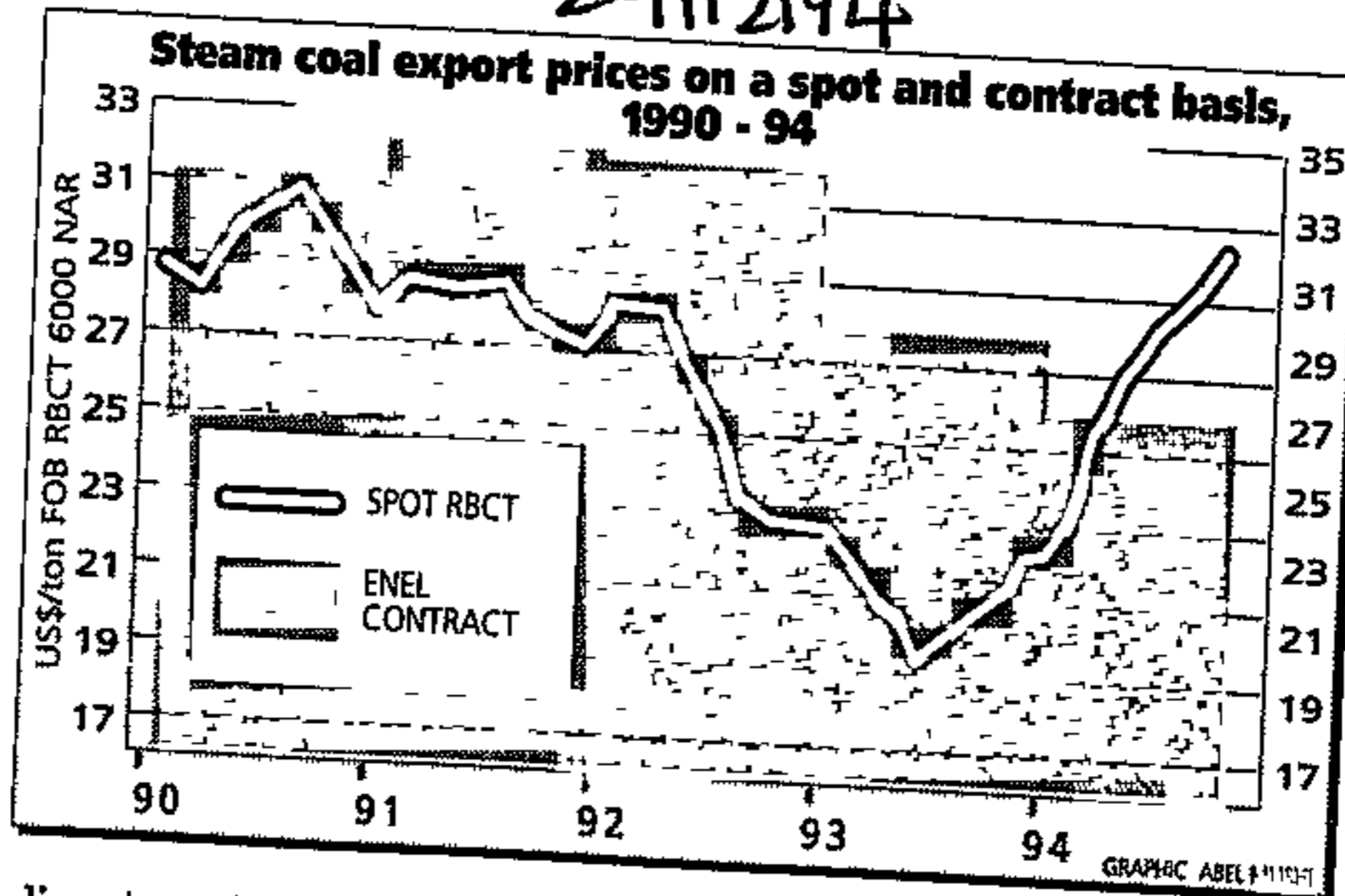
Upward pressure on coal prices in 1995 is likely to follow a forecast 16-million-ton rise in global demand over 1994, says Chamber of Mines economist Roger Baxter

In the chamber's newsletter, Baxter says this would introduce more favourable revenue prospects for SA coal producers, many of whom have been unable to capitalise on the rising spot price of coal in 1994 because of pre-set contract prices.

Improved market conditions could allow steam coal suppliers to clinch 1995 contract prices at a level 15 percent above 1994's contract settlements.

This could improve national coal export earnings in 1995, since about 92 percent of export tonnage is steam coal.

According to a CoalTrans conference steam coal forecasting panel, there could be an absolute shortage of 6 mil-



lion tons in the global steam coal market in 1995.

A US Clean Air Phase 1 programme, restricting the use of certain coals which do not meet maximum sulphur content criteria, will reduce total stocks of suitable steam coal.

The US domestic market will be unable to respond to the shortage because the extension of its steam coal production can only be done at higher than current market prices.

In addition, the coal market is expected to be bolstered in 1995 by industrial action and instability in certain sources of global steam coal supply, and by a cold winter in the northern hemisphere. (215)

SA's steam coal already meets the minimum environmental specifications for most global coal-importing power utilities

This benefit will become more significant as global environmental concerns mount, Baxter says.

MINING - COAL

1995

RANDCOAL (215) FM 13/11/95

## Large synergies coming

**Activities:** Mines and markets coal to Eskom as well as to other domestic and export markets

**Control:** Rand Mines (before the merger)

**Chairman:** J C Hall MD A B Cook

**Capital structure:** 128,9m ords Market capitalisation: R3,6bn

**Share market:** Price 2800c Yields 1,8% on dividend; 3,4% on earnings, p e ratio, 29,2, cover, 1,9. 12-month high, 3000c, low, 825c Trading volume last quarter, 3,7m shares

Year to Sept 30	'91	'92	'93	'94
Coal sales (Mt)	23,9	29,3	29,1	30,3
Turnover (Rm)	1 244	1 620	1 649	1 656
Operating profit (Rm)	252	306	230	291
Earnings (c)	185	168	87	96
Dividends (c)	60	60	45	50

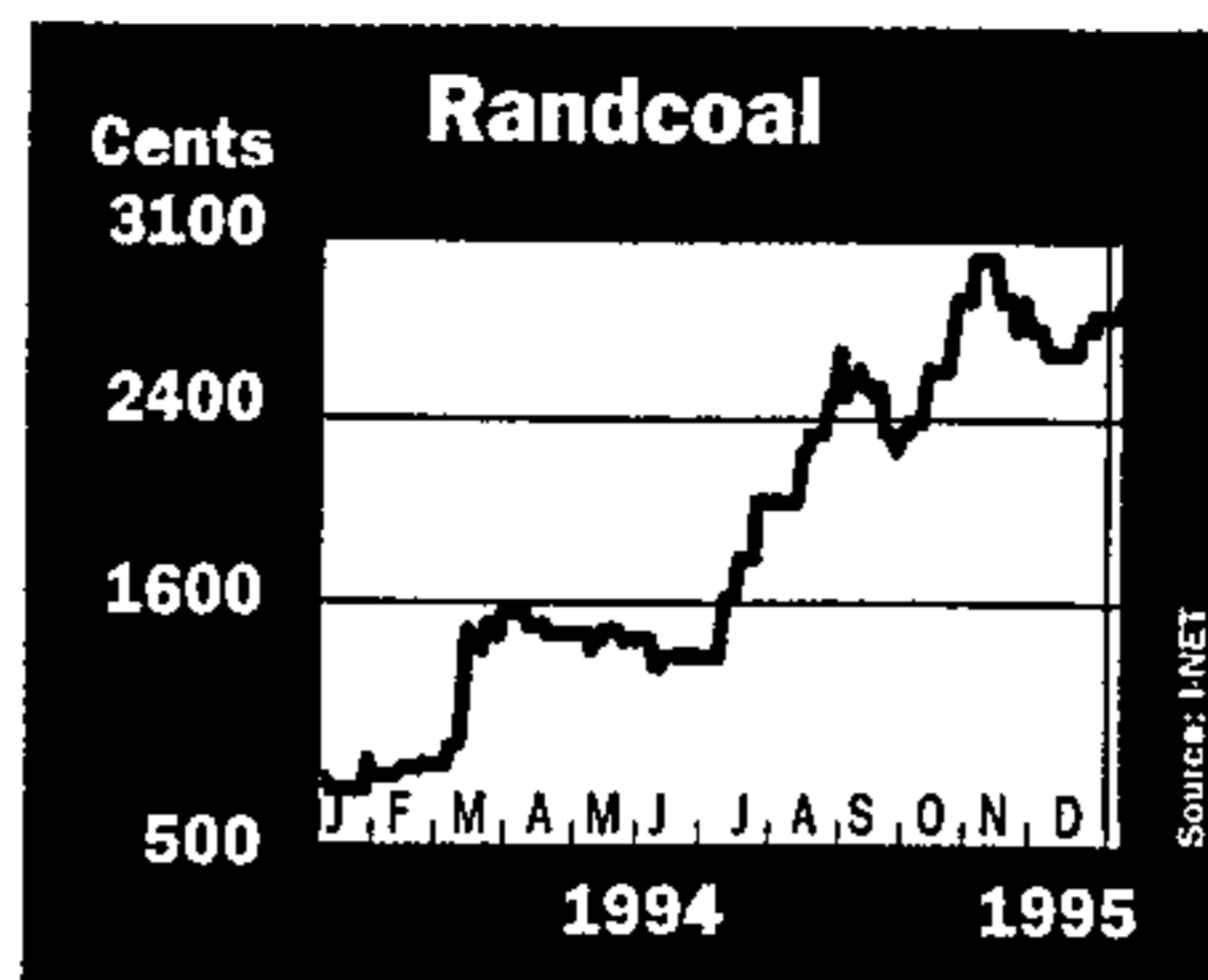
**Reporting for the last time** before it changes its name and persona to the newly constructed amalgamation with Trans-Natal, Randcoal turned in sparkling results

This 100-year-old company (it was originally Witbank Collieries) was the subject of a major takeover last year engineered by Gencor. The new company, to be called Ingwe, will be the largest steam coal exporter in the world. The restructuring was achieved in the face of stiff competition, principally from JCI, whose managers expressed their dismay publicly when the deal was announced

Randcoal's performance was a good deal



**Randcoal's John Hall** shrinking costs at head office



better than many expected, especially in the light of poor coal prices (the global market changed too late to affect the results). Frankel Pollak coal analyst Rob Croll says he is particularly happy with the result, achieved in the face of a minuscule rise in turnover (up less than 0,5%) and a small increase in sales of 4% to 30,3 Mt.

The improvement came at operating level, where profit per ton rose 21% to 960c That reflects significantly better cost control coupled with a good rise in productivity, up 19% to 284 t per employee. Not even a whacking increase of 78% in the tax bill (to R16,7m) could dampen the end result — an improvement of 10,3% in EPS and a 5c higher dividend of 50c. Considering this was achieved with little help from the market, it is a good indicator of the potential in the expanded company

Three additional features deserve comment First, Randcoal carries the debacle of the Majuba colliery, developed as it subsequently transpired with inadequate coal reserves for the attendant, captive, Eskom-owned power station Nevertheless, Majuba continues to make profits for Randcoal because the Eskom contract provides for an 18,5% return on the capital invested Randcoal's original geological error was compounded by Eskom which reviewed all the underlying raw data and agreed with the conclusions

Second, the magnitude of this mistake aside (for which Eskom users will have to pay for years into the future), there are plans for Majuba power station to accommodate six generating sets Three will come into operation at the rate of one a year from June 1996 Bids to supply coal for the remainder are being discussed informally and the merger with Trans-Natal now makes it possible, through added reserves available from Matla, for the enlarged company to make a competitive offer.

Lastly, substantial synergies will soon become evident. For a start, the head offices of the two companies employed 350 before the merger, this is expected to drop to 190 Of the top 10 management positions, seven have gone to Trans-Natal

men — indicative of the management strengths in the Gencor company Not least will be the many cost savings and operational improvements expected to derive from the export thrust

Whatever may be said about this being a merger, it was really a takeover by Trans-Natal (which will become the holding pyramid). Randcoal will receive Trans-Natal's operating assets and change its name to Ingwe The visionary approach of the Trans-Natal team will make itself felt on the combined company, probably to the benefit, unusually, of shareholders and managers alike

David Gleason

**Coal mining 'less safe' (215)**

GENEVA — Around 13,000 people are killed every year in coal-mining accidents and in some parts of the world the industry is becoming more dangerous rather than less, the International Labour Organisation said yesterday.



RHOVAN/RHOEX

**Time to lighten**

FM 27/1/95

(215)  
(229)

**RHOEX**

**Activities:** Mining holding company involved in coal and vanadium mining

**Control:** Directors

**Chairman:** A G Fletcher

**Capital structure:** 34m ords Market capitalisation R153m

**Share market:** Price 450c Yields 0,5% on earnings, p e ratio, 187,5\* 12-month high, 450c, low, 80c Trading volume last quarter, 3m shares

Year to September	'91	'92	'93	'94
ST debt (Rm)	11,9	2,4	1,1	1,8
LT debt (Rm)	0,1	2,4	0,9	40,8
Turnover (Rm)	11,3	†	9,5	8,9
Operating profit (Rm)	7,6	3,2	2,2	0,9
Earnings (c)‡	13,3	4,1	13,6	2,4

\* Abnormal earnings excluded † Not disclosed ‡ Fully diluted

**Investors will be forgiven** for the occasional confusion about these companies.

Rhoex was formerly Rhombus Exploration (also Rhoex) and owns 62% of Rhosco which, in turn, holds 87% in Rhovan

Rhoex was re-listed last year as a mining holding company, more appropriate than its previous slot in exploration since it has disposed of most of its interests in this area. When the company closed off its books for financial 1994 (end-September), it held about R31m in cash or near-cash financial instruments, R13,3m of which comes from its sale of Natal Mineral Sands and Transkei Mineral Sands to Iscor Chairman Anthony Fletcher says the company is looking for new investment opportunities.

These disposals leave it sitting on a 50% holding in Taaboschspruit Colliery, a negligible holding in Rhombus Exploration, an important stake in Rhovan and a strong balance sheet, though it has long-term borrowings of R40,8m, largely from the Bophuthatswana National Development Corp (R10m) and the IDC (R28,3m).

**RHOMBUS VANADIUM**

**Activities:** Mines and processes vanadium near Brits

**Control:** Rhoex and AIOC 87%

**Chairman:** F P Kotzee

**Capital structure:** 25,2m ords Market capitalisation R189m

**Share market:** Price 750c 12-month high, 750c, low, 215c Trading volume last quarter, 421 000 shares

Taaboschspruit is a different matter: the mine is in its third year of full production but it failed to contribute to group profit in 1994 after R1m in 1993 Causes include absenteeism during the elections and operating difficulties, excuses which don't offer much encouragement, though the mine is expected back in the black this year

Former MD Rob Still left Rhoex and Rhovan during August, apparently over strong differences of opinion about the group's direction He has established an exploration company called Pangea Minerals in association with Canadian interests and concentrating on exploration in Tanzania. Analysts now say the market overreacted to his departure at the time.

Rhovan is owned by Rhoex in partnership with AIOC Metal Holdings, a New York-based metal trading company with a last reported turnover of US\$1bn. Rhovan established a vanadium mine near Brits in

1991 and has been through some stormy waters, notably the long argument with Usko, which backed away from its process agreement That cost it R19m cash and a large part of the process plant, since erected by Rhovan at the Brits mine.

When the plant is fully operative, expected in the first six months of calendar 1995, Rhovan will be capable of producing

10,5m lb of vanadium pentoxide — about 12% of total world supply. The biggest producer is Highveld Steel, with annual production capacity of about 37m lb.

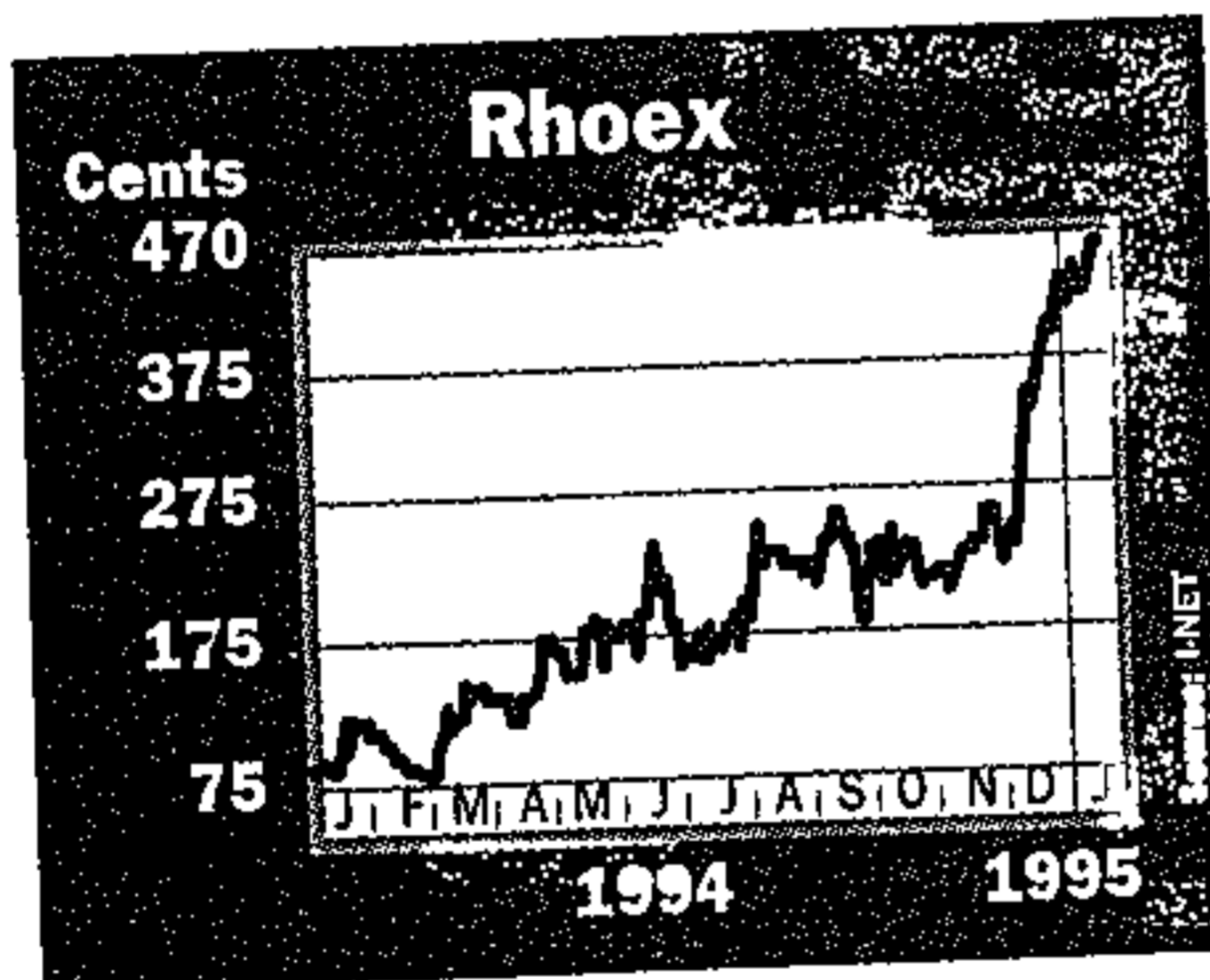
Obviously Rhovan's fortunes depend on the price of vanadium and its ability to maximise

production Assuming the company is not able to maintain production at rated capacity over financial 1995 and achieves an average selling price of about US\$2,70/lb (spot price now over \$4), then earnings will be about 110c a share Assuming a con-

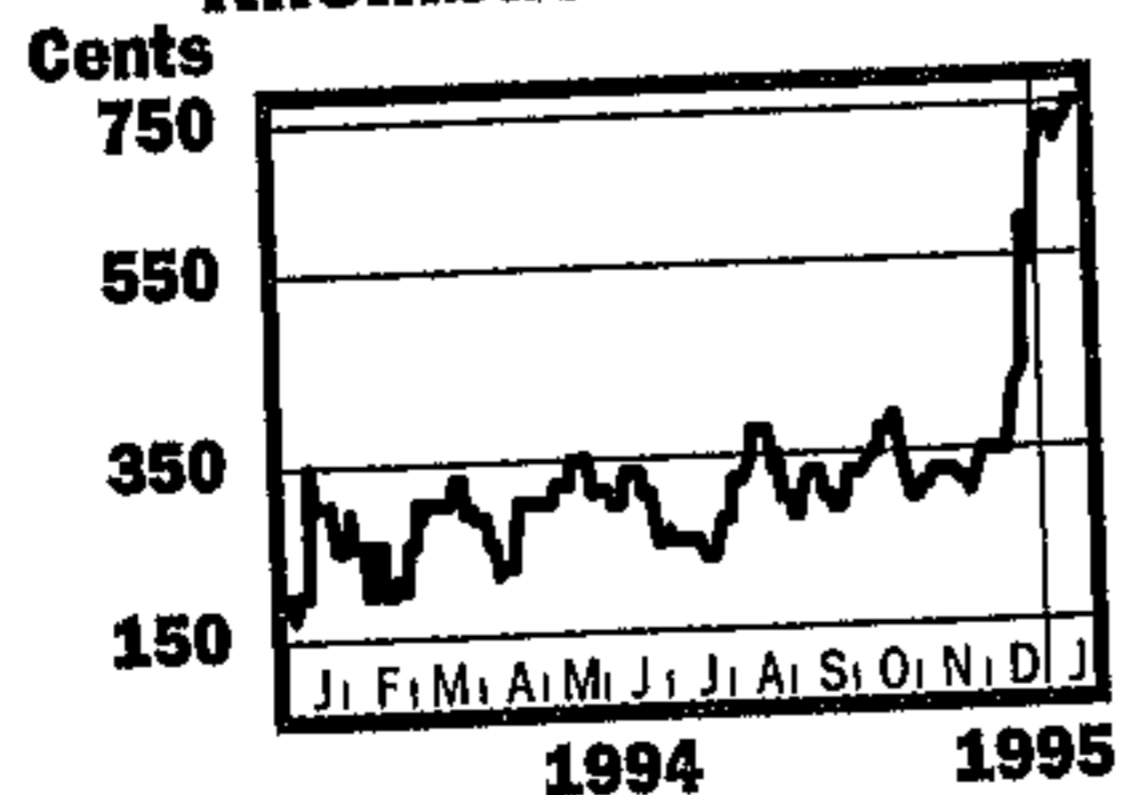
servative p.e of 10, this implies a share price of about R11 for Rhovan (now R7,50) and about R5,70 for Rhoex (now R4,50)

On this basis, some lightening of holdings in both counters now seems appropriate

David Gleason



**Rhombus Vanadium**



## Charter sells coal industry interests

LONDON — Charter, the £667m British industrial conglomerate, has sold its last interests in the coal industry with the disposal of its mining equipment division — Anderson and National Mine Service.

The division, which has operations in SA, has been sold to US engineering group Marmon for \$46m (£29m) compared with the book value of all assets and liabilities of £50m. It produced operating profit of just £1.9m last year — 3.8% of Charter's pre-tax total of £50.1m. Charter said the price reflected the declining market for

JOHN CAVILL (215)

mining equipment. BD 3/2/95

The move follows the sale of Charter's US opencast coal mining operations for \$5m (£3.5m) in cash plus a royalty of US44c a ton of output for the next 10 years. This is expected to produce at least \$15m, with a maximum of \$26m.

Proceeds of both sales will reduce Charter's debt, which increased when it took over Esab, the Swedish welding products group that owed creditors £142m.

# SA coal exporters seen heading for a boom

APR 10/21/95

(215)

(114)

## DEREK TOMMEY

### JOHANNESBURG. —

Coal exporters are heading for good times, says the managing director, Dave Murray, of Ingwe Coal, which was formed by merging Rand Coal and Trans-Natal's coal operations.

Mr Murray said yes-

terday local sales were rising to meet increased demand from Eskom, while strong overseas demand had lifted prices in Europe by 25 percent.

Similar increases were expected in the Far East.

He said South African producers were virtual-

ly sold out for the next six months.

Demand for coal was expected to continue to grow strongly in the next few years. Emerging buyers for coal included Morocco, Portugal and Israel, while Korea, Indonesia, Taiwan and Malaysia were

expected to increase foreign orders.

Many European consumers who previously bought only on the spot market were now seeking long-term contracts, he said.

On the supply side, Polish production was increasingly being ab-

sorbed domestically and by exports to adjoining states.

Increased steel production in Japan had led to greater demand for metallurgical coal, while China was expected to need an additional 200 million tons — ore even 300 million tons —

by 2000.

Mr Murray expected overall demand for sea-borne coal to grow from the present 200 million tons a year to 300 million by the turn of the century.

Much of this demand would be met by Australia, he said.



# Merged Ingwe poised to cash in on export boom

(215)

BD 10/2/95

MICHAEL URQUHART

INGWE, the coal company formed from the merger of Trans-Natal and Randcoal in October, yesterday reported relatively static income after tax for the three months to December.

But an extraordinary item of R18,3m related to merger costs saw an attributable profit of R27,5m for the three months to last December, versus pro forma attributable income of R44,9m for the same period the previous year.

Ingwe took a loss of R18,3m as an extraordinary item to pay for merger costs, relating mainly to the retrenchment of 125 head office staff. The head office complement of Ingwe was now 165.

MD Dave Murray said outwardly the merger of Ingwe was complete, but for most of the period under review Trans-Natal and Randcoal had been acting as separate companies. The merging of operations had only really started from January this year, he said.

Sales had increased to 15,8-million tons versus a pro forma 13,8-million tons for the same period the previous year, boosted mainly by higher sales to Eskom.

Murray said Khutala mine was doing especially well, with the Kendall power station burning more coal than expected.

During the period export sales had been affected by two derailments on the Richards Bay line, which had forced Ingwe and other major SA coal producers to declare

force majeure.

Murray said the backlog for the industry as a result of the derailments was about 1,5-million tons of exports, with Ingwe's backlog at 600 000 tons. This would be rolled over into the 1995 financial year, at last year's contract prices.

He said Spoornet had recovered from the derailments, and in January had railed 60-million tons on an annualised basis.

Despite the higher tonnages, the greater emphasis on inland sales and a big increase in cost of sales meant operating income was only 2% up at R124,5m.

Murray said the timing of the merger could not have been better. He described the turnaround in the export market as "remarkable", with contract prices in Europe increasing by 25% year on year, and similar price increases expected in the Far East.

Supply had not kept pace with increased demand, with Poland's coal being mopped up by its own growth, Russian coal mines in poor condition and the Colombian coal industry having problems with heavy rain.

Trans-Natal, which had placed all its assets in Ingwe and was left with a 51,46% controlling interest in Ingwe, reported yesterday for the six months to December. Murray said Trans-Natal had a very good first quarter.

# Bullish times for coal

From DEREK TOMMEY

JOHANNESBURG — Coal exporters are heading for good times, says the MD of Ingwe Coal, which was formed by merging Rand Coal and Trans-Natal's coal operations

MD Dave Murray said yesterday local sales were rising to meet increased demand from Eskom, while strong overseas demand had lifted prices in Europe by 25%

Similar increases were expected in the Far East

He said SA producers were virtually sold out for the next six months

Many European consumers,

CT 10/2/95  
who previously bought only on the spot market, were now seeking long-term contracts, he said

On the supply side, Polish production was increasingly being absorbed domestically and by exports to adjoining states

Increased steel production in Japan had led to greater demand for metallurgical coal, while China was expected to need an additional 200 to 300 million tons by the year 2000

Murray expected overall demand for seaborne coal to grow from the present 200 million tons a year to 300 million by the turn of the century

Much of this demand would be supplied by Australia, he said,

(2/5)  
where Ingwe was exploring a major coal deposit at Togora, situated northwest of Brisbane in Queensland

The merger of the Rand Coal and Trans-Natal's coal operations took effect last October

In Ingwe's first three months of operations, it earned R45,8m, equal to 21,3c a share. This compares with the R44,9m, which the two companies jointly earned in the December quarter of 1993

However, head office retrenchment (165 people were retrenched) and merger costs, absorbed R18,3m, leaving attributable income at R27,5m, equal to 12,8c a share

Ingwe has declared an interim dividend of 5c a share

# Rising demand spells better times for coal

5/10/2/95 (215)

■ BY DEREK TOMMEY

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MD Dave Murray said yesterday local sales were rising to meet increased demand from Eskom, while strong overseas demand had lifted prices in Europe by 25 percent.

Similar increases were expected in the Far East.

He said SA producers were virtually sold out for the next six months.

Demand for coal was expected to continue to grow strongly in the next few years. Emerging buyers for coal included Morocco, Portugal and Israel, while Korea, Indonesia, Taiwan and Malaysia were expected to increase foreign orders.

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Murray expected overall demand for seaborne coal to grow from the present 200 million tons a year to 300 million by the turn of the century.

Much of this demand would be supplied by Australia, he said, where Ingwe was exploring a major coal deposit at Torgora, situated northwest of Brisbane in Queensland.

This deposit was estimated to contain about one billion tons of coal, and there was a good chance of an under-

ground mine being established by 1998, said Murray.

He said that Ingwe, the world's largest exporter of seaborne coal, produced 60 million tons a year with a labour force of 13 000.

The Queensland industry produced 85 million tons with a labour force of 10 000.

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Ingwe has declared an interim dividend of 5c a share.

FOX

INGWE COAL (215)  
FM 17/2/95  
**Slow fuse burning**

**No-one** really expected fireworks from Ingwe Coal's first reporting quarter, nor were there any. The December 1994 quarter results merely set a base and an order of dimension. The company provides an artificial comparison by reconstructing Ingwe results had it been around in 1993. This is nice for investors to have available but probably isn't all that relevant.

EPS of 12,8c and a dividend of 5c mean little for now, though operating income at 14% of revenue compares unfavourably with Amcoal's 24% margin over financial 1994. The figures aren't strictly comparable, though, because of the significantly different time frame. Ingwe's balance sheet is sound with gearing of only 7% excluding loans from Eskom (contract-related) and Richards Bay Coal Terminal (related to capital project liabilities).

The big kick in Ingwe's performance is expected over the next six months as contracts signed for European delivery and which embrace 25% price increases take effect. Contracts for Far Eastern delivery are expected to be signed next month. SA exporters are expected to follow Australian and North American suppliers who should get increases of US\$7/t-\$10/t. Revaluation of the Australian dollar means the country's producers need about US\$6/t to stand still.

The merger benefits arising from Rand-coal's absorption by Trans-Natal will take

time to come through, though early evidence is in the change in the mix of tonnage sales — more to stable-price Eskom collieries, less in percentage terms to volatile (now more lucrative) exports. The structure of Ingwe's management team should leave no doubt, technicalities aside, about who took over. Apart from executive chairman John Hall, Trans-Natal and Gencor supply eight of the nine senior executives.

Meanwhile, Ingwe's forward p/e is estimated at 14,7 and good earnings growth over financial 1996 should reduce this to about 9. This makes it a cheap stock compared with international producers and puts it on a 40% discount to Amcoal. The Anglo producer has a strong track record and good managers, so it will probably be the preferred counter until Ingwe's team demonstrates it can deliver.

David Gleason

# Former Coalex partners seek allocations <sup>(215)</sup>

**PARTNERS** in the collapsed Coalex joint venture were still considering ways of increasing their coal exports, industry sources said yesterday

Some were in talks with Richards Bay Coal Terminal members in an attempt to purchase an allocation at the terminal, they said

The Coalex terminal had been planned by coal producers — including Sasol, Iscor, Anglovaal and Gold Fields — to give efficient export capacity to those which did not have access to the RBCT.

**MICHAEL URQUHART**

But the project folded after major partner Sasol withdrew when it secured an allocation at RBCT

Anglovaal chief consultant (mines) and Coalex spokesman Jerry Robertze said the joint venture was "totally dead". He said Anglovaal was having talks with a view to getting an allocation.

An Iscor spokesman said the company, which exports 500 000 tons a year through the RBCT via Shell, was

also looking at securing an allocation.

But the spokesman said existing members were not keen to part with a portion of their allocations. The non-availability of export potential might preclude Iscor from increasing its available tonnage

Gold Fields of SA new business head Peter Janisch said Gold Fields was not looking at other avenues for coal export since Coalex had folded

Final details of Sasol's RBCT allocation would be announced on February 28. **BD 24/2/95**

## COUNTERTRADE

# Corvettes for coal

FM 24/2/95 (215)

In an aggressive bid to win a R1,5bn contract to supply four corvettes to the SA Navy, Spanish Industry and Energy Minister Juan Manuel Eguagaray arrived in Cape Town this week with a countertrade offer which he says could create 2 000 jobs and more than cover the cost of the deal.

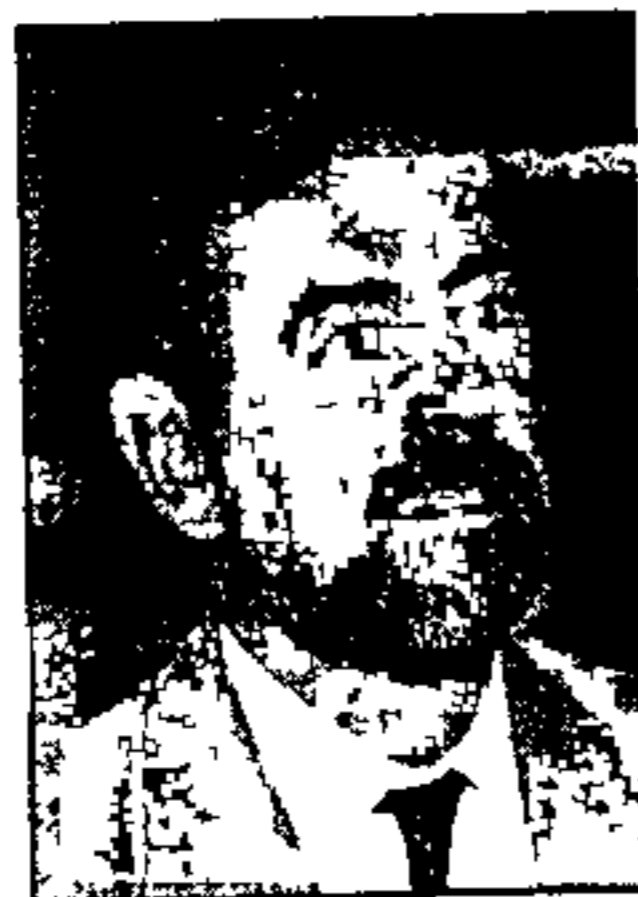
Eguagaray, the first Spanish Cabinet Minister ever to visit SA, says details of the offer are open to negotiation, but it appears the most significant element would be an increase in the purchase of SA coal.

Spain imports 5 Mt of SA coal (30% of all exports) making it the coal industry's single most important foreign customer.

Also on offer is an increase in Spanish imports of SA fish — particularly value-added processed fish. Spain is second to Japan as the world's leading fishing nation, but still needs to import fish to meet domestic demand.

Spain is also offering to transfer technology to help upgrade SA's outdated fishing fleet. Eguagaray says this could include Spanish technicians coming to work in local shipyards if necessary. Local sourcing of some materials for the new corvettes is another possibility.

The countertrade deal would be spread over the period of construction of the corvettes by the State-owned Bazan shipyard. This could range between four and eight years.



Eguagaray

Eguagaray has already discussed his proposal with a number of SA government officials, including Trade & Industry Minister Trevor Manuel, Mineral & Energy Affairs Minister Pik Botha, Deputy Pres-

ident FW de Klerk and Defence Deputy Minister Ronnie Kasrils.

Eguagaray says acceptance of the deal could significantly boost the prospects of long-term trade growth between SA and Spain. Total two-way trade is currently worth about R1,7bn annually, with the balance weighted heavily in SA's favour due mainly to the coal exports.

For SA there are opportunities to increase

exports of raw materials and food products.

There is also increasing interest in SA among Spanish investors and companies looking for joint ventures, particularly in areas such as pharmaceuticals and chemicals, automotive parts and machines (*Economy & Finance* November 11)

Eguagaray says while the corvette deal is an important focus of his visit to SA it is not the only reason. He discussed with



Manuel an agreement to co-operate on development of small and medium enterprises in SA and has invited Manuel to visit Spain to assess opportunities in this regard. With Pik Botha he discussed an agreement on energy co-operation.

Spain's main rivals for the corvette contract appear to be Britain, Germany, Denmark and France. At least 20 countries have expressed interest and forwarded design proposals to the SA Navy. There is still no indication when, or if, the contract will finally be awarded. A heated debate in Cabinet is expected before the matter is resolved.

Some Ministers, notably Jay Naidoo who heads the RDP initiative, are apparently opposed to the purchase of new warships in the face of what appear to be more urgent social needs. He has the backing of a significant percentage of the ANC caucus. The navy, backed by Modise, argues that unless the fleet is renewed, SA risks losing its naval defence capability. A spokesman for the SANDF says an announcement should be made within a month. ■

## COMPANIES

### Coal terminal exceeds target

RICHARDS Bay Coal Terminal (RBCT) would be expanding exports to 56-million tons this year from 53.4-million tons in 1994, according to business affairs manager Chris Crampton.

RBCT had exceeded its targeted capacity last year by 400 000 tons, despite two derailments in October which had disrupted deliveries and forced most partners to declare force majeure.

He said no after-effects remained from the derailments, and deliveries had returned to normal by about mid-December.

He said no expansions to capacity would be needed, despite the terminal only having an original design capacity of 54.5-million tons. Efficiency improvements had pushed the capacity of the terminal up to

MICHAEL URQUHART

60-million tons. (2/5) B028/2/95

It would take two to three years to hit this level of exports, depending on the market, he said. After the terminal had reached its capacity it would be up to the partners to decide what steps would be taken to further increase capacity.

Sasol, the newest member of the terminal, would become a full exporter in 1997. Its ultimate entitlement would be 5.2%.

Amcoal chairman Dave Rankin said increasing the tonnage through RBCT would rely on the individual efforts of the partners. He said Amcoal was looking at brownfields expansion to meet the increased export tonnage.

## COMPANIES

### Amcoal to increase export coal

ANGLO American Coal (Amcoal) would spend R295m to increase production of export coal at its Goedehoop Colliery, the company announced yesterday.

The expansion would increase Amcoal's export coal production by 1,6-million tons a year to 15-million tons. This was to take advantage of its Richards Bay Coal Terminal entitlement as throughput through the terminal increased.

The increased production would come from the development of an underground mining operation in the No 4 seam and access to the No 2 seam. Coal handling and processing facilities would be expanded.

The No 4 seam would produce an export steam coal to supplement the current steam coal and low ash coal being pro-

MICHAEL URQUHART

duced from Goedehoop's No 2 seam.

The new operation would begin production next year. Coal reserves at Goedehoop, near Witbank, would support a 28-year life at No 4 seam. (215)

Amcoal estimated the project would earn additional turnover of R4,5bn for the company over its life, based on current prices and exchange rates, and would create 241 jobs.

MD Ken Trueman said work on the project would probably start next week. Amcoal was in the process of appointing a shaft-sinking contractor. The 3m No 4 seam would be mined mechanically using the continuous miner method.



AMCOAL <sup>(215)</sup> FM 3/3/95  
**Expanding capacity**

**Evidence of** a resurgent coal sector — if it is needed — comes from Amcoal which has announced a R295m export steam coal expansion at its Goedehoop Colliery. This is the first colliery development to be undertaken by a major SA mining house for several years.

As a brownfields expansion, the capital

FINANCIAL MAIL • MARCH • 3 • 1995 • 93

**FOX**

cost per ton is about US\$52. "That's not an unreasonable sum," says a coal analyst. "It compares with greenfields developments around the world of \$70-\$100/t."

Amcoal MD Ken Trueman says the new underground mining operation will have the effect of increasing Amcoal's export capacity by 1,6 Mt/year to 15 Mt. It is designed to match the increasing throughput of the Richards Bay coal terminal, in which Amcoal holds a 23,7% share. Reserves in the new section are believed to be enough to support extraction for 28 years.

Last year, Amcoal's capital expenditure programme was a modest R127m, so the new project represents a major change of direction. However, at least one analyst believes it is long overdue. "Amcoal's been marking time," he says. "It needs to spend a lot if it is to maintain its productive capacity

down the years. Neither Ingwe nor Amcoal can produce enough export quality coal to meet this latest surge in demand, a pattern which I expect will remain in place for some years. Both groups are in danger of slipping behind and giving up market share to international competitors."

The Richards Bay steam coal export facility is currently capable of exporting 60 Mt a year. Over calendar 1994, a bad year in the light of two major rail accidents which had a severe impact on coal traffic, 53,4 Mt moved through the port. This coincides with rapidly improving prices for coal on world markets. A year ago, ruling spot prices hovered around a low \$20/t. This year, the latest fob price ex Richards Bay could be as much as \$33/t.

Trueman confirms annual negotiations are underway for coal delivered under

contract, the bulk of Amcoal's export business, but gives no details. However, the *FM* understands that contracts with European buyers have been concluded at prices about 25% better than those prevailing for 1994. Negotiations with Far Eastern purchasers are continuing.

*David Gleason*

# Threat to mining (210)

CT(BR)13/3/95

By DEREK TOMMEY

MINING EDITOR

If the mining industry fails to find an answer to rockbursts and other seismic activities, deep-level mining in South Africa faces a bleak future, says Dick Bakker, acting government mining engineer.

He was speaking at the launch of a new seismic activity monitoring system in Johannesburg. The system, known as Prism, was developed by the mining house Gencor, CSIR Mining Technology (Mintek) and an electrical engineering company, MM Systems R G Gurtunca. Mintek's program manager (rock engineering) described it as "state of the art".

A Mintek official said seismic monitoring systems were potentially the most powerful tools available to mining engineers for anticipating possible rockbursts underground.

'Remarkable' market recovery (215)

BD 9/3/95

# Higher coal prices yield forex bonanza

FOREIGN exchange earnings from SA coal exports are set to benefit by more than R1bn over the next year as export coal contract prices steam ahead.

Analysts said yesterday a tight world coal market, which has seen the spot price climb more than 50% since the beginning of last year to more than \$30/ton at present, had allowed SA producers to push for big price increases in the latest round of negotiations with European consumers.

Dave Murray, chairman of Ingwe, the world's largest steam coal exporter, said last month at the presentation of the group's results for the six months to December that contract prices to Europe had increased by as much as 25%.

Amcoal MD Ken Trueman declined to disclose his group's price increases, saying only they were "satisfactory".

With analysts putting the increase in contract prices at between \$5/ton and \$6/ton, and assuming Richards Bay Coal Terminal meets its 56-million ton export target this year, higher prices could generate \$280m-\$340m (R994m-R1,2bn) in additional revenue for the RBCT partners.

Trueman said higher revenues from European contracts had started filtering into Amcoal's bottom line, but the effect would really be felt only from next month, the start of Amcoal's financial year.

Murray said Ingwe, whose financial

MICHAEL URQUHART

year ended in June, would feel the effect of about five months of higher European contract prices and about two months of Japanese prices.

Analysts said the world coal market had staged a remarkable recovery since the beginning of last year as demand created by world economic growth coincided with shortages from some major producers.

Colombian production had been hit by heavy rains, Russian mines were in bad shape and Poland's coal production was being absorbed by its own economic growth. Whether gains from the European market could be matched in the current negotiations with the Japanese depended to a large extent on the results of Japanese talks with Australian coal producers.

SA coal producers said yesterday they had not yet heard of settlements from the Australians. Trueman said the current strength of the Australian dollar versus the US dollar meant the Australians would be looking for even higher settlements.

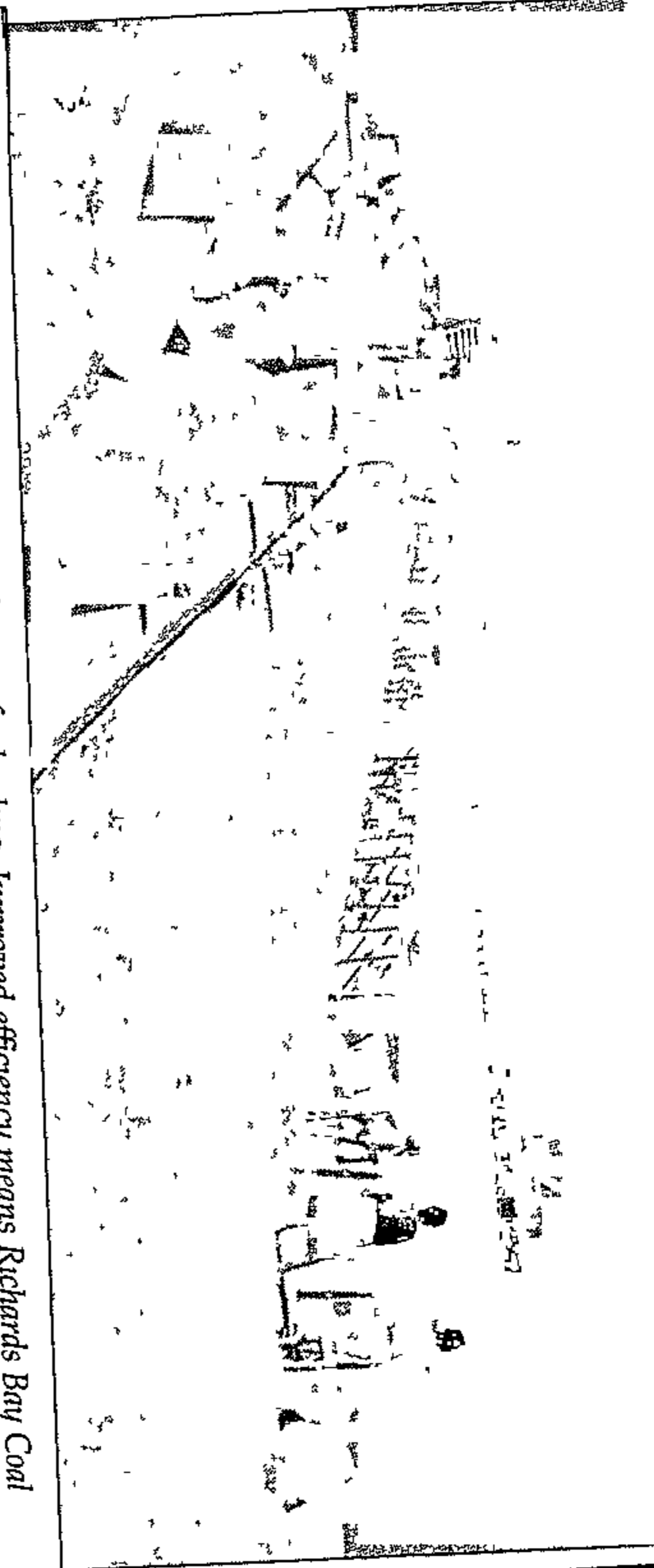
But an analyst said the benefit SA coal producers gained from Japanese contracts could be delayed if the contracts were settled late, as happened last year.

The coal index moved from about 3 200 points to above 8 300 at the start of the year. Since then it has fallen off its high, closing yesterday at 7 440.

# Richards Bay ready for boom in coal exports

The terminal is ready to handle 15 percent more coal than last year. The question is, can producers meet foreign demand?

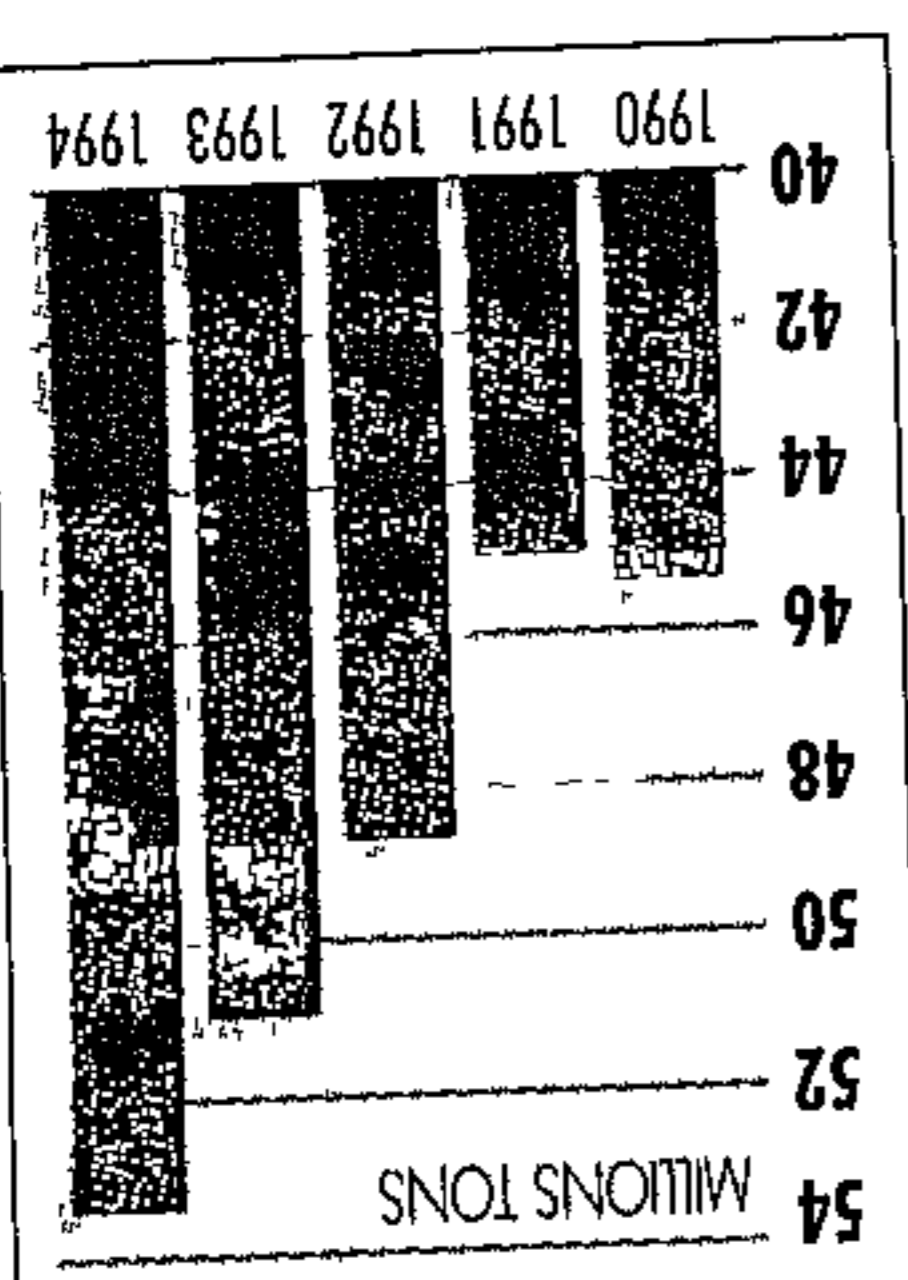
CT (BR) 22/3/95



**FULL STEAM AHEAD** Bulk carriers line up for loading. Improved efficiency means Richards Bay Coal terminal will be able to export substantially more coal than thought possible without extra capital expenditure

Dunn said the terminal's full capacity became evident after two derailments on the railway line to Richards Bay last October. These derailments closed the line for some time. Nonetheless, increased efficiency in terms of train handling, shiploading and cost containment enabled Richards Bay to export a record tonnage of 44 million tons last year. Companies which have shares in Richards Bay and throughput entitlement rights are Amcoal, Duker, Gold Fields Coal, Ingwe Coal, Kangra group, Shell South

South Africa's coal-exporting companies, already starting to benefit from sharply higher export prices, have been given another boost in the form of dramatically improved efficiency at Richards Bay. Richards Bay Coal Terminal, which handles virtually all the country's coal exports, has found it can export substantially more coal than it thought possible without extra capital expenditure. In 1993, 51 million tons of coal were exported by the company. Last year the figure was pushed up to 53.4 million tons. This year, RBCT's managing director, MB Dunn, confirmed in his annual statement to shareholders, that the capacity of the terminal could be increased to 60 million tons a year — an increase of 13 percent on design capacity. Analysts say this boost to exports — if coal companies can deliver — together with the expected 25 percent rise in export prices, could lift the country's coal revenues this year by close on 40 percent. Dunn said the terminal's full capacity became evident after two derailments on the railway line to Richards Bay last October. These derailments closed the line for some time. Nonetheless, increased efficiency in terms of train handling, shiploading and cost containment enabled Richards Bay to export a record tonnage of 44 million tons last year. Companies which have shares in Richards Bay and throughput entitlement rights are Amcoal, Duker, Gold Fields Coal, Ingwe Coal, Kangra group, Shell South



**Coal exports**

Coal exports in millions of tons from 1990 to 1994. The chart shows a steady increase from 40 million tons in 1990 to 44 million tons in 1994. In addition, it was recently announced that Sasol would buy a 5.2 percent stake from shareholders and would start exporting coal through the terminal in 1997. The prospects for export coal are bright. John Barker of Hambros Equity said the global steam coal market this year was set to be in deficit by 7 million tons. Negotiations between coal exporters and coal users for annual steam coal contract prices already indicate improvements of up to 25 percent on the ruling free on board price. Ken Trueman, managing director of Amcoal, said recently that the spot coal price, which has some bearing on contract prices and was around \$20 a ton a year ago, is now in the early \$30s. However, the question remains whether the local coal industry can expand production quickly enough to meet this year's expected growth in export demand.

Africa, Tavistock and Total Exploration

By Derek Tommey

MINING EDITOR

ARLT 28/3/95

## Anglo targets Africa for expansion

(210)

JOHANNESBURG — Anglo American is committed to expanding its operations in the rest of Africa, executive director Bobby Godsell said here.

Speaking at an oils and minerals conference, Mr Godsell said apartheid had prevented South African companies from forging ties with the world economy and in particular Africa

He added, however, that apartheid had not been the only barrier preventing companies from investing in Africa. Government economic policies, political unrest and civil wars had prevented investment.

He said countries needed to pursue market economy practices, ensure stable and predictable government and allow for the free flow of capital, goods and labour to encourage investment.

Anglo was examining the possibility of once again playing an active role in Zambia's copper mines after its interests there were nationalised in the 1970s

Mr Godsell said although private ownership of mineral rights was not a universally correct system, companies would look for security of tenure and long term security when deciding whether to invest in a country. — Sapa

## BUSINESS

### Coal discards 'can help launch small-scale mining'

SA's large stockpiles of coal discards could form the basis for small-scale mining and be a source of low-smoke coal, says Mineral and Energy Affairs director-general Piet Hugo. (215) (470) 6D 28/3/95

Hugo told the Sub-Saharan Oil and Minerals conference the country had about 500-million tons of coal discards, produced mainly as a result of beneficiation of run-of-mine coal for the export market.

"These resources are above ground and could form the basis for small-scale mining and a source of low-smoke coal."

Small-scale miners could serve the residential market, which could yet see regulatory intervention to prevent the harmful effects of coal-burning and air pollution, he said.

The promotion of small- and medium-scale mining enterprises and job creation was an explicit goal of government.

But formidable legal, technical and financial obstacles could impede the entry of new small entrepreneurs, Hugo said.

Potential coal mining presented low geological risks, but it would require technical and marketing skills to achieve better rates of return than other commodities. — Renter.

# Coal steams ahead <sup>(215)</sup>

BY DEREK TOMMEY

MINING EDITOR

Gold Fields Coal expects to pay an increased dividend again this year, chairman John Hopwood says in the latest annual report.

The company paid a dividend of 110c a share last year, an increase of 10c on the 1993 dividend payment.

Hopwood said that last year saw a strong recovery in sea-borne steamcoal spot prices. This had come after a four year decline.

The high prices and the weaker dollar/rand exchange rate enabled the company to increase its profit before tax by 25 percent. However, profit after tax was only marginally higher.

The real benefit of the improved conditions in the coal markets will be experienced only this year, when shareholders can look

CT(BR) 4/4/95  
forward to a further increase in both earnings and dividends.

Although coal prices are rising, sales volumes from Greenside Colliery are expected to be relatively unchanged as it has little flexibility at present to increase production.

But options for improving flexibility are being considered and the possible construction of another washing plant at New Clydesdale is one of them. If this is undertaken, capital expenditure this year will be about R9 million.

Operating profit was R40,4 million (R33,9 million) while profit after tax was R25,2 million (R23,8 million). The average price of coal received by the company was some 10 percent higher while sales revenues rose 14 percent. Total cost of sales rose 11 percent as a result of a 4 percent increase in sales and a 6 percent increase in operating costs.

BD 11/11/95  
A NAMIBIAN company has won a R20m contract with the Cape Town City Council because it can transport SA coal more cheaply than its SA rivals. MacPhail Namibia Coal would deliver about 10 000 tons of coal a month, a senior company source said yesterday. (215)



*Upturn in world economy increases demand*

Star 18/4/95

# SA coal exports <sup>(215)</sup> ~~(115)~~ could rise sharply

■ BY DEREK TOMMEY  
MINING EDITOR

Increased prices being paid overseas for coal suggest that the value of South Africa's coal exports this year could rise by more than R1-billion

The upturn in the world economy has sharply increased the international demand for coal. As a result the spot price of coal overseas has risen in the past 15 months. From around \$20 a ton to above \$33 a ton.

However, spot prices are usually paid for non-regular coal requirements, not for contract deliveries. The price of this coal is normally fixed after negotiation and, being long-term prices, can diverge significantly from the spot price.

The Japanese are major coal importers and usually start price negotiations in February, first with the Australians who are Japan's biggest suppliers and then with the smaller coal exporters, including South Africa.

## IF TREND in Japanese coal ordering continues, SA coal exports could increase by R1,2-b

The Japanese also tend to negotiate contracts for hard coking coal first and subsequently for the semi-soft coking coal which is produced by South Africa.

First indication about the way the Japanese negotiations are going comes from Australia. Broken Hill Pty, that country's largest company, reports that the Japanese steel mills have agreed to increase by \$5,65 (R20,50) a ton the amount they are to pay for hard coking coal from Broken Hill Pty, Australia's largest company.

South Africa currently expects to export about 60-million tons of coal through Richards Bay this year. If this

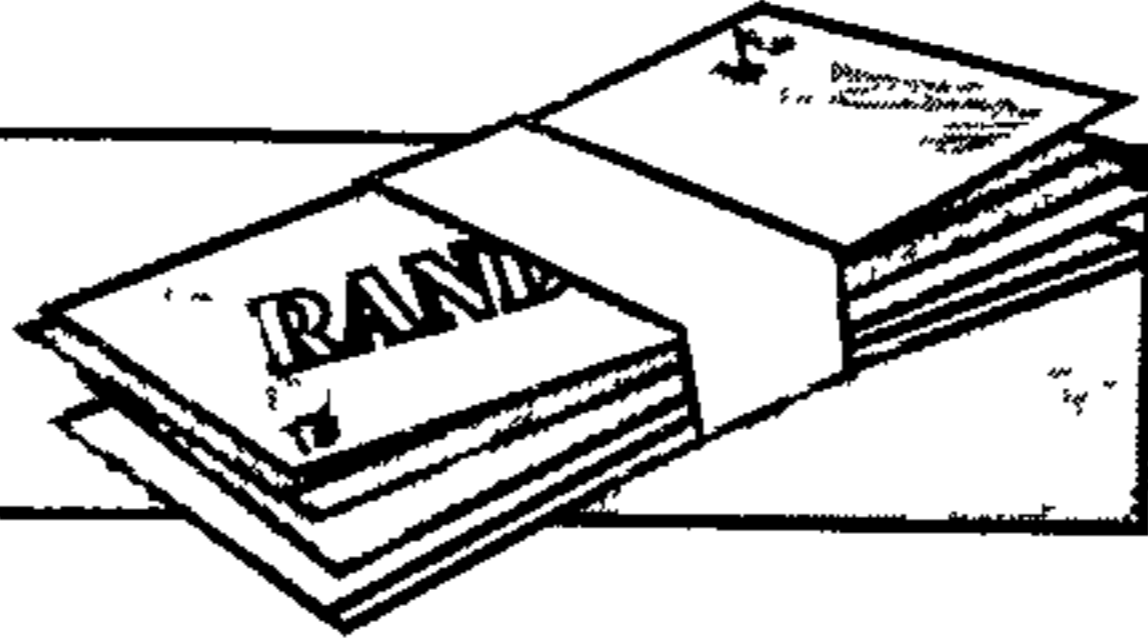
increase is repeated for other Japanese coal purchasers, it is easy to see that the value of the country's coal exports could rise by around R1,2-billion during 1995

But good though an increase of this size may seem, some analysts are hoping that the price increase for semi-soft coking coal will be significantly greater, possibly by between \$6 and \$10 a ton — which could boost export earnings and coal revenue by up R2,0-billion.

Coal exporters have reported that European buyers have agreed to pay 25% more for their coal this year. Exporters do not disclose the prices they actually receive, but industry sources say that the increase could have been between \$6 and \$7 a ton.

Main beneficiaries of a higher export coal price will be Richards Bay shareholders Amcoal, Ingwe (formerly Trans-Natal and Randcoal), Shell, JCI, Dunker, Tesa, Gol Fields, Kangra and Sasol

**Business**



# Shortage of coal is on the cards

By Isaac Moledi

A BOOM in the export market could bring about a shortage of coal for domestic use, says Africoal, a coal trading company

In anticipation of the shortage, says managing director Joe Pondo, Africoal is stockpiling coal to avoid a repeat of what happened last year

He says Africoal has stockpiled 60 000 tons of household-grade coal to ensure reliable supply

"Africoal has stockpiled the household-grade coal at a mine near Witbank and has negotiated an agreement with Spoornet to supply adequate transport to meet the requirements of people countywide," he says

Pondo expects the projected boom in the export market to push prices up

within a year

"This translates, after railage and handling, into R82 a ton at the colliery, compared with R60 to R72 earned on the local market," Pondo says

Africoal is a joint venture between a consortium of several black coal dealers and MacPhail Holdings established last May. The consortium holds 49 percent of shareholding while MacPhail maintains 51 percent

## Black coal users

The company was established to serve black coal users "who were not given a fair deal"

"The formation of Africoal was a result of the realisation that our people in the townships were, over the years, not given a fair deal by coal merchants who were, at that time, all white," says Pondo

215  
Some ran  
26/4/95

## COMPANIES

### Coal exports a boost for Lonrho

LONRHO's coal and gold producer Duker Exploration reported a 43% increase in taxed income for the six months to March after improved bituminous coal exports offset a reduction in local sales.

Interim results yesterday, the first time in 19 years the company has reported interim instead of quarterly results, showed taxed income of R35m (R24,5m) on a 30,4% rise in turnover to R192,9m (R148m). This translated into earnings a share of 242,8c (170,5c). The interim dividend was increased 40% to 70c a share. Results were not strictly comparable because of acquisitions and disposals during the first quarter of the 1994 financial year.

MD Hugh Stoyell said margins improved from 24% to 27% which reflected the

#### MADDEN COLE

strength of the company's bituminous coal operations. (215) (215)

Bituminous coal volumes were 2% higher at 3,5-million tons, but increased demand boosted average unit prices 30%. This resulted in exports increasing 14,4% to 1,9-million tons, offsetting the 9,6% drop in inland sales to 1,6-million tons.

Duker's gold mine, Khipwal, reported a 40,8% fall in gold production to 100kg

Tweefontein United Collieries, whose sole income is derived from its investment in Duker, reported net income of R2,1m (R1,5m), equivalent to earnings a share of 122,3c (88,6c). An interim dividend of 122c (88c) was declared BD 26/4/95

## Anglovaal returns to coal export market

By DEREK TOMMEY

MINING EDITOR

ET(BP) 9/5/95 (215)

Mining house Anglovaal is returning to the coal export market. It announced last night that it is to establish an underground colliery on the reserves of its subsidiary, Forzando Coal Mines, which is situated 25km northeast of Bethal and which straddles the strategic Richards Bay railway line

Construction has started and the first coal is expected to be produced in January next year

Initially the colliery will produce 600 000 tons a year. A decision to embark on the second phase aimed at building up production to between 1,6 million and 2 million tons a year, will be taken in 1996.

As Anglovaal has no allotment in the Richards Bay Coal Terminal Company, the coal will be exported in terms of arrangements with Total Exploration South Africa.

The mine, which will have a life of around 20 years, will produce a good-quality product with high volatiles.

# Export boom pushes Amcoal profits up 70%

BY DEREK TOMMEY

CT (BR) 10/5/95 MINING EDITOR

Buoyant export coal sales and growing purchases by the electricity producer Eskom resulted in Amcoal, one of South Africa's biggest coal producers, increasing its earnings before extraordinary items by 70 percent in the half year to March.

Earnings rose by 33 percent in the six months ended September.

Earnings for the full year grew by 52,4 percent from R255,7 million to R389,7 million — equal to a total of 1 547,1c a share.

The final dividend has been increased by 37,1 percent from 350c to 480c, increasing the total dividend for the year by 32 percent from 500c to 660c a share.

The chairman, Dave Rankin, said earnings from collieries supplying the export market had been significantly higher on the back of a 10,7 percent increase in tonnages shipped, a weaker rand/dollar exchange rate and the satisfactory containment of unit costs.

The world market for steam coal had improved during 1994, but contract prices had reflected the levels of 1993.

Contract prices concluded to date for this year reflected the increased level of spot prices.

Coal exports through Richards Bay last year reached a record 53,4 million tons. Exports this year are estimated at between 57 million and 58 million tons.

Rankin said that earnings from collieries supplying Eskom had been higher mainly because of increased investment in the New Vaal Colliery.

Sales to local metallurgical sectors grew by 19 percent.

Looking ahead, Rankin said Eskom was planning to recommission three mothballed power-generating sets at Arnot power station in 1996 and had asked the colliery serving it to increase production.

He said the coal supplier was also planning to bid to supply coal to the second three sets at Majuba when Eskom invited new tenders.

In addition, the coal producer had secured a contract to supply coal to Eskom's next coal-fired station. The timing would depend on the growth in electricity sales.

Eskom was also considering recommissioning certain mothballed power stations and Amcoal was reviewing available coal sources for these.

Rankin said Amcoal had a strong balance sheet with cash holdings of more than R1 billion and it was looking for new business opportunities.

# Amcoal expected to rake in large cash pile <sup>(215)</sup>

BD 9/5/95

AMCOAL, Anglo American's coal division, was likely to report earnings a share of R13,55 to R14,15 for the year to March, compared to earnings of R10,15 for the previous year, analysts said yesterday.

They said there were likely to be few surprises in the results, due to be announced today, with the increase in earnings restricted to the 33% to 40% range. One analyst said if the results were different from what was expected, they were likely to be higher, not lower.

The only major question which hung over Amcoal would be what the company would do with its large cash pile. At the interim stage it had a cash pile of R784m, and the analyst said with more earnings flowing through this could have grown close to R1bn. At the interim stage, the total cash translated into a cash balance of R31 a share.

Amcoal normally maintain a dividend cover of two times, which meant the total dividend was likely to be 680c to 705c. Analysts said even though the company could afford to pay a larger dividend, it would probably not do so.

They were unsure whether Amcoal

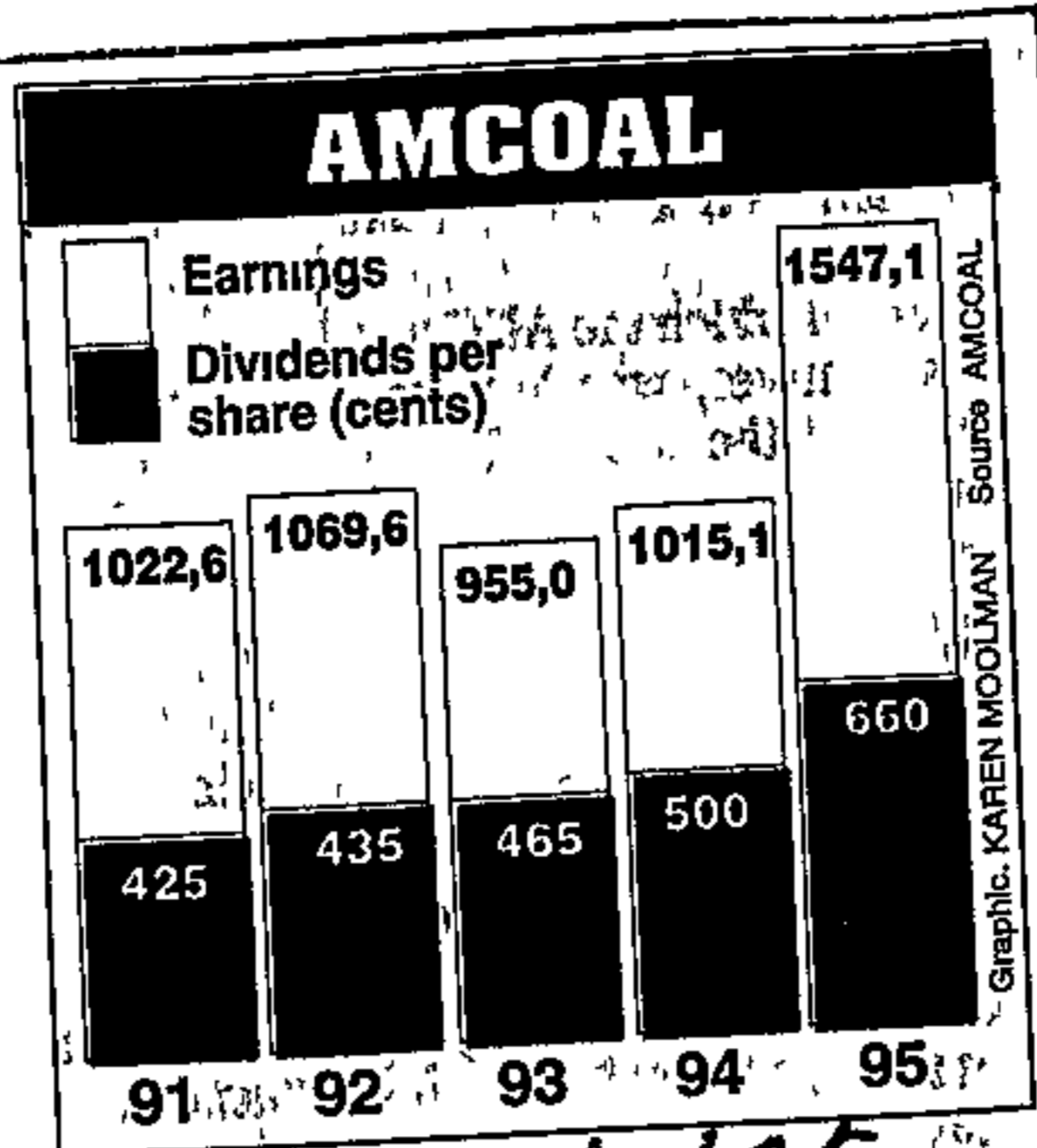
MICHAEL URQUHART

would use the dividend to pass a portion of the cash on to shareholders.

One analyst said unless Amcoal was planning on making a major acquisition, it had no obvious use for the cash as it had no greenfields projects and it did not need major cash reserves as the coal market was going into an upcycle. Even the expansion at the Goedehoop colliery, which would cost the company R300m, could be funded from earnings.

The improved results expected for the year were ascribed to higher export earnings, due to higher volumes and slightly improved prices. The analyst said results were likely to continue to improve in the current financial year, as higher European and Japanese contract prices fed through to the bottom line.

The latest round of Japanese negotiations started only in April, while the coal producers had settled the European negotiations in November last year. This meant the 1994/95 results would reflect only a few months of higher European coal prices.



*BD 10/5/95*  
**Export markets benefit Amcoal**

MICHAEL URQUHART *(215)*

AN IMPROVED export coal market enabled Amcoal, Anglo American's coal division, to lift attributable earnings 52,4% to R389m for the year to March.

The increased earnings, which exceeded market expectations, were achieved through growth in volumes and prices of export coal, which boosted turnover 17% to R2,26bn. Total tonnage sold was almost unchanged at 45,7-million tons. A drop in domestic sales was more than offset by an increase in export volumes to 13,4-million tons from 12-million tons in financial 1994.

The drop in domestic sales related to Eskom sales, which declined 4,7% to 29,8-million tons largely because of a major generating set outage at the Lethabo power station, which was supplied by Amcoal's New Vaal colliery.

Export sales looked set to increase further. Amcoal chairman David Rankin said the Richards Bay coal terminal could export 58-million tons this year compared with last year's 54-million tons.

Dividend growth did not keep pace with earnings, with dividends up 37% to 660c on earnings a share, which increased from R10,15 to R15,47. Dividend cover was increased from two times to 2,3 times.

The good results and higher dividend cover meant Amcoal's cash pile — R780m at the interim stage — had swelled to R1,2bn. Rankin said it was group policy to be in a strong cash position. The cash was earning returns of about 13,5%. But with the kind of money Amcoal had, it would be looking for new opportunities, specifically

□ To Page 2

**Amcoal *(215)* BD 10/5/95**

□ From Page 1

in productive investments, he said.

Some of these opportunities lay within the local coal market. Rankin foresaw a growing tightness of supply in the domestic market and said Amcoal was looking at expanding capacity to serve it. Amcoal had discussed with Eskom the future requirements of mothballed power stations.

Amcoal had had a relatively stable year on the labour relations front, but there

would probably be some upward pressure on wages, Rankin said.

The division had set aside R71m as an abnormal item to provide for post-retirement medical benefits. Also taken as an abnormal item was a transitional levy payment of R36,6m. Both were offset against a decrease in deferred tax balance arising from a tax rate cut.

# Exports, local sales boost Amcoal

Star 10/5/95

(215)

■ BY DEREK TOMMEY  
MINING EDITOR

Buoyant export coal sales and growing purchases by electricity producer Eskom resulted in Amcoal, one of South Africa's biggest coal producers, increasing its earnings before extraordinary items by 70% in the six months ended March

This followed a 33% increase in the six months ended September

Earnings for the full year grew by 52,4% from R255,7-million equal to 1015,1c a share to R389,7-million, equal to 1547,1c a share

The final dividend has been increased by 37,1% from 350c to 480c a share, increasing the total dividend for the year by 32% from 500c to 660c a share

Chairman Dave Rankin says earnings from the collieries supplying the export market were significantly higher as a result of a 10,7% increase in tonnages shipped, a weaker rand/dollar exchange rate and the satisfactory containment of unit costs

Earnings from collieries supplying Eskom were higher largely as a result of increased investment in the New Vaal Colliery. The contribution by the Verref division improved significantly as a result of more favourable market conditions for refractories and roof and floor tiles

Looking ahead he reports that Eskom is planning to re-commission the three mothballed power generating sets

at Arnot power station starting in 1996 and has requested a progressive increase in production from the colliery serving Arnot.

He added that Amcoal is planning to tender for the supply of coal to the second three sets at Majuba when Eskom invites new tenders

In addition, Amcoal has the contract for the supply of coal to Eskom's next coal-fired powered station after Majuba. The timing remains uncertain and will depend on the future growth in electricity sales

Eskom is also investigating the feasibility of recommissioning certain of its mothballed power stations and Amcoal is reviewing available coal sources for these stations

Amcoal's sales of coke and

coal to the metallurgical sectors of the South African market grew by 19%

The growing demand for coal on both the domestic and export markets together with significant improvements in US prices of world markets has led to a firming in prices in the inland market in the coming year

The world market for steam coal improved substantially during 1994 but 1994 contract prices still reflected the lower price levels of 1993

Contract prices concluded to date for 1995 reflect the increased level of spot prices

Demand in all sectors is strong and several long-term customers have requested increased tonnage commitments from investors



AMCOAL

**A warm fuzzy**

(215)

FM 2/5/95

"I think," says chairman Dave Rankin benignly, "the market should find these results reasonably satisfactory." For once, he can enjoy understatement: Amcoal's bottom line for 1995 reflects a massive 52% increase in attributable earnings.

And Anglo American's coal company has an embarrassment of riches as well: its cash hoard is now more than R1bn, the highest ever. Not surprisingly, the company is ungeared. "We are traditionally conservative," adds Rankin. While true, this raises the question of what Amcoal's managers intend to do with its huge cash reserve.

When the *FM* last wrote about Amcoal (*Fox* November 11), we expected EPS for the year of about 1 350c and a prospective p/e of 16. As it turns out, EPS is 1 547c for a p/e of 15,6. It must be doubtful that the company can return growth in financial 1996 as good as this, though. Even if it is assumed that selling prices will improve again, producing 50% earnings growth for a second successive year is unlikely. Assuming a modest 25% increase will take EPS to 1 930c. At the ruling share price, that produces a forward p/e 12 months out of

**FOX**

12,5, suggesting the counter is fully priced. A number of features stand out in the preliminary results. First, costs were remarkably well contained over the year, to 9%. At the same time, turnover rocketed 17% to R2,261bn, significantly because of large increases from the export trade.

Second, it is clear Amcoal must move to a more vigorous expansion programme. This won't be easy. Rankin is beginning to notice a tightness in the local market, at the same time, demand from abroad for steam coals is growing substantially. To service both areas will require a fine balancing act. Probably, the direction will be to grow production at existing collieries rather than to establish greenfields operations.

Included in the considerations will be deep thinking about the future of Richards Bay Coal Terminal. In 1994 it handled 54 Mt of exports, this year, it will probably cope with 57 MT and next year about 60 Mt. The tricky decision is when to tackle a major expansion to 69 Mt (or perhaps 72 Mt). A decision will hinge around Spornet's ability to handle the increase and on members' ability to increase their own production. Rankin says studies have been completed but won't comment on when there'll be a firm decision.

What is clear though, is that SA's coal sector is enjoying a welcome return to the super-profits league.

David Gleason

(215)

## Coal exports likely to rise

MICHAEL URQUHART

COAL exports through the Richards Bay Coal Terminal were likely to be higher than targeted this year, according to analysts and industry sources.

Even though the targeted throughput this year was 56-million tons, individual exporters were allowed to export their allocation based on a total throughput of 59-million tons.

Amcoal chairman Dave Rankin said at the presentation of the group's results last week that he expected terminal throughput for calendar 1995 to be between 57-million and 58-million tons. Other industry sources agreed.

Duiker chairman Hugh Stoyell said the company was aiming at exporting its allocation at the maximum throughput of 59-million tons, with other coal producers are likely to be doing the same. It was on target and was likely to achieve this goal, barring any disruptions over the wage negotiations or some unforeseen event.

He said that Duiker was talking to other Terminal partners with a view to taking up some of their entitlement.

Stoyell said growth in the world steam coal market — which had led to boom times for SA coal exporters — was likely to be sustained, with new coal supply unlikely to match the higher demand.

# Amcoal chairman bullish on prospects for year ahead

(215) ET (BR) 5/6/95

BY DEREK TOMMEY  
MINING EDITOR

Amcoal chairman David Rankin is bullish about his group's prospects in the year ahead. Results for the year ending March 1996 should show a satisfactory improvement, he said in his annual statement to shareholders.

However, he expressed criticism of some aspects of the Draft Labour Relations Bill and of proposed changes in mineral ownership and the introduction of a mineral rights tax.

He said improved dollar prices for coal and higher export tonnages are forecast for this financial year.

Provided unit working cost increases are contained, earnings from coal exports should show a further significant improvement.

Export contract prices concluded for this year have reflected the increased levels of spot prices.

Demand in all sectors is strong and several long-term customers have requested an increased tonnage commitment from producers.

The limited volume of tonnage still available for this market is likely to command a premium above this year's contract price levels.

But he also sounded a warning. "The rise in prices has encouraged US coal producers to increase exports," he said.

"The extent to which US producers of low sulphur coal are further attracted to the export market will have an important influence on world market prices," he said.

In South Africa Amcoal's sales of coal and coke to the industrial and metallurgical sectors increased

by 19 percent. However, sales to Eskom declined by 4,7 percent mainly as a result of a major generating set outage of Lethabo power station. But Eskom is planning to recommission the three mothballed generator sets at Arnot power station and has requested a progressive increase in production from the colliery.

He said the draft Labour Relations Bill represents a significant step forward in the orderly regulation of labour relations.

**'Improved dollar prices for coal and higher export tonnages are forecast for this financial year'**

It is also significant in its appreciation that sound industrial relations are a key determinant of economic growth and South Africa's ability to become more internationally competitive.

The draft bill provides protection for employees who embark on a legal strike, but it also seeks to provide the employer with the right to dismiss such striking employees for economic, technical, structural or similar reasons.

"It should be made clear, how-

ever, that the employer's rights needed to extend to the case where such strikes could cause irreparable harm to the business."

The recently published Development Facilitation Bill sought to introduce special measures by the creation of tribunals at provincial and regional levels to encourage the development of land for residential, small scale farming and other needs and uses.

While the mining industry recognised the need for swift and even unconventional ways of dealing with the question of delivery of land for development, it is necessary for the state to protect the optimal utilisation of mineral resources, Rankin said.

"It is not clear whether the proposed legislation will allow informal housing developments to be established in a manner that will prevent mineral deposits, especially shallower deposits such as coal, from being turned to account."

He said the introduction of a mineral rights tax was proposed to encourage the transfer of mineral rights to the state.

"Where rights form part of a long-term mining programme, it must be recognised that the ownership of the right to those reserves and their orderly and economic exploitation is essential to the continued well-being of the industry and the economic development of the country," he said.

Amcoal increased its attributable profit for the year by 52 percent from R255,7 million to R389,7 million. Dividends paid to shareholders increased by 32 percent from 500c to 660c a share.

# Bullish times for Amcoal

BY DEREK TOMMEY  
MINING EDITOR

215

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## New connections



Sounding them off . . . Emirates Air launched twice weekly flights from SA to the Comores on Saturday. Sheik Al Maktoum's representative His Excellency Mahamed Yahia Suweidi, Minister Mac Maharaj, Emirates Air MD Maurie Flanagan with traditional dancers at Johannesburg International Airport on Saturday.

PICTURE JOHN WOODROOF

AMCOAL

(215) PM 16/6/95

# Merits indecent haste

**Activities:** Mines coal for sale to domestic users, principally Eskom, and for the export market Also makes refractories and building products

**Control:** Anglo American Corp 51,53%

**Chairman:** D Rankin MD K J Trueman

**Capital structure:** 25,2m ords Market capitalisation R6,426bn

**Share market:** Price 25 500c Yields 2,6% on dividend, 6,1% on earnings, p/e ratio, 16,5, cover, 2,3 12-month high, 29 000c, low, 17 000c Trading volume last quarter, 232 000 shares

Year to March 31	'92	'93	'94	'95
ST debt (Rm)	104	125	138	149
LT debt (Rm)	—	—	—	—
Debt:equity ratio	n/a	n/a	n/a	n/a
Turnover (Rm)	1 896	1 942	1 927	2 261
Pre-tax profit (Rm)	510,5	478,5	441,4	659,4
Earnings (c)	1 275	1 833	1 015	1 547
Dividends (c)	465	465	500	660
Tangible NAV (c)	5 672	7 041	7 554	8 448

The results for financial 1995 are certainly impressive but the annual report reveals the true extent of Amcoal's dilemma. This is worth closer examination.

In the early Nineties, the world's seaborne steam coal trade wallowed in the doldrums. The benchmark Rotterdam spot price fell steadily, reaching a nadir below US\$20/t in May 1993. Demand was weak; buyers were able to impose their will freely.

Barely six months later, evidence was accumulating of a profound about-turn. A buoyant world economy affected power demand. This trend was hastened by a nine-month strike by US coal miners, bad weather which hit open-pit operations in the US and Australia and the withdrawal of Commonwealth of Independent States suppliers from the export market.

The reversal of fortunes took nearly everyone by surprise. Few big coal producers expected the suddenness and intensity of the surge in demand which was inevitably accompanied by soaring spot prices as free steam coal stocks evaporated rapidly.

SA producers were just as dumbfounded. The problem here is made more complex by local difficulties relating mainly to export quality availability and the limitations of the principal coal exporting port, Richards Bay. The port's privately owned coal handling facility, the RBCT, should be able to

handle about 58 Mt this year. That could reach about 60 Mt a year later.

But Amcoal's problem is that it may not be able to take up its full entitlement of subsequent increases because of its own internal limitations. It is engaged in a brownfields expansion at Goedehoop colliery (R295m to produce another 1,6 Mt a year for export). This project will be on stream early next year and will achieve full output in 1998. The next step may be another brownfields, though Amcoal is keeping the location close to its corporate chest.

There is consensus that Richards Bay can be engineered to handle annual throughput of about 72 Mt of steam coal. That is likely to be its maximum and will require expenditure of substantial, now unknown, sums. The problem — as always with such projects — is to match export capacity with production and world demand patterns. This is not an easy three-card trick.

Meanwhile, SA producers have to take into account other export-related factors. First, there's this year's contract negotiations with Eastern users, notably the Japanese. The SA approach is that the differential applied in the past because of sanctions has to go. The Japanese counter, put simplistically, that the greater transport distance and cost (compared with Australia and Indonesia) have to be brought to account.

The gap between the two sides is about \$2 and analysts expect a deal to

cover an increase of around \$6,50/t. This relates to sales by Amcoal, TCOA, Total and Shell, and the size of the increase indicates the extent to which the market has improved. For once, SA producers appear to be standing together and the Japanese, famous for their negotiating prowess, may find themselves wrong-footed.

Second, there is the balance Amcoal must strike between new developments and the possibility of increased competition

from the US. American eastern seaboard producers, traditionally the swing suppliers, can be expected to enter the European market if contract prices get up to \$38-\$40/t. They aren't far off and Appalachian miners can be highly competitive.

However, those who enter at high prices also tend to be high-cost, high-sulphur producers. In an environmentally conscious Europe, sulphur is a four-letter word. This may keep the Americans out and maintain SA's traditional supremacy in this market.

Amcoal's performance over 1995 was superlative. Turnover

rose 17% but the after-tax, pre-abnormals, bottom line is 52% better. The balance sheet is even more startling. Cash holdings total R1,1bn. If the short-term loan of R149m and the tax liability of R270m are deducted, the net cash pile is R673m.

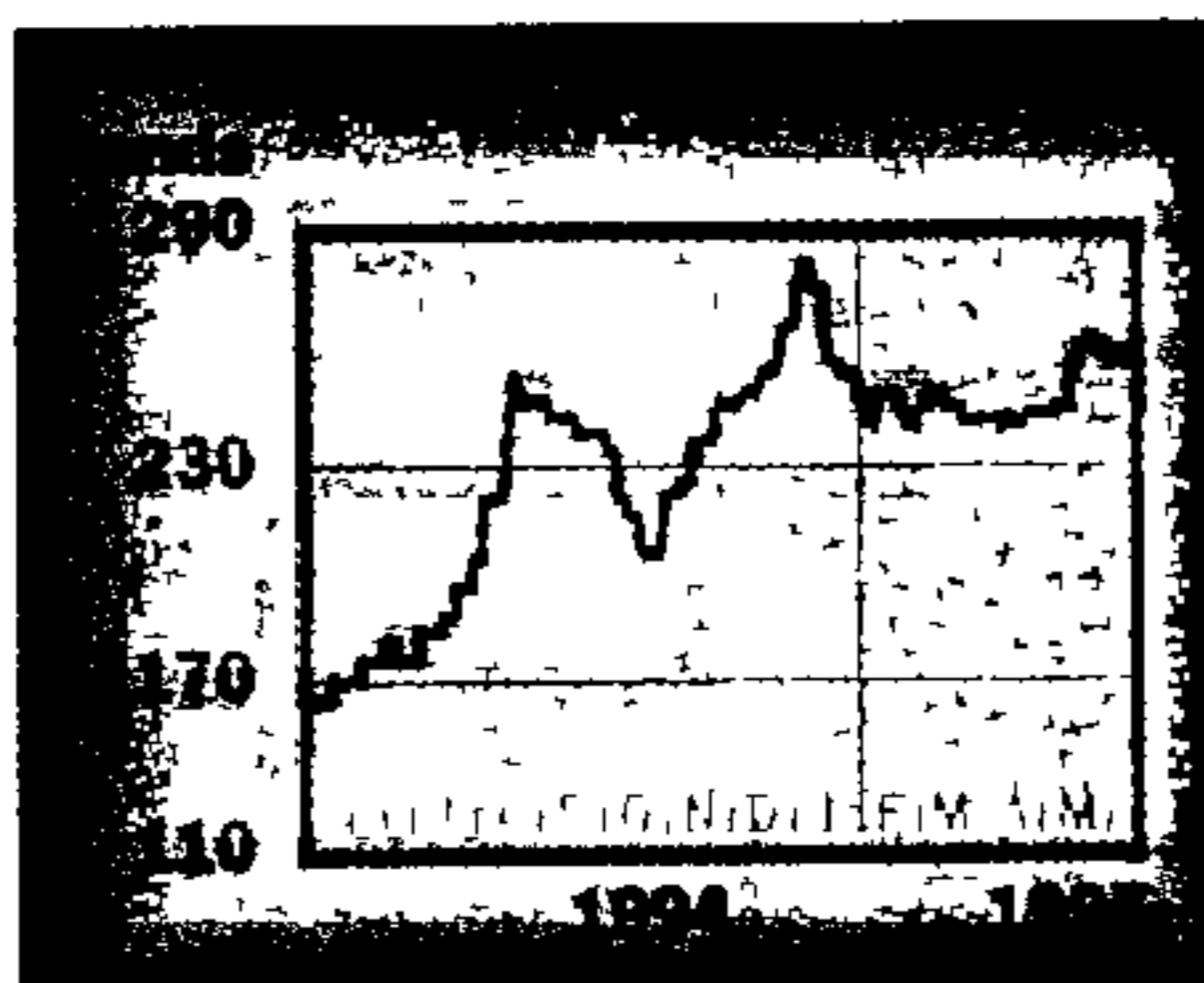
This raises the question of where Amcoal will go from here. Two brownfields expansions will take up a lot of this surplus; so will Amcoal's share of any future major expenditure on RBCT. But that ignores the company's huge, repetitive, cash-generating power — in financial 1995, it produced R672m from operations and a surplus of R420m. Amcoal can take on much bigger projects relying solely on internal resources.

Yet the cash is on deposit with parent Anglo American, where it forms about a third of the corporation's total gross cash reserve. Presumably, any move to spend it will be taken after Anglo's own balance sheet needs are considered.

With hindsight, it's possible to say Amcoal should have pitched into the cement business 20 years ago. It's probably too late for that now because the cement market is tightly controlled and any new entrant would earn an intense response. An alternative is to go offshore. Amcoal has nearly 5m unissued shares (about 16%) and could trade most of these within JSE and Reserve Bank rules for external funds (including the need to sterilise the shares in the country for a period). That could give it the cash resource it will need if it is to become a serious miner outside SA.

This intriguing possibility aside, all the indications over the next three years are that demand for steam coal will go on soaring, dragging prices with it. Investors who haven't already stocked up with coal shares should make indecent haste.

David Gleason



Rankin... his problem is too much cash



**TAKING A BREATHER . . .** The coal-mining women of Kwa Vez'unyawo pause for a moment next to the small pile of coal they have unearthed after hours of gruelling work in the hot sun.

# Tough lives

HERE in Kwa Vez'unyawo women miners make ends meet the hard way. Very few men are man enough to do what these women do - like digging eight metres down into the belly of the earth for coal. No job is too hard for them.

They raise their picks in unison, and clang them on the hard surface. There is no time to stop. Sweat runs into their eyes as they wipe their brows. Life must go on.

Kwa Vez'unyawo (the place of showing a foot) - so named because the

In KWA Vez'unyawo women sweat more than men. No work is too tough for them. Some of them are widowed. Others are supporting their families, because their husbands are unemployed. But they don't want the help of "the white man's machinery". SIPHO ZUNGU wrote this article and took the photograph.

houses that were built in this place were said to be so small "that a foot showed while one was inside" - is walking distance from Newcastle.

This place might be less than a dot on the map of KwaZulu/Natal,

but it has a proud history. This is where the late stalwart of the ANC and Nobel prize winner, Chief Albert Luthuli went to school.

Eighty-year-old MaDuma Ximba says that the work on her

CP 2/7/95 (215)  
**Women who know how to swing a pick**

piece of land is "just enough bread for the many unemployed"

She says it is their own contribution to the reconstruction and development programme

"We were not told by anyone to do something to help ourselves. The RDP that is spoken about these days found us doing this

"One man brought in

an Indian with brick-making machinery and promised to offer jobs. I sent them away very fast. What would happen to these people if they started digging and finished the soil in this place in three months?

"That is the danger of allowing white people and machines to work here. Many people would go hungry," says MaDuma

## SHELL/SASOL MINING

(215)

### Developing export plans

PM 14/7/95

Sasol Mining, the group's coal producing division, is expected to release details of its coal export programme within a month. A design study on the beneficiation and export of coal, mined at the Twistdraai shaft of the Bosjesspruit Colliery, is in its final stages.

Sasol Mining senior managers appear surprisingly reluctant to comment on the export programme. They would not speak to the *FM* on the record, apparently on instructions from head office. But Sasol has been able to secure a stake in the Richards Bay Coal Terminal (RBCT) and the board has officially sanctioned the project.

Initially, Sasol would not say from whom it had bought the entitlement — last month Shell SA confirmed it had sold the rights to Sasol to export 3 Mt/year from its allocation of nearly 7 Mt at the RBCT. Neither will disclose the price.

A consequence of Sasol entering the RBCT club is that plans for a second export facility, Coalex, had to be scrapped. The rival consortium was relying on the 3 Mt of export-grade coal Sasol could produce at Twistdraai to make the venture feasible.

It's suspected that RBCT members allowed Sasol in to scupper Coalex, fearing the additional 8 Mt-12 Mt which Coalex would have brought on to the export market would have depressed prices.

A new export facility, on a far smaller scale and aimed at a different market, is now being investigated for Richards Bay.

MacPhail chairman Sidney Weintraub says a possible export facility for lump coal — aimed mainly at domestic use in Europe and Turkey — is in the early planning stages. This would involve coal producers, probably some members of the former

Coalex consortium, though Weintraub says the feasibility of the export facility depends on a number of factors, including permission from the Richards Bay port authorities.

Sasol now has a 5,21% stake in RBCT, based on projected throughput of 58 Mt from the terminal in 1997, when the mining division plans to start exporting coal. The leading partners in RBCT are Ingwe (the merged Trans-Natal and Randcoal) with 41,3% and Amcoal with 24%.

Entry into the lucrative export coal market — the average spot price is around US\$36/t — could cost Sasol Mining at least R400m. That's the rough estimate mining analysts put on the capital cost of expanding capacity at the Twistdraai shaft at Secunda from 4,5 Mt to 8 Mt. The cost, not disclosed, includes the construction of a washing plant and rapid reloading system.

But Sasol Mining will probably be the lowest-cost coal exporter in SA. It has a guaranteed market for all the coal mined at Twistdraai — about 4 Mt of lower grade, middlings stream coal is sent to Sasol 2 and 3 for synthetic fuel and petrochemical production — and is therefore able to obtain a higher yield from the mine.

Apart from wanting to keep Coalex out of the export market, it also seems clear that Shell obtained a favourable deal by selling to Sasol. Of its allocation of nearly 7 Mt, Shell could provide only about 2,6 Mt of export-grade coal from its own production, buying the balance from other mines.

By selling Sasol most of the entitlement it could not provide, Shell is getting more than it would have by providing export coal to RBCT from other producers.

The medium-term outlook for coal exports remains bullish as long as the price can be sustained and does not move much above the present \$36. When it gets close to \$40, the large US coal producers may move into the export market (the US domestic price is more favourable at present), which would quickly result in overcapacity and a resultant drop in export prices. *Shaun Harris*

# Twistdraai export venture will create 400 jobs

Michael Urquhart

(215) BO 16/8/95

SASOL Mining's new R635m Twistdraai export coal project would create about 400 new permanent jobs and lead to foreign exchange earnings of about \$100m a year, coal division MD Johan de Vos said yesterday.

The first exports would be 1-million tons in the 1997 financial year, and would be built up to 3-million tons over the next two years.

A new vertical shaft system would be established. This would allow both

men and materials better access to orebody

De Vos said that the total production from Twistdraai would be 8,5-million tons, of which 4,2-million tons would be supplied to Sasol's synfuel process and 1,3-million tons would be discard.

The coal would be crushed and blended, and then the export coal would have to be separated from the stockpile

At present Sasol Coal produces 41-million tons of coal for use by Sasol

fuels and petrochemical factories

Sasol had acquired a 5,2% stake in the Richards Bay Coal Terminal from Shell SA, which had made it possible for the company to launch the export project.

De Vos said Sasol would be looking to expand its export sales, and was also investigating opportunities outside SA

There was a possible mining project in Indonesia which could be used to supply steam coal to the Japanese market, he said



# Sasol's coal venture to cost R635m

By ANDY DUFFY

STAFF WRITER

Sasol's long-vaunted entry into the coal export market would cost it about R635 million, the group said yesterday

The company said the upgrade at its Twistdraai colliery in Secunda would generate about \$100 million a year in foreign exchange and create 400 new jobs

Sasol Mining produces 41 million tons of coal a year for the group's fuels and petrochemicals operations and plans to begin

exporting steam coal by 1997

Most of the R635 million investment would be used to increase Twistdraai's annual capacity to 8,5 million tons from 4,5 million tons

The coal division plans to export 960 000 tons of coal in 1997, rising to three million tons by 1999. The extra costs include a beneficiation plant and buying a three-million-ton annual export capacity at Richards Bay Coal Terminal. Managing director Chris Cloete said the company had also talked to Indonesian and

Australian producers about exporting coal to Japan. Sasol has been keen to develop a coal export operation for some time and had pushed for the construction of a second coal export terminal.

Steam coal spot prices have risen sharply over the past year, and are pitched at about \$35 a ton.

Sasol Mining is expected to be among the lowest cost coal exporters in South Africa.

It already has a locked-in market for Twistdraai's output which should allow it to pursue higher yields from the mine.

CT(BR) 16/8/95 (215)

# Sasol details its coal export plan

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**Karen Harverson**  
reports on the details of  
Sasol's plan to enter the  
coal export market

**S**ASOL'S mining division this week released details of its R635-million plan to enter the coal export market through the expansion of capacity at its Twistdraai Colliery and its recent acquisition of a shareholding in the Richards Bay Coal Terminal (RBCT).

The coal export project, announced last year, was delayed until the company could handle its coal in a harbour terminal to handle its coal in June this year. Sasol signed an agreement to buy 5.2 percent of Shell's shareholding in the RBCT. Shell, along with coal producers Ingwe, Amcoal, Gold Fields, Total

Exploration, the Kangra Group, JCI and Duker Exploration are the shareholders in the RBCT. The RBCT is the largest coal terminal in the world and one of the most efficient. It has a design capacity of 60-million tons a year and expects to handle between 56-million and 58-million tons of coal this year. Without a share in the terminal, Sasol has effectively been excluded from exporting.

In 1991, along with other coal producers such as Anglovaal and Iscor, Sasol investigated the possibility of setting up a new terminal next to the RBCT but dropped the idea last year. The potential project, known as Coalex or South Dunes, has since been abandoned by the other players. Besides the purchase of its RBCT shareholding, Sasol's multi-million-pound plan also includes the expansion of capacity at its Twistdraai Col-

liery and the construction of a beneficiation plant. Twistdraai contributes 4.5-million tons of coal a year to Sasol's total coal production of 41-million tons, all of which is consumed by its syn-fuels plants. By expanding Twistdraai's production to 8.5-million tons an additional three million tons of high-quality coal will be available for export. About one million tons will be discarded as waste.

Besides export markets, coal division general manager Johan de Vos says Sasol will also look to supply the domestic market. "We have vast reserves which we plan to exploit if the markets are available," says De Vos. He says possible supply contracts could emerge from the Majuba project as well as from the potential demotion of power stations.

The expansion of Twistdraai is due for commissioning at the end of 1996 and an initial one million tons of coal will be exported in 1997. This will increase to three million by 1999.

"The export project will create 400 new jobs, earn R370-million in foreign exchange and contribute about R130-million to the gross geographic product of the Eastern Transvaal," he says. Of the 185-million tons of coal produced in South Africa, Amcoal produces about 24 percent, Ingwe (an amalgamation of Rand Coal and Trans Natal) produces 37 percent, Sasol produces 22 percent and the rest is supplied by small producers such as Iscor, Goldfields, Duker, JCI and others.

# Ingwe Coal cashes in on the strong world market

Michael Urquhart

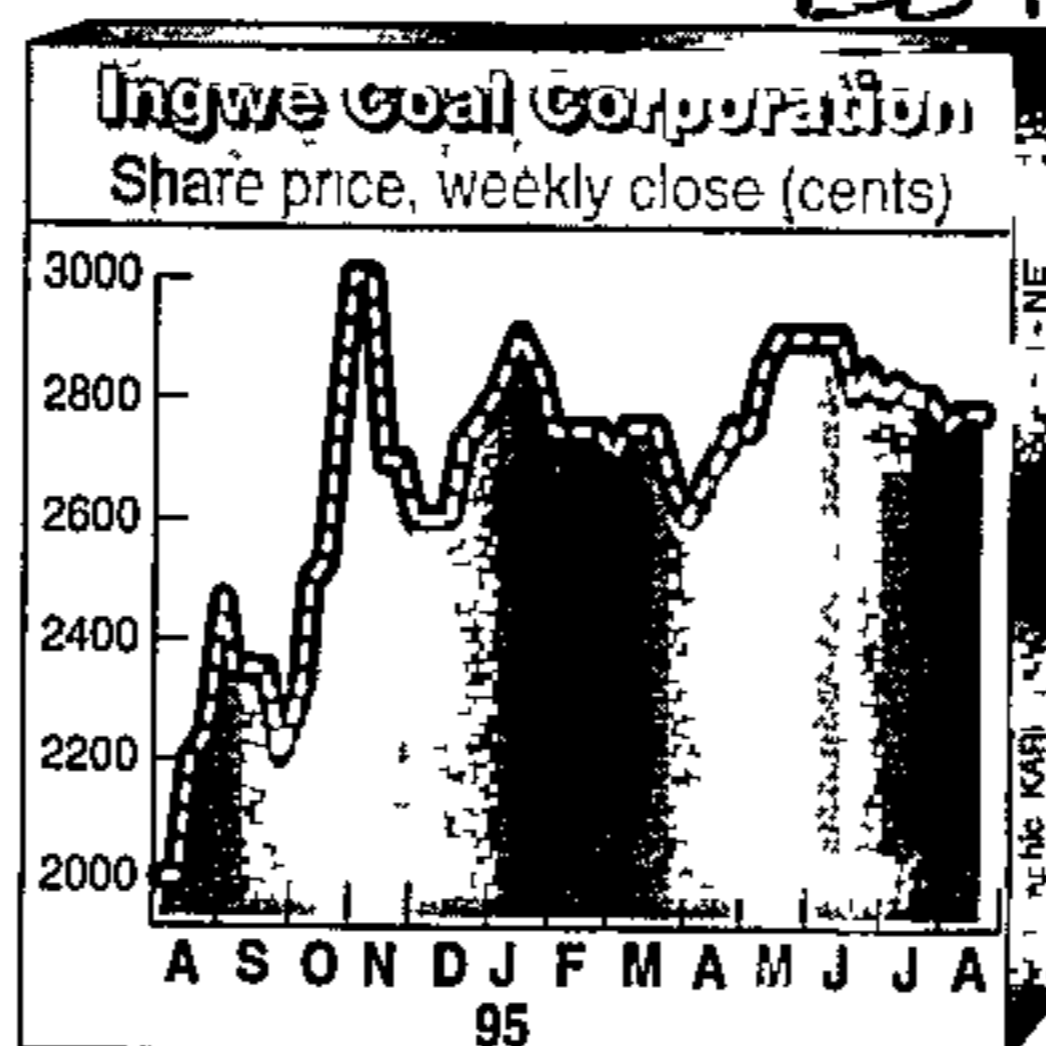
SA's largest coal producer, Ingwe Coal Corporation, took advantage of strong world steam coal markets to lift earnings to R249,2m for the nine months to end-June from pro-forma earnings of R188m for the year to end-September 1994

Chairman Dave Murray said the merger of Trans-Natal and Randcoal to form Ingwe was a success.

The merger had cost the group R18m in head office retrenchment costs, which had been taken below the line as an extraordinary item. Murray said benefits from the merger which were already coming through were head office savings, blending of coals and pricing advantages.

Another effect of the merger had been a R903m fall in retained income due to changes in accounting policies, with most of the decrease coming from a change in deferred taxation to the comprehensive basis. Also included was a R147m provision for medical aid contributions, and R76,2m from a change in environmental rehabilitation accounting

Murray said the good final six months which the group had reported



had largely been a result of high coal prices for the full six months in Europe and for a part of the time in the Far East as well. Contract prices had on average been 20% higher than in the previous year, ranging between \$29/ton and \$36/ton

He said 80% of Ingwe's coal was sold on long-term contract, but would like to see this increase to 90-95%.

Ingwe had also made up the reductions in tonnage caused by the derailments in October which had led the major SA coal producers to declare force majeure

Murray said the force majeure, which had been forced by unavail-

able delays in shipments, had enhanced the image of SA coal producers, as they had not reneged on any of their contracts. This had reinforced SA's reputation as a reliable supplier.

He said the export coal market should remain strong in the current financial year, with world demand likely to increase 15-million tons in 1996, hitting 300-million tons by the turn of the century.

Murray said the group's focus on expansion would be Indonesia and Australia. Drilling continued at the group's Bagara project, and he hoped a pre-feasibility study could be completed by the end of 1996.

Richards Bay Coal Terminal was also looking at expanding its capacity, from its current capacity of 60-million tons. Murray said no decision had been taken yet, but he expected RBCT capacity to be 70-million tons by the turn of the century.

Trans-Natal, which holds 51,5% of Ingwe, reported earnings of R153,5m for the year to end-June. It declared a final dividend of 55,4c, bringing the total dividend to 80,8c on earnings a share of 168,2c. Rand Mines declared a dividend of 82c, on earnings a share of 88,5c.

# Higher export prices for coal boost Ingwe earnings

BY ANDY DUFFY

STAFF WRITER

Ingwe, the coal company formed last year by Trans-Natal's merger with Randcoal, posted attributable earnings of R332,2-million for the nine months to June — a leap of 77 percent over last year

The merger, accounting changes and a switch in financial year-end skewed comparisons, but the company said the performance was underpinned by higher export coal prices

Turnover hit R2,36 billion, representing a 20 percent rise over last year's figure, while cost of sales at R1,8 billion rose by 14 percent over last year

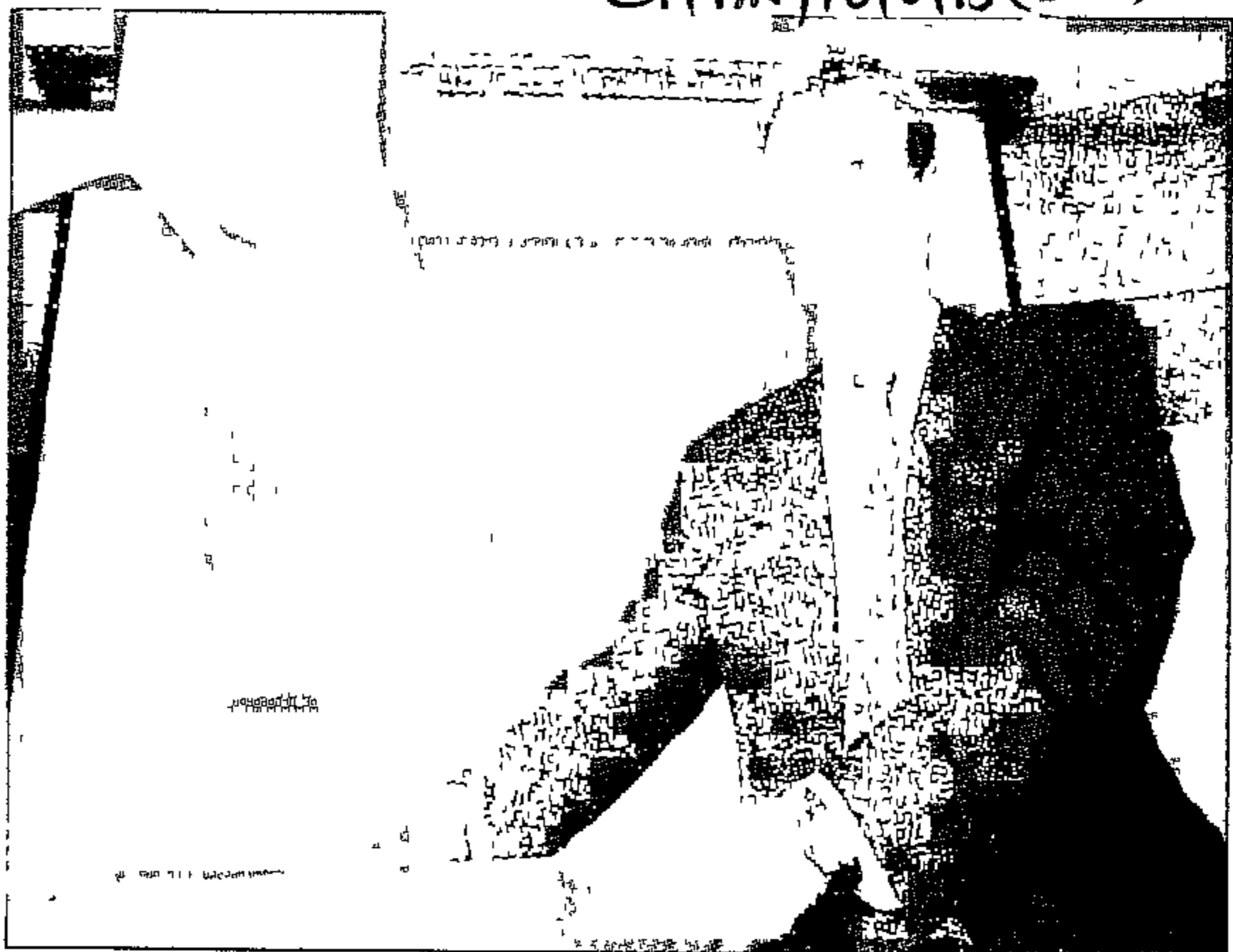
Higher export prices, particularly in the latter six months, lifted operating income to R577,3 million, against R547,5 million for the 12 months to September

Share earnings before extraordinary items — merger costs of R18,1 million — rose by 78 percent over last year to 116c. The debut dividend was set at 57c.

David Murray, the managing director, said it was difficult to pin gains on the merger, but the new company was progressing well

"Ingwe has been accepted in the coal industry. I think it has been a very, very satisfactory set of results. We can look forward to one, two, maybe three good years for coal."

The bulk of the income — R203,4 million — came in the latter six months



**COAL TO GOLD** David Murray, the managing director of Ingwe, at the announcement of the group's results

PHOTO JOHN WOODROOF

Derailments in the previous quarter had dented figures, but Ingwe had also exploited a 20 percent increase in coal contract prices — the first rise since 1990. The rand's devaluation had also helped

About 42 percent of the 17,8 million tons exported had gone into Europe, the bulk on long-term contracts, with 55 percent of the export tonnage heading into the Far East

Ingwe was expecting further earnings growth this year, Murray said.

Contract prices for this year had risen again, while sales to Eskom, Ingwe's main market, had also picked up

Trans-Natal, which has a 51,46 percent stake in Ingwe, lifted share earnings before abnormal and extraordinary items to 168,2c, against 124,8c last year. Its dividend rose just 0,8c to 80,8c.

ET (PM) 18/8/95 (215)

# MacPhail planing new terminal

50/9/95 (215)

Michael Urquhart

MACPHAIL Coal planned to set up a 2-million- to 4-million-ton coal terminal at Richards Bay to export sized coal, MD Paul McNaughton said yesterday.

The company, which had been a member of the aborted Coalex venture, hoped to be able to take a decision on whether the terminal would go ahead by the end of the year.

McNaughton said MacPhail had had talks with transport authorities, including Portnet and Spoornet, and had a conceptual plan for the terminal.

Spoornet had confirmed it had the railage capacity to handle the extra tonnage, he said. The Richards Bay port authorities were also positive about the project.

McNaughton said the terminal would target a niche market in sized coal. The Richards Bay coal terminal, owned by SA's major producers, did not deal with sized coal.

MacPhail would establish the terminal and would use about 20% of its capacity to supply its operations in the UK and elsewhere.

It would be open to all producers, McNaughton said. Some companies had already expressed an interest.

MacPhail was also involved in talks with two possible partners which had

relevant expertise and would help to fund the terminal.

Plans for a second terminal at Richards Bay were shelved last year when Sasol, a major partner in the Coalex joint venture, left Coalex after being offered a stake in the existing coal terminal.

The remaining partners had insufficient coal to justify the 8-million ton capacity terminal planned by Coalex.

McNaughton said the new terminal would be built on the site earmarked for the Coalex terminal. However, it would be smaller and less capital intensive, as the loading speed would be lower than was proposed for Coalex.

With lower volumes being loaded on to smaller ships, loading speed was not as critical in the design parameters. This would make it viable at the smaller tonnages envisaged.

McNaughton believed that an alternative terminal to the Richards Bay coal terminal, with no producer involved, would be welcomed by the authorities as there would be no conflict of interest when deciding who would be allowed to use it. The terminal would also allow the development of smaller deposits which currently could not be exported through Richards Bay and were not viable if they had to go through Durban or Maputo.

# Rights issue hits MacPhail

BY DEREK TOMMEY

CT (AM) 31/8/95

(215)

The coal distributor MacPhail increased attributable earnings by 39 percent in the six months ended June from R2,59 million to R3,61 million

However, owing to a more than 50 percent increase in the issued capital from 14,3 million to 22,1 million shares following a rights issue, earnings a share dipped slightly from 18,2c to 16,3c

An unchanged dividend of 5,5c a share has been declared.

Paul McNaughton, the chief executive, said the 39 percent rise in earnings was achieved in spite of unexpected additional costs following the change in the company's financial year to June 30.

The company was affected by the restrictive supply situation caused by the buoyancy of the export market for coal

In spite of the mild winter, cash sales to the domestic market — mainly through the company's Africoal network of black traders — had far exceeded expectations.

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# Coal producers considering expansion into Pacific Rim

**Michael Urquhart**

SA COAL producers are looking at offshore expansion in countries like Indonesia and Australia to place them closer to the growing markets of the Pacific Rim

Companies actively looking for opportunities in the region include Ingwe, Sasol and Iscor

Ingwe's new business director Sean O'Shaughnessy said Ingwe was looking at projects in Indonesia and Australia as part of its strategy of global diversification

Projects in the region would eliminate the disadvantage suffered by SA producers in terms of transport costs to the Pacific Rim markets, he said.

Although SA's geographical position favoured it in that it had access to the European and the Pacific Rim markets, it was also disadvantaged in that it was further

from these markets than those companies which supplied exclusively to one market

It currently cost SA producers about \$3 a ton more to transport coal to Japan than it did for Australian producers.

O'Shaughnessy said there were numerous opportunities in the Pacific Rim, but exchange controls meant there were problems getting the money to fund them

Some of the opportunities were from oil companies wanting to get out of coal. But he said there was a "chicken-and-egg" situation, with hard numbers on a possible acquisition needed to secure the money, and access to money needed to secure a proposition.

Ingwe would be keen to secure an existing business

Ingwe was also looking at greenfield projects, with the Toggara South project in Australia al-

ready being drilled. But once a project was given the go-ahead, it was extremely difficult to fund because of the negative cash flow for a number of years.

Iscor spokesman Neels Howatt said Iscor saw global diversification as an important part of its strategy. It had a prospect in Queensland which it was drilling.

But he said the main thrust of Iscor's overseas exploration was to supply its own needs for coking coal. As Iscor's SA production declined, its coking coal imports could rise as high as 1.5-million tons, he said. Any production above Iscor's own needs could then be sold into the Pacific Rim

Sasol spokesman Alfonso Niemand said Sasol had been involved in some exploratory talks overseas, but was concentrating on developing its Twistdraai export coal project

BDA/9/95 (215)

# Veil of secrecy over (215) 804/9/95 Ingwe Coal buy-out

**Louise Cook and Madden Cole**

A VEIL of secrecy has come down on negotiations in terms of which Gencor is believed to be poised to buy out Rand Mines' remaining 46% stake in Ingwe Coal Corporation.

A cautionary announcement on Friday, issued jointly by Gencor, Rand Mines, Trans-Natal Coal Corporation and Ingwe Coal Corporation warned shareholders that negotiations were in progress which may have an effect on share prices. Rand Mines' shareholders were told its "proposed unbundling" may be affected.

Rand Mines had previously announced it would not be possible to achieve a full unbundling of its interests in Ingwe without incurring a tax liability.

For this reason it would unbundle only about 75% of its shareholding. Any income arising from this would be covered by its assessed tax loss.

In August Rand Mines told shareholders it would publish details of its partial unbundling this month.

Reuters reported at the weekend that

Gencor could be ready to buy the Rand Mines 46% stake in Ingwe Coal Corporation in a multi-billion rand deal.

The report quoted stockbroking sources saying that it looked "possible" that Gencor might increase its stake in Ingwe. If the deal materialised, Gencor would probably buy out Rand Mines as an entity and not just the Ingwe shares, the report said.

Rand Mines chairman John Hall said yesterday an announcement on the deal could be expected later this week.

Gencor chairman Brian Gilbertson refused to comment.

Gencor, Trans-Natal Coal Corporation and Ingwe Coal Corporation director M Salamon said he was not in a position to talk about the matter.

Rand Mines director DT Watt said he was unaware of any deal involving Gencor and the Rand Mines stake in Ingwe.

Gencor owns 51% of Ingwe Coal, formed in October last year from the merger between Trans-Natal Coal and Randcoal. Ingwe Coal has 26-billion tons of coal reserves and is the world's biggest exporter of steam coal.



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# Coal buy-out mooted

Star 4/9/95 (215)

■ BY DEREK TOMMEY

A cautionary notice to shareholders issued jointly by Gencor, Rand Mines, Trans-Natal and Ingwe Coal stating that the companies were engaged in negotiations, triggered market speculation that a take-over bid for Rand Mines — possibly by Ingwe — could be in the offing.

The suggested motivation for the take-over was that it would increase the number of Ingwe shareholders, opening the way for Ingwe to raise additional capital. Ingwe, the country's largest coal producer, was formed last year through merging the coal interests of Gencor's Trans-Natal and Rand Mines' Randcoal. Rand Mines holds 46 percent of Ingwe and Trans-Natal about 50 percent.

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## Coal contracts almost finalised

Michael Urquhart

(215)

BO 5/9/95

SA coal producers are in the final stages of finalising contracts with Japanese and other Far Eastern customers, and are soon to start the next round of negotiations with European customers

Amcoal marketing director Roger Wicks said preliminary discussions for the European negotiations would probably start at the Coaltrans conference in Helsinki

An industry source said the Japanese negotiations had taken longer than normal because the SA producers had dug in their heels in an attempt to eliminate finally the political discount between the prices paid to SA and Australian producers

He said this discount had been narrowed by "a couple of cents", but was still about a dollar.

At its height from 1987 to 1991 this discount had been about \$3

shed more than 120 000 jobs

CJ(BR)19/9/95  
Productivity

cuts costs

(215) ~~(215)~~  
BY CHRIS JENKINS

SPECIAL REPORT

A major productivity drive by Richards Bay Coal Terminal has saved the company's shareholders R240 million in capital costs

Chris Crampton, the business affairs manager, said train turn-around time had improved by 55 percent, true gross loading rates by 41 percent, costs a ton handled by 12 percent and the disabling injuries rate by 65 percent.

He said that five years ago conditions for productivity had been poor. Productivity improvement programmes were launched and an enormous investment was made in training and development

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Long-term historically high

# Duiker acquires Tselentis Coal

Michael Urquhart

(215)

BO 3/10/95

DUIKER Exploration would acquire 100% of coal and anthracite producer Tselentis Coal for R131m in shares and cash, the Lonrho-owned coal producer announced yesterday.

The Tselentis acquisition would be settled by the issue of 1,5-million new Duiker shares, valued for the deal at R75 each, and R18,75m in cash.

Duiker also announced the purchase of the remaining 50% of mineral and property rights near Ogies which it owned jointly with Kangra.

Duiker MD Hugh Stoyell said the Tselentis acquisition would expand Duiker's share of the import and export markets without any new mine development in the future. Duiker could postpone the Goedgevonden colliery

development for another five years.

It would also lead to benefits from the merging of Duiker's Spitzkop colliery with the opencast operations at Tselentis's nearby Bothasrust colliery, and its Alpha anthracite mines with Tselentis's two anthracite mines.

The acquisition of the remaining 50% of the mineral rights near Ogies from Kangra would be paid for with the issue of 150 000 new shares. Duiker said it would increase its contiguous coal reserves in the Witbank area by 15-million tons. It also made the reserves north of Ogies financially viable to develop as a small mine. Duiker has undertaken to supply Kangra with 500 000 tons of coal for export.

Duiker planned to subdivide its shares on a ten-for-one basis and to change its name to Duiker Mining.

# Duiker to boost coal reserves and save cash

(215) ET(BR) 3/10/95

BY CHARLOTTE MATHEWS

INVESTMENT EDITOR

Duiker Exploration, the coal mining group in the Lonrho stable, has reached agreements with two companies that will increase its flexibility in exploiting its coal reserves and save cash in the short term, it announced yesterday.

The company is also proposing to change its name to Duiker Mining and split its shares on a ten-for-one basis to improve tradeability.

The larger of the two deals is the acquisition of the Tselentis Coal group of companies for R18,75 million in cash and 1,5 million new ordinary shares in Duiker, worth

about another R1 million.

Tselentis owns the Bothasrust colliery near Breyten, undeveloped coal reserves near Hendrina and Middelburg, and two anthracite mines — Heritage and Rustplaas — near Vryheid.

The Tselentis acquisition will give Duiker the necessary tonnage to participate in the expansion of the Richards Bay coal terminal to 69 million tons a year, without Duiker having to exploit the Goedgevongen colliery in the near future.

Terry Wilkinson, Duiker's chairman, told a press conference yesterday that the development of Goedgevongen, which would have

cost about R185 million, had now been deferred for up to six years.

The Tselentis deal would also lead to the rationalisation of Duiker's underground operations at Spitzkop colliery with the open-cast operations at Bothasrust colliery, and the rationalisation of Duiker's Alpha Anthracite mine with those at Rustplaas and Heritage.

The second acquisition is the remaining 50 percent that Duiker does not own of the mineral and property rights from Kangra near Ogies. The purchase price is 150 000 new ordinary Duiker shares — equivalent to R11,25 million at R75 a share — which can be increased by

another 25 000 shares subject to certain conditions.

Kangra will also have the right to subscribe for new shares in Duiker up to R46,5 million.

Duiker will supply Kangra with up to 500 000 tons of bituminous coal at export-related prices for an initial five years which can be increased for another five years.

The Kangra deal will increase Duiker's contiguous coal reserves in the Witbank area by an additional 15 million tons of bituminous coal and, more importantly, makes its other reserves north of Ogies financially viable for development as a small mine, with sales of about 1 million tons a year for 18 years.

DUIKER

(215)  
FM 6/10/95

## Buying coal capacity

**Duiker, now** Lonrho's coal industry flag carrier, may again have stolen an interesting march.

Announcing two acquisitions which, on the face of it, appear nondescript, chairman Terry Wilkinson shrugs his shoulders. "That's not much different from the way the market saw our purchase of Agip Coal" is his casual response.

The purchases are of Tselentis Mining, an independent unlisted producer, for what amounts to a price of R132,8m (R18,75m in cash plus 1,5m new Duiker ords) and coal rights and freehold from Graham Beck's Kangra Group for an effective R11,25m together with associated entitlements. Also, Duiker has announced a minor name change and a proposed share split in an effort to improve its notorious illiquidity.

In themselves, the numbers appear to leave a lot to be desired. Had the Tselentis purchase been in place for financial 1995, it would have reduced Duiker's EPS from 462,7c to 403,5c. The Kangra purchase would have knocked off another 5c.

But this ignores an immediate benefit. The purchase of Tselentis means Duiker can defer — at least for a while — the need to embark on a R185m capex expansion programme at its Goedgevonden Colliery if it is to keep step with likely export expansion capability at the Richards Bay Coal Terminal.

And, the way the deal with Kangra has been structured means that, when Duiker launches its inevitable rights issue, Kangra will come to the party for what looks like about a third. It will do so in terms of its

entitlement to subscribe for up to R46,5m of Duiker stock and that "could provide a significant proportion of Duiker's future capex requirements if this option is exercised," says Duiker MD Hugh Stoyell

The deal will take time to digest but Duiker's determination to stay abreast of the lucrative coal export business is instantly visible.

With all the indications pointing to continued growth in world steam coal demand, Duiker is right to make sure it hangs on to market share

*David Gleason*

# Gas unlikely to replace coal as prime power source

FROM REUTER

The use of gas for power generation in South Africa was made unattractive by the vast reserves of cheap coal in South Africa, an Eskom official said

But, in the longer term, there could be a place for gas power generation, Eskom senior general manager Mike Deats told the Africa Oil '95 conference last week

"The price of coal makes it difficult to get excited about other forms of power generation," he said, but added that "as time goes on the

potential for gas-fired power becomes more and more attractive to us"

Deats said it cost Eskom between R1,50 and R2,50 a gigajoule to run its numerous coal-fired stations on indigenous coal

Thus compared with an estimated cost of R8 and R12 a gigajoule of energy from gas-fired stations

Eskom's coal-fired power stations are supported by coal reserves amounting to some eight billion mineable tons

Each station can look to a coal supply life in excess of 40 years

CT (32) 17/10/95 (215)

and in some cases up to 50 or 60 years, he said

These reserves support Eskom's sent-out capacity of some 35 000 megawatts

The relatively low reserves of gas, the fact that most of it would be imported to South Africa from Mozambique and Namibia and its poor potential for job creation meant Eskom was unlikely to use it for electricity generation while coal reserves were still available, he said

Gas reserves at the state-owned Mossgas could potentially support a 350 megawatt power station,

Mozambique's Pande fields could support a power station with capacity of more than 800 megawatt and the Kudu fields in Namibia could produce a further 2 000 megawatt station, he said

Deats said he had held discussions with Enron, the producer and marketer of the Pande field, and Shell, which has a controlling share of the Kudu field

He said existing coal-fired station capacity would meet new demand, assuming growth in demand of between 3 percent and 3,6 percent a year until 2000



JULIE WALKER  
DIAGONAL STREET

# Duiker pays a small price for a fortune worth of coal

ST (BT) 8/10/95

(215)

**DUIKER** Exploration completed a smart pair of deals this week in buying Tselentis Coal and mineral rights from Kangra

Duiker issued 1,5-million shares notionally valued at R75, plus R18,75-million cash for Tselentis. Duiker currently has only 14,4-million shares in issue so will have fewer than 16-million after the deal — a mere 11% more and a small price to pay in terms of dilution.

The small print in the announcement says that had the Tselentis acquisition been in place for the 12 months ended March 1995, Duiker's tangible net asset value would have been 1 995c instead of 1 423c, indicating a handsome discount.

Admittedly, earnings in that period would have been 59c lower at 403c a share, but Tselentis was making a loss then.

Hugh Stoyell, Duiker's managing director, says Tselentis has made a profit for the last few months.

"There were problems at its anthracite mines which have now been solved," says Mr Stoyell. "Tselentis made profits until 1994's R3-million loss and this year's R2,4-million."

Duiker, a Lonrho company, operates collieries on the eastern Highveld, an anthracite mine at Vryheid and at Piet Retief (dormant), where there is also a gold mine.

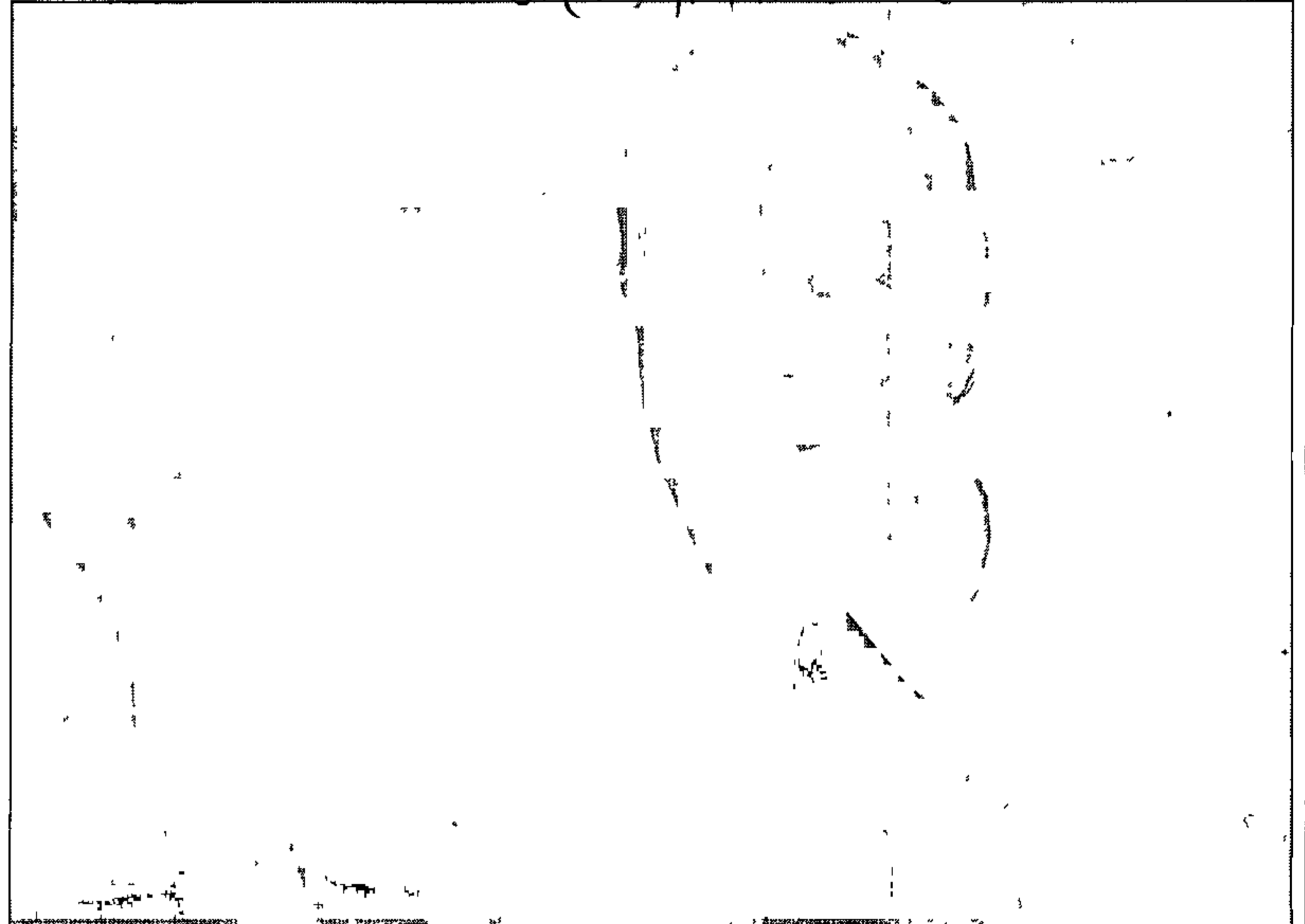
Tselentis owns the Bothasrust bituminous coal mine near Breyten, Mpumalanga, and has undeveloped reserves near Hendrina and Middelburg as well as two anthracite collieries near Vryheid.

Operation of the Duiker group's anthracite collieries will be rationalised. So will the Bothasrust pit with Duiker's Spitzkop and Strathrae mines.

However, the biggest prize is the deferral of proposed operations at Duiker's Goedgevonden colliery near Witbank. Bothasrust is being expanded and its acquisition means Duiker will be able to fill its allocation at the Richards Bay Coal Terminal should the terminal be expanded from 60-million

60-million tons a year.

Can the cost of establishing Goedgevonden be estimated? Certainly it would be far in excess of the R130-million paid mostly



**ASTUTE** Terence Wilkinson, Duiker's chairman, who awaits big benefits from the Tselentis deal

in scrip for Tselentis.

Duiker also announced a parallel deal to buy mineral rights from Kangra, which holds the coal interests of mining entrepreneur Graham Beck. Kangra has been granted the right to subscribe for R46,45-million worth of Duiker shares, furnishing a good whack of future capital expenditure requirements. Duiker had R75-million net cash in hand at the March 1995 interim.

Duiker has secured the right to supply Kangra with 500 000 tons of coal for export via Kangra's existing RBCT allocation.

It has also bought Kangra's half-share in mineral rights at Oogiesfontein. Duiker acquired the other 50% share when it bought Agip two years ago. The purchase boosts Duiker's Witbank coal reserve by 15-million tons.

The settlement is 150 000 Duiker ordinaries of R75 with the rider that if Duiker drops below R70 for longer than 30 consecutive days another 25 000 shares will be issued. This is provided that the seller does not dispose of any of the 150 000 in the next 12 months. Duiker added 400c to R80 on Thursday.

Since it is already making two corporate announcements, Duiker has decided to go for a quartet. The shares are to be split into 10, and the name is to

be changed from the "misleading" Duiker Exploration to Duiker Mining. I pointed out that Vaal Reefs still has "Exploration" in its name, Mr Stoyell said he would have a word with them.

Lonrho has about two-thirds of Duiker, which is hard to trade in. The split is intended to improve liquidity. Mr Stoyell says a comparison cannot be made with Lonrho Sugar's split because the sugar share is

almost untradeable.

The coal market looks promising. The quantity of steam coal shipped around the world is set to rise by half to 300-million tons a year by the end of the century. Previously a mainly spot-market trader, Duiker now sells about 60% of its 3,5-million tons of export coal on long-term contracts, Mr Stoyell says. The risk is easier to bear.

Challenged on the unexciting nature of the Tselentis deal, Terence Wilkinson, Duiker's chairman, ripostes that Agip was unexciting too at the time.

"Almost two years ago to the day we sold out of our joint venture with Anglo American in Freegold and put the proceeds into Agip. It was rather astute timing." It was Duiker shares were as low as R12,25 only two years ago. If the Agip trick can be repeated, the price won't bother R70 again.



## COMPANIES

# SA coal exporters snub govt plans for Maputo port

BD 18/10/95

(215)

Nicola Jenvey

DURBAN — SA's two major coal exporters, Amcoal and Ingwe, have turned their backs on the SA government's plans to expand the Gauteng-Maputo railway line, claiming government had still to "greatly improve" coal export facilities in Maputo.

Amcoal and Richards Bay Coal Terminal chairman David Rankin said yesterday that there were Mpumalanga coal deposits which would benefit from exporting through Maputo. However, the company already had "very good" facilities at Richards Bay.

Amcoal had made significant investments in the terminal and had developed the facility to meet its needs. This included developing the mines en route as well as developing the railway line itself and expanding the Richards Bay

coal terminal.

"Richards Bay is an efficient, competent terminal and Maputo would have to be significantly upgraded before we considered transferring exports through that port," Rankin said.

He said the port currently lacked the ability to stock necessary tonnages or to cater for the size ships required. Amcoal loaded 150 000-ton ships.

Ingwe international marketing manager Johan Strydom said the company had "no real interest" in Maputo as it had sunk a vast investment into Richards Bay.

"It will be years before the governments (of SA and Mozambique) can develop Maputo to the level required and we are not paying much attention to the rumours," Strydom said.

Profitable exporting required volume movements and Strydom

said the 150km difference between exporting out of Richards Bay versus Maputo would take a long time to pay off against the investment already sunk into Richards Bay.

However, he did believe smaller coal mining companies that had not invested in Richards Bay would make use of the upgraded railway link.

Department of trade and industry spokesman Ismail Lagardien said the plans to upgrade the railway link were twofold. Besides offering a shorter exporting distance, Maputo could ease pressure on Durban.

"Expanding Maputo forms part of an overall regional industrial and developmental policy. If we do not develop regionally and create jobs elsewhere at the same time as in SA, controlling illegal immigration becomes difficult," he said.

# Higher prices lift Duiker earnings

BD 27/10/95 (215)

Michael Urquhart

LONHRO-owned coal producer Duiker Exploration lifted earnings 63% to R91,6m for the year to September, led by higher prices and increased production from both its bituminous and anthracite operations.

Turnover rose 28% to R450,8m, with bituminous production increasing 300 000 tons to 7,2-million tons, while average prices increased 26%. The higher prices, particularly in the export market, lifted the operating margin to 31,7% from 23,9%.

A final dividend of 180c was declared, bringing the total for the year to 250c (120c) on earnings of 634,6c (390,9c) a share.

The Ermelo collieries had increased saleable production by 16% to 1,9-million tons, while a concentration on higher-grade products at the Tweefontein collieries saw production fall 8%, although the higher-grade products resulted in better prices.

The improved results for the bituminous mines were marred by

high cost increases, where lower yields and above inflation wage settlements saw the average unit cost of sales increase 15,5%.

The anthracite mines continued to make a loss, but Duiker MD Hugh Stoyell said the loss had been reduced "quite substantially", with the average unit price increasing 14,1% while average costs increased only 4,1%.

The Klipwal Gold Mine had lost R2,1m, with a hostage incident in January leading to a reduction in the workforce.

Stoyell said recovery from this had been protracted, and normal operations were only restored in September. Spending on capital projects had doubled to R59,7m, from the previous year's R29,4m, with spending on coal mining equipment and extensions to coal beneficiation plants.

Capital had also been spent on buying mineral rights and shaft sinking at the Klipwal gold mine. The higher profit saw the group's tax bill jump more than 50% to R47,3m, compared with R31,2m in the previous financial year.

MENT

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# Amcoal's future 'looking good'

(215) CT(MR) 5/10/95

FROM REUTER

Johannesburg — Anglo American Coal Corporation (Amcoal) profits should soar when it announces half-year results on Thursday, reflecting the current buoyant coal market, analysts said

"Things are looking particularly good for Amcoal," said Dean Cunningham, an analyst at Fergusson Bros, Hall, Stewart & Co. He forecast earnings a share for the six months ended September 30 of 90c versus 64c for the same period last year. A dividend of 25c was likely to be declared versus 18c previously, Cunningham said

Another analyst, who asked not to be named, said Amcoal was

enjoying a good run which looked set to continue for quite a while

"This is an improvement in earnings of 39 percent to 40 percent and an improvement in dividends of 39 percent," Cunningham said.

He said the upswing in Amcoal's results was mostly due to an improvement in the spot coal price, which had surged to a current \$32-\$33 a ton from \$25-\$27 in first half 1995. "And demand is seen continuing," Cunningham said

### Tight

In the local market, supply was very tight and demand would continue to grow from electricity supplier Eskom as well as from RDP-

related industries, analysts said

The outlook for the coal export market was positive with the coal price expected to firm, they said. "There is a global demand for electrification," Cunningham said, adding that 20 to 25 new coal-burning power stations were due to come on line in the Asia-Pacific region in the near term

He said the three key economies in the coal market — US, Europe and Japan — would be moving into a "synchronised recovery" in 1996.

Amcoal posted a final dividend for the year ended March 31 of 48c, making 66c versus 50c previously, and earnings a share (before abnormals) of 1 547,1c versus 1 015,1c for the previous year.

# Amcoal earnings almost double

Madden Cole

(215)

BD 3/11/95

ANGLO American Coal Corporation (Amcoal) almost doubled attributable earnings to R323,4m for the six months to September after improved volumes and the main benefits of increased export prices boosted the bottom line.

Earnings a share showed a corresponding increase to 1 283,6c (643,7c) and a dividend of 300c was declared.

Shareholders would be offered a

capitalisation share, award alternative to the cash dividend.

"The results speak for themselves," chairman David Rankin said yesterday. Profitability was buoyed by improved dollar export prices, higher volume of export sales and the slightly weaker rand/dollar exchange rate.

An analyst, who declined to be named, said the results were better

Continued on Page 2

## Amcoal

(215)

BD 3/11/95

Continued from Page 1

than the market had expected, with the sharp increase in sales volumes and the full effect of contract prices coming through in the review period.

A relatively stable year in labour relations further helped the interim period's results.

Sales to Eskom increased by 2,1-million tons to 16,8-million tons, and export sales rose 543 000 tons to 7,2-million tons. Total sales of coal and coke were 2,5-million tons higher at 25-million tons.

Improved sales saw turnover move up a third to R1,4bn (R1,1bn), resulting in an operating profit after amortisation and depreciation of R426m (R237,4m). Interest and investment in-

come saw a 127,7% increase to R88,7m.

With the 86,5% improvement in pre-tax profit to R510,8m, taxation at current rates was pushed up to R187,4m (R111,89m).

Capital expenditure showed a significant increase to R72,3m (R25,3m), while capex commitments were R305,5m (R24,8m).

MD Ken Trueman said a flattening of price increases for export coal were expected for the next financial year, but increases should be satisfactory.

Rankin said with cash resources of R1,2bn the group was in a position to take advantage of suitable expansion opportunities locally and overseas.

He said sales revenues were expected to continue at similar levels in the second half, and he forecast little change in earnings, assuming that the rand/dollar exchange rate remained largely unchanged.

# Afcol feels pinch as demand drops

Yuri Thumbran

SLACK private consumption expenditure knocked furniture manufacturing group Associated Furniture Companies (Afcol) in the six months to September, with attributable earnings edging up only 9% to R25,1m

The SA Breweries subsidiary lifted earnings a share 4% to 95,9c after dilution following the previous financial year's capitalisation awards

An interim dividend of 48c (46c) was declared, with shareholders being offered a capitalisation share award.

Weak demand restricted growth in turnover to R538,2m (R516m), while trading profit came in at R32,9m (R31,1m)

Dividend income slipped to

R1,5m from R4,4m in the same period a year before. Financing costs amounted to R5,1m (R4,2m), and the tax bill was virtually static at R10,8m (R10,7m)

Equity-accounted retained earnings improved to R7,1m from R2,6m in the previous period

After a seasonal increase of R48m in net working capital needs and capital expenditure of R13m, gearing accounted for 12% (17%) of shareholders' funds

Deputy chairman Tom Eccles said estimates of private consumption expenditure on durable goods showed that spending on furniture products at retail level had fallen more than 7% in real terms from the comparable period a year ago

"Consequently, Afcol experienced weak demand in a most

competitive market, with sales and order levels below expectations," he said. However, the rate of order inflow had improved

Stringent cost control measures had helped Afcol to maintain its trading margins.

Eccles said the group had experienced an "exceptionally high" level of order cancellations and returns in the second half of the previous financial year, and this was not expected to recur.

The immediate outlook for furniture demand remained uncertain, although the benefit flowing from an acceleration of housing starts would have a positive influence in the medium term, he said

In the short term, if the inflow of orders was sustained, the group should achieve satisfactory results for the year

BN 3/11/95 (215)

# Amcoal's earnings soar 99% (215)

By DEREK TOMMEY

CT(MR) 3/11/95  
Johannesburg — Coal producer Amcoal increased its attributable earnings by 99,4 percent in the six months ended September to R323,4 million, equal to 1283,6c a share from R162,2 million or 643,7c a share in the six months ended September last year

Shareholders will have the choice of receiving capitalisation shares or an interim dividend of 300c a share — an increase of 66,7 percent on the 180c paid a year ago

Chairman David Rankin said the company was moving towards a one-third dividend payment at the interim stage and a two-thirds dividend at the final stage

He expected Amcoal to repeat its first-half earnings in the second half of the year.

He said sales to Eskom rose by 2,07 million tons to 16,78 million, while export sales rose by 543 000 tons to 7,16 million tons

Coal and coke sales totalled 25 million tons, an increase of 2,5 million tons on a year ago.

Improved dollar export prices, the higher volume of export sales and the slightly weaker rand to dollar rate had resulted in improved export profitability

Profit on domestic sales also increased while the Verref division reported significantly improved results. Operating profit after amortisation and depreciation increased by 79,4 percent to R426 million.

Interest and investment income on the company's huge cash holdings rose by 127,7 percent to R88,7 million.

At September 30 Amcoal had R1,2 billion in deposits and cash

Rankin said that Amcoal had the contract to provide coal to Eskom's next power station.

Starting a new coal mine to meet the needs of this power station, however, could require an investment of up to R2 billion

Managing director Ken Trueman said that Amcoal was continually looking for new prospects but none seen so far had met the company's criteria. These were a long life, costs in the lower quarter of the cost curve and an acceptable return.

Exports through the Richards Bay Coal Terminal were expected to reach 57 million tons this year and there was a possibility of increasing them to 60 million next year

# Far East seen as future market for coal exports

(215) ~~215~~  
Michael Urquhart

BD 7/11/95

RAPID industrial growth in the Far East and subsequent demand for power would see this market surpass Europe as the most important destination for SA's export coal, industry sources said yesterday.

This was despite a collapsing European coal industry, which meant European countries would have to increase imports as production from their heavily subsidised industries fell.

Shell Minerals MD John Drayer said the SA coal market was known to supply the greater portion of its export production to the European market, but improved economic growth and demand for power generation in the Far East was shifting the balance of exports to that market.

But an industry source said exports to the Far East would exceed those to Europe only over the long term.

The fact that the coal industry in Europe was running down meant there would be calls for more imports, he said. But while this would slow down the shift of the balance of exports, it would not reverse it.

Mathison & Hollidge analyst Mark Chivers said the world seaborne steam

coal market amounted to 220-million tons last year, and this was likely to increase to 320-million tons by the turn of the century.

Adding to the increase in exports was the dropping of coal industry subsidies in Germany, where about 40-million tons of annual production was subsidised. A similar trend in other European countries would see them also having to increase imports.

The UK had changed its laws governing the coal industry to allow its power generator to start importing coal from the cheapest source.

Growth areas in the Pacific Rim included countries such as Malaysia, Korea, India and possibly China.

Chivers said SA was ideally placed to service both the Pacific Rim and European markets, while the rapid growth in steam coal trade, combined with relatively low stock levels, would benefit the coal price.

The past two years had seen the spot coal price move from a low of \$19/ton to more than \$35/ton.

The market's strength could mean further price increases, although it was generally accepted that a level of \$40/ton would bring in new production, which could put a cap on prices.

# Ingwe application to reduce share premium successful

Ingwe  
SD 22/11/95 (215)  
Michael Urquhart

INGWE Coal applied successfully to the Transvaal Supreme Court yesterday to cut its share premium by R1,3bn, while its holding company Trans-Natal applied for a reduction of R537m.

Group manager corporate finance Graham Botha said the reduction in share premium would be done to remove goodwill from the balance sheet. The goodwill arose from the merger of Randcoal and Trans-Natal which resulted in the formation of Ingwe.

Ingwe had created goodwill when it issued shares to acquire the operations of Trans-Natal. Trans-Natal issued shares to increase its stake in Randcoal.

The goodwill represented the difference between what the companies had paid for the assets acquired during the merger transac-

tions and their historical book value. The transaction would not go through the income statement.

Botha said the move was in line with the accounting policies of both Trans-Natal and Ingwe, which stated that any increase in goodwill brought about by the issue of shares would be written off the share premium.

The merger created a R5,5bn group which is the world's largest exporter of steam coal.

In terms of the merger, Randcoal took over all Trans-Natal's operations, in exchange for which Trans-Natal shareholders received 108 Randcoal shares for every 100 Trans-Natal shares. This left Trans-Natal as the largest shareholder with 49,1% in Randcoal, subsequently renamed Ingwe. An offer to Ingwe minorities had increased Trans-Natal's stake to 51,5%.



# Talks on upgrading of coal corridor

Michael Urquhart (215)

THE SA and Mozambican governments had formed a working group to look at the upgrading of the corridor between Witbank and Maputo, sources said yesterday.

Tommy Mohajane, representing the Industrial Development Corporation on the working group, said yesterday discussions were at an early stage.

He said the working group consisted of the Mozambican government, the corporation, trade and industry and transport depart-

ments, Development Bank of SA and other parastatals. The group was chaired by transport director-general Ketso Gordhan.

The aim of the process was to encourage manufacturers to use Maputo rather than Durban or Richards Bay, in an effort to encourage economic development of the region. An important element of this would be increasing coal exports through the Mozambican harbour. However, this would require upgrading of the railway line and the harbour to make it competitive with Richards Bay.

Mohajane said the group would bring in the private sector at a later stage.

Because of cost, Maputo currently drew only a small percentage of total coal exports from SA.

Coal industry sources said the fact that the Richards Bay coal terminal had a dedicated railway line, better handling facilities and the ability to handle bigger ships gave it a competitive advantage over other ports. This advantage applied even though Maputo was a shorter distance from some Mpumalanga coal mines.

# Amcoal earnings boost Anglo results

(215) BD 29/11/95

Michael Urquhart

IMPROVED contributions from all its major divisions, with the exception of gold, saw mining finance house and industrial conglomerate Anglo American lift total net earnings 25% to R1,95bn for the six months ended September.

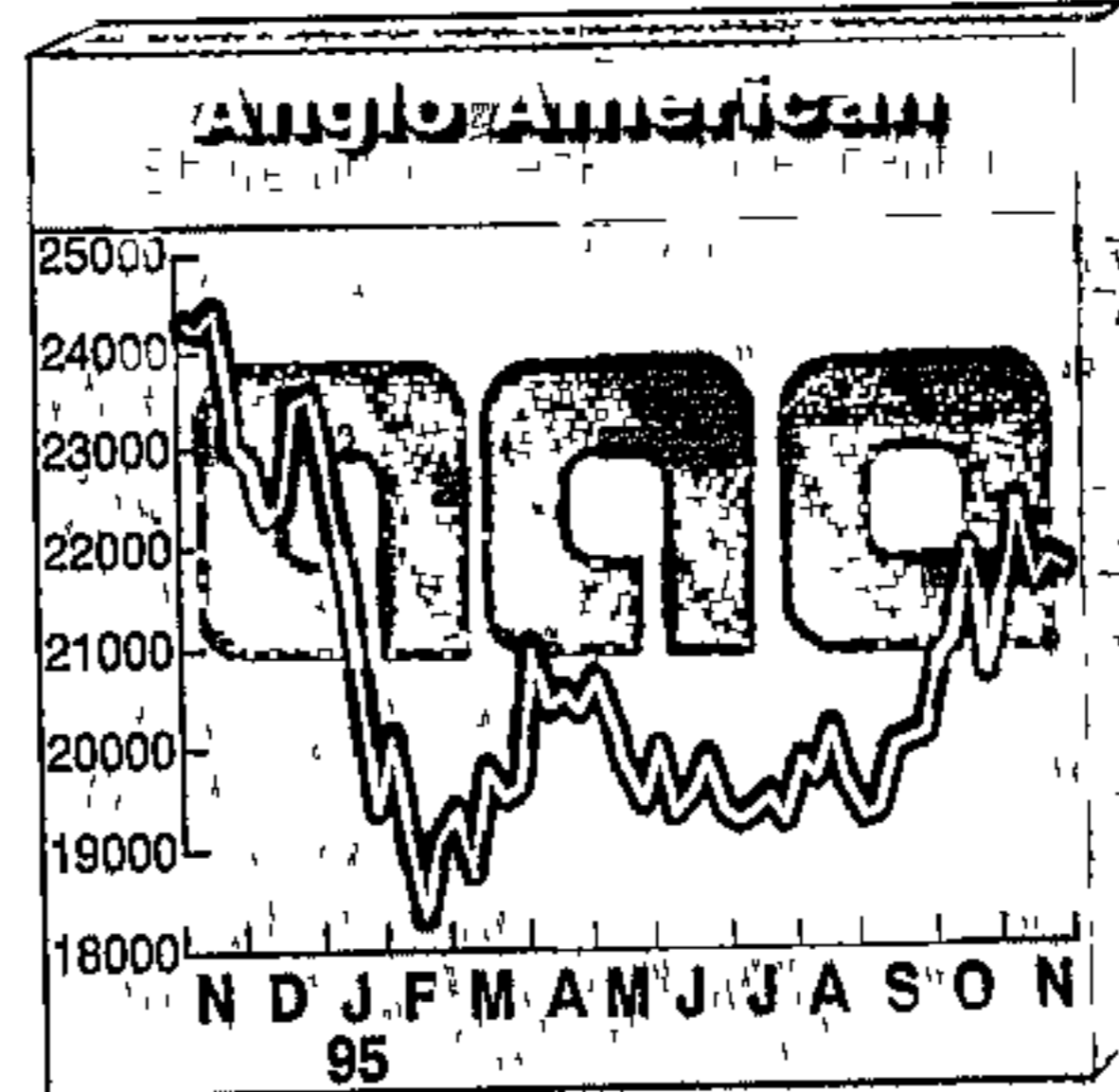
The poor performance of the gold mining sector meant attributable earnings increased only 19% to R961m, but this was offset by a 32% jump in retained earnings of associates to R991m.

An interim dividend of 130c (110c) was declared on attributable earnings a share of 412c (346c).

Amcoal, which nearly doubled earnings for the period, was one of the major contributors to the improved results. Minorco and Amic also substantially improved their performances.

Despite the poor showing of the gold mining sector, Anglo chairman Julian Ogilvie Thompson came out in favour of the mining house system.

It would be retained at Anglo but a review was being conducted to ensure



services provided to mines added value, he said.

Other strategies to improve profitability of the division included downsizing, particularly at Freegold, and a "cautious expansion" of the hedging programme. He said there was a possibility of joint ventures between Anglo and Minorco, and Amcoal and Minorco,

Continued on Page 2

## Anglo

Continued from Page 1

but did not name particular projects.

Anglo also announced a R117m investment by Amic in a facility to produce safety syringes, as a first step into the medical consumables and equipment market and possibly in alliance with an international medical group. The syringes reduced the risk to health care workers of needle stick injuries.

Better dividends from Minorco, Amic and the platinum mines, combined with lower dividends from gold, saw income from investments creep up 8% to R897m. But trading income was given a substantial boost by Amcoal, which

saw it increase to R459m (R265m).

Net interest, helped by interest on Amcoal's R1bn cash pile, increased to R144m (R56m).

Surplus on realisation on investments dropped to R101m (R149m) after taking a R160m knock from the loss related to the liquidation of Soda Ash Botswana. Although full provision had been made for this loss, this provision was being maintained until it was reviewed at year end.

Higher profit at Amcoal saw the group's tax bill climb R100m to R242m.

After providing for the dividend, the group's net asset value increased 7% to R60bn, giving a NAV per share of R256,12. The share closed unchanged yesterday at R218, representing a discount to NAV of 14,9%.

# NEWSMAKER

## Ingwe's new boss fired up by coal and youthful energy

(215) ST (BT) 3/12/95

MICK DAVIS, Gencor's financial director and the newly appointed executive chairman of Ingwe Coal, concedes that he has achieved much in a short time.

His rise through the corporate ranks has been swift. After graduating from Rhodes University with a B Comm (hons) CTA in 1979, he completed articles at Peat Marwick, joined Eskom in November 1986 and in 1988 became its executive director of finance at the age of 30.

In 1993, when Ian McRae retired as chief executive, Allen Morgan was chosen ahead of Mr Davis as Mr McRae's successor, prompting Mr Davis's sudden resignation.

Job offers were not hard to come by.

"Brian Gilbertson (Gencor's chairman) offered me the position of financial director and I said I would accept provided he gave me something else to do."

He was appointed chairman of Trans-Natal, Gencor's coal subsidiary at a time when Gencor was trying to buy Randcoal. Last year the two were merged to form Ingwe Coal.

"With Randcoal came John Hall and all his experience and expertise, and he put the two companies and two cultures together. I stayed

**MICK DAVIS, 37, executive chairman Ingwe Coal and financial director Gencor**

**EDUCATION:** Theodor Herzl High School, Port Elizabeth; Rhodes University  
**PREVIOUS EMPLOYER:** Eskom

on as chairman of the holding company, but will now take a more executive role with his retirement."

Ingwe will be run along the lines of US companies, which divide their operations and strategic functions.

Dave Murray, managing director, will be responsible for operations while Mr Davis will focus on Ingwe's strategic direction and gear it for growth.

Mr Davis will divide his time between Gencor and Ingwe.

"I would not want to give up the financial job at Gencor because I want to be part of the growth of the group. Gencor's future will largely be through growing internationally," he says.

Coal has huge growth potential both locally and internationally.

"It is the only commodity I know of where demand has increased continually."

Mr Davis says demand will grow further, by up to 50%, on the back of demand from the Far East and the fact that Europe's consumption of steam coal will have to be supplemented by imports.

Ingwe benefits from its long-term contracts with Eskom for low-grade coal and has a significant export base, which is sold at a higher margin.

Ingwe's focus is on securing new coal reserves offshore, says Mr Davis.

"In South Africa, new high-quality export reserves are in short supply, so if we want to continue to show real growth in the next century we will have to find reserves in countries like Australia, Indonesia or Malaysia. Plans for these initiatives must be put in place now."

"As the largest steam-coal exporter in the world, Ingwe is in a good position when setting a

price," Mr Davis says.

"We would like to maintain that position and, over time, we won't be able to do that out of SA reserves alone."

Mr Davis is married to Barbara, an attorney, and the couple has two daughters.

He plays golf and, occasionally, squash. He reads and is "passionate about opera." He loves eating and is "a pretty good cook."

With a past as full as his, it is difficult to think of the future.

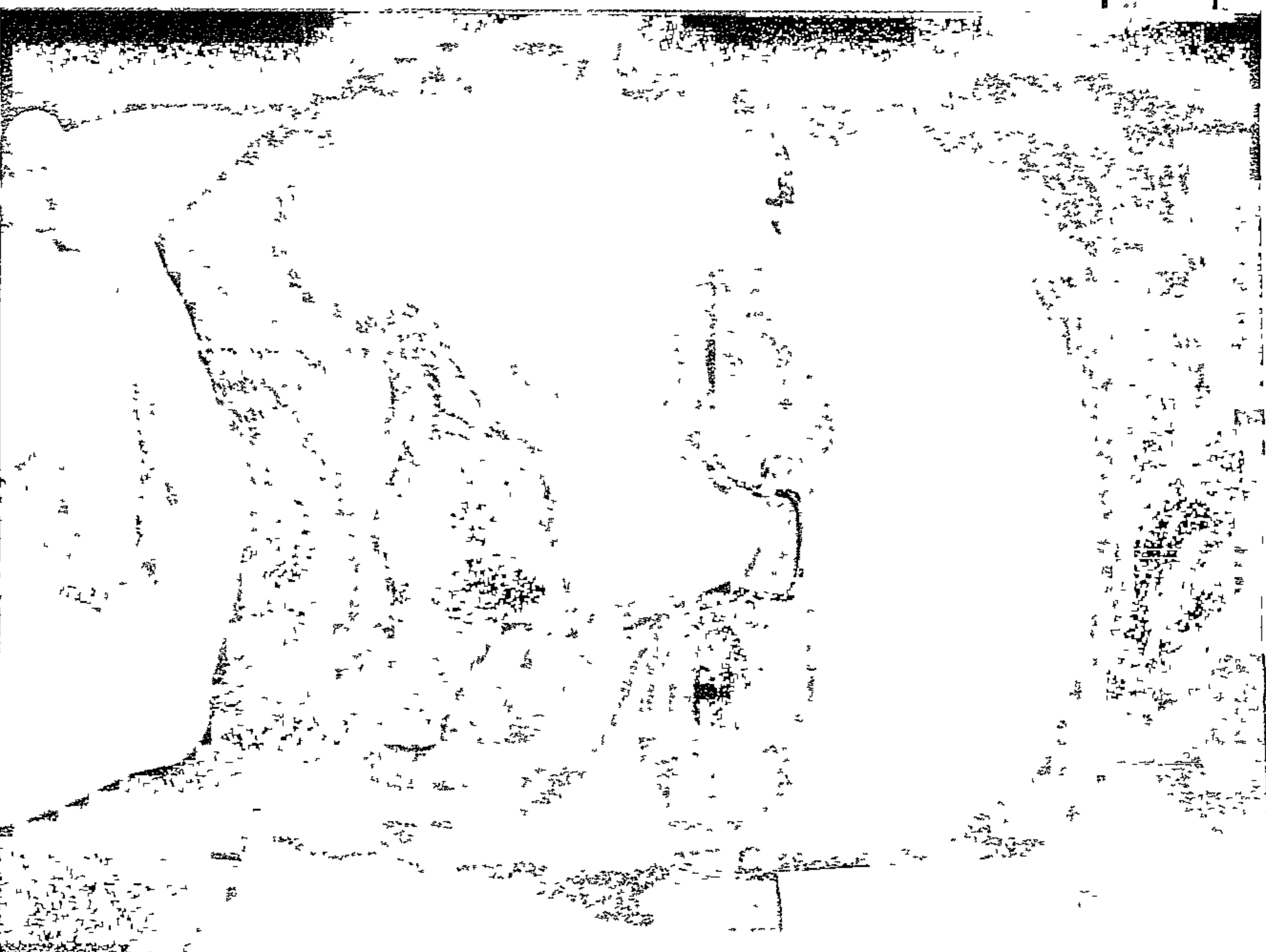
"I have got to where I am quickly, and this makes it difficult to think forward over the next 40 years."

"But I like the stress and the pressure of work. I guess what I want is to be in a position where I can choose to do purely what interests me."

Mr Davis believes that an entrepreneur can flourish within a large corporate environment.

"In the large corporate environment there is a sense of power in working with large resources. Gencor has a young, entrepreneurial management which is continually pushing the limits — for me a good reason to be part of its future."

**Marcia Klein**



EARLY

NER Mick Davis

Picture CATHY PINNOCK



**IN THE BLACK** Raising the flag at the conclusion of Duiker Mining's acquisition of Tselentis Coal are Terence Wilkinson, chairman of Duiker Mining; Babis Tselentis, chairman of Tselentis Coal; and Hugh Stoyell, the managing director of Duiker Mining PHOTO JOHN WOODROOF

# Duiker concludes Tselentis coal deal

~~215~~ (215) CT(BR) 4/12/95

**STAFF WRITER**

Johannesburg — Duiker Mining concluded the formalities on Friday for the acquisition of the Tselentis Coal group of companies. The acquisition was announced at the beginning of October.

In terms of the deal, Duiker Mining acquired the interests of the Tselentis group for R17,5 million cash plus 15 million new Duiker shares.

The acquisition will add capacity of about 400 000 tons of

anthracite and 1,1 million tons of bituminous coal a year to Duiker's production.

Hugh Stoyell, the managing director of Duiker Mining, said this would increase Duiker's output by 18,9 percent to roughly 9 million tons a year, ensuring earnings growth over the next few years.

The Tselentis mining interests include the Tselentis bituminous colliery at Breyten, the Heritage and Rusplaats anthracite mines near Vryheid and some undeveloped bituminous reserves

near Hendrina and Middelburg.

"The deal has many advantages for both Duiker and Tselentis with substantial synergies emerging," Stoyell said.

"We are now able to rationalise the opencast operations at Botharust with our underground mines at nearby Spitzkop to make better use of our assets and benefit from economies of scale."

He said the acquisition ensured the continued employment of all the people of both groups and enhanced career opportunities for

all of those concerned.

"Firm demand for internationally traded steam coal and accompanying higher prices are likely to continue for some years, and half of the group's sales are now exported, which reduces our reliance on the local market.

"About 60 percent of Duiker's exports are sold to European customers and 27 percent to the Pacific Rim market.

"Long-term sales contracts have been concluded for about 80 percent of our future exports."

notably higher earnings and reducing the group, Absa Bank, has formally opened a representative office in

# South Wits moots plan to upgrade colliery

Michael Urquhart

106/12/95 (215) (214)  
SOUTH Witwatersrand Exploration was considering a rights offer or some alternative means of finance to capitalise its major asset, the Black Wattle colliery, new chairman Jack Dorfan said yesterday

Dorfan, who took over as chairman of the company after shareholders ousted the board at an extraordinary general meeting on Monday, said a vis-

it to the mine had convinced him it could not meet targeted levels of production with its current setup

He said the mine needed more machinery to increase current production levels of 30 000 tons a month. He was also considering the possibility of splitting the company's mining and exploration interests.

But he said he would not be concentrating on the exploration side until he had sorted out Black Wattle

MINING - COAL

1996 - 1997

# Coal producers predict lower price increases

(215) PD 24/1/96

David McKay

COAL producers believe that steam coal contracts with European buyers will struggle to reach the same price increases this year as last year.

With 80% to 90% of price negotiations with European buyers concluded, SA producers, who declined to be named, played down reports that prices ranged from \$33,40 to \$34,00 a ton. They said the prices were on "the low side", but conceded that rises similar to last year's levels were unlikely.

The companies added that it was premature to comment on the negotiations ahead of contract talks with Japanese buyers.

But one analyst said the presence of US high sulphur coal was softening prices.

The analyst said prices in Europe last year averaged \$32,25

According to reports in the US and London, Amcoal had sold 1-million tons to Italian utility Enel at \$33,65 a ton, while Ingwe had sold 1,1-million

tons to the utility at \$34 a ton.

Goldfields Coal is reported to have sold 240 000 tons to Spanish utility Endesa at \$33,70 a ton. Other deals had been struck with the Portuguese cement producer Cimpor.

The unconfirmed figures follow market reports last week that SA coal producers were struggling in Europe.

The level they finally agree at will be watched closely by the Japanese, who are believed to be pushing for cuts on last year's level.

Australian mineral economics consultancy AME Mineral Economics has suggested that prices could rise from \$40,85 a ton last year to \$43,07 this year. It said internationally traded steam coal would rise from 231-million tons last year to 337-million tons by 2000. Producers said the estimate was in line with other forecasts

They cited demand in the East as a prime mover behind the rise in demand as high levels of economic growth created a corresponding growth in electricity use.

# NEWS

## Strong exports help Ingwe Coal post improved turnover

BY ROSS HERBERT

Johannesburg — Ingwe Coal announced modestly improved turnover and income yesterday for the six months to last December and projected continued strong export sales to Europe and the Far East

Ingwe changed its year end from September to June, because of the October 1994 merger of Randcoal, which became Ingwe, with Trans-Natal Coal. There were no comparable figures for the six months to the end of December 1994

Turnover for the six months was up 13,1 percent to R2,3 billion over the previous six months. Tonnage sold was up 7,4 percent to 31,8 million.

Attributable income was up 12,0 percent to R228,0 million, compared with R203,6 million in the six months to June

Exports were up 5,0 percent in volume over the previous six months. Dave Murray, the managing director, said exports to Europe remained strong, but faster growth was coming from the Far East. Europe accounted for 55 percent of exports.

Murray said the company was negotiating for export sales and could not forecast prices. He said more export coal was coming out of the United States and South America, increasing price competition.

"The United States came into Europe at a much lower price than we anticipated," said Murray. He attributed the lower prices to tighter environmental rules in the United States that prohibited the use of high-sulphur coal in the country.

In Japan, negotiations on import prices had been centralised in previous years. This year Japanese buyers will negotiate

separately. Murray said he could not predict the effect.

Total cost of sales was up 14,4 percent. On a rands a ton basis, costs were up 6,5 percent, with 3,5 percent of that attributable to an annual wage agreement paying workers an average of 11,5 percent more. Earnings a share were 106c, compared with 95c the previous six months. The company declared an interim dividend of 35c.

Trans-Natal, which holds 51,46 percent of Ingwe shares as its only asset, reported earnings a share of 113,2c for the six months to the end of December, up from 51,4c reported for the six months to December 1994.

Anglo-Transvaal Collieries, which owns 9,6 percent of Trans-Natal, declared an ordinary interim dividend of 175c and a participating preference dividend of 14c.

CT(BR) 9/2/96 (215)

## Danone buys stake in Clover for R403m

BY ROY COKAYNE



**NEW DEAL** Clover chief Marthinus Hermann and Danone's Antoine Riboud celebrate Danone's investment in Clover

PHOTO JOHN WOODROOF

Pretoria — Danone Group, the French food concern, has bought an effective 37 percent shareholding in local dairy products company Clover Group, with an investment of R403 million.

Clover Group's managing director, Marthinus Hermann, said the investment "puts Clover South Africa on a solid equity base, which will improve profitability and put the company in a strong position to grow and satisfy the growing requirements of southern and South Africa".

He said the investment would effectively wipe out Clover's debt and facilitate the group's plans to be listed on the JSE.

When Clover announced its first audited results in November last year, its debt stood at R441 million. This was just more than double its shareholder equity and too high for a listing.

Hermann said that although the investment did not completely wipe out Clover's debt, shareholder equity was likely

to improve two and a half times.

In November, Clover said it was negotiating with two European companies over taking a stake in the group. It expected the deal to reduce debt by R250 million.

Hermann said yesterday that two companies had made offers and Clover had chosen Danone's. He said that a deal announced last year with Dynamo Investments, a company set up by KwaZulu Natal businessman Oscar Dhlomo, was still being negotiated.

Danone has a turnover of R59 billion. Its market capitalisation on February 1 this year stands at R43 billion. Danone has invested in two levels: a 5 percent shareholding in Clover Holdings via existing shares, totalling R48 million, and a 33,3 percent shareholding via new shares in Clover South Africa amounting to R356 million.

Antoine Riboud, the chairman and chief executive of Danone, said the company saw great potential in the South African market.

CT(BR) 9/2/96 (215)



# Strong exports help Ingwe Coal post improved turnover

CT(BR) 9/2/96 (215)

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# Ingwe 'glue is starting to work'

BD 9/2/96 (215)

Madden Cole

SA's largest coal exporter, Ingwe Coal Corporation, raised attributable profit 12% to R228m for the six months to December, benefiting from the Trans-Natal/Randcoal merger.

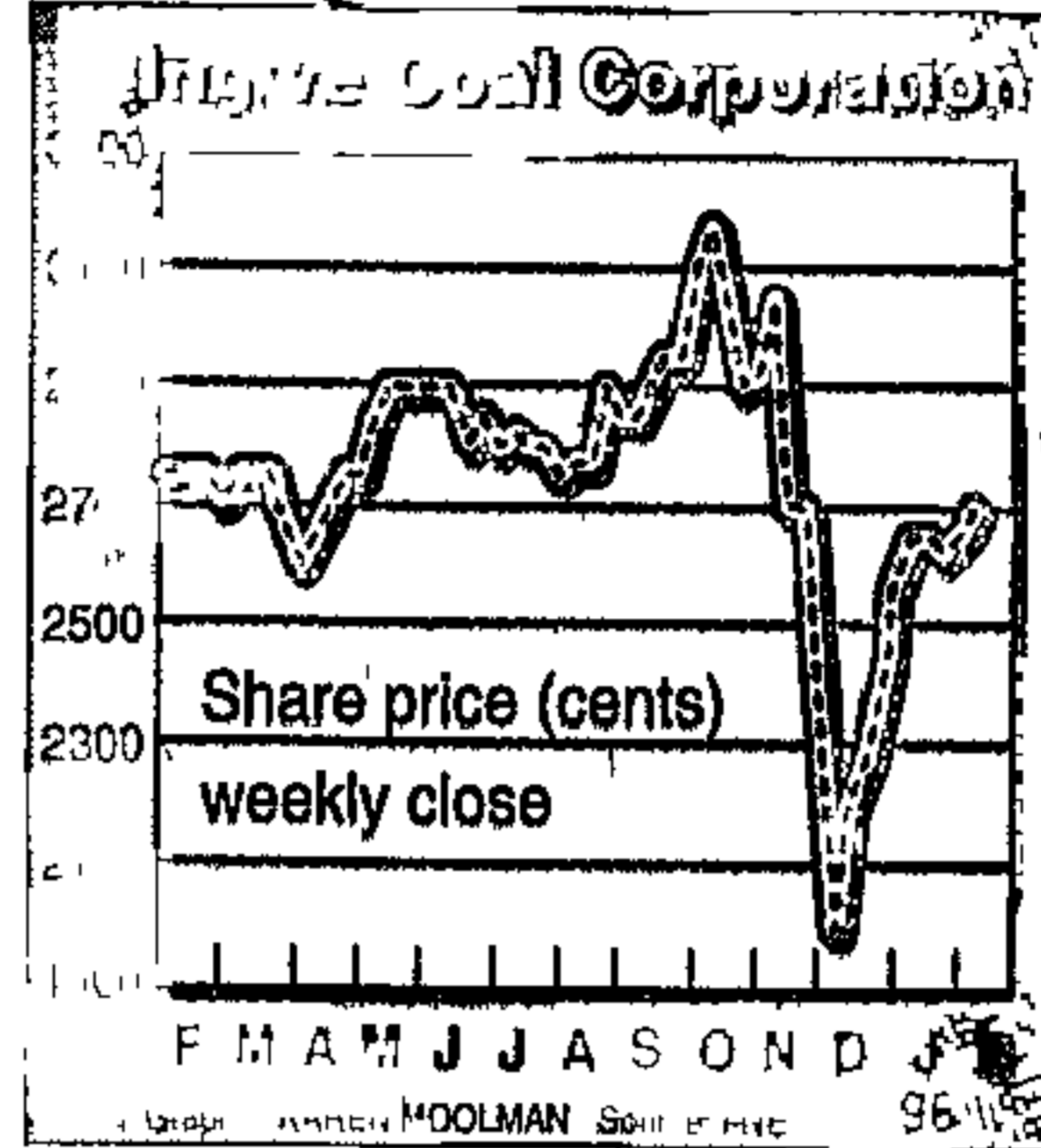
No comparative figures were available as the company was reporting its first half-year results since the tie-up nearly 16 months ago.

The results were thus compared with the previous six-month period to June 1995.

Earnings a share were 12% higher at 106c (95c). MD Dave Murray said yesterday he expected the performance for the second six months to be as favourable, allowing the company to declare a 35c dividend.

The merger had worked out well, and Ingwe had achieved synergies in marketing and purchasing. "We have overcome the problems that faced us in the past; the Ingwe glue is working."

Overall sales were up 7,4% at 31,8-million tons, with the contribution from exports rising 5% to 12,7-million tons. Inland sales rose 12,1% to 3,7-



million tons and sales to Eskom rose 8,5% to 15,4-million tons.

Exports contributed R1,6bn or 66,65% of total rand revenue of R2,4bn.

Sales revenue less distribution costs was 13,6% up at R1,9bn. This was offset by a 14,4% increase in cost of sales to R1,4bn, resulting in operating

Continued on Page 2

## Ingwe

(215)

Continued from Page 1

BD 9/2/96  
income of R504,6m (R452,8m) Income, before a tax bill of R151,6m (R132,2m), improved 13,1% to R379,6m

Murray said the inland market was strong, driven by increased demand from municipal power stations.

Ingwe had concluded 80% of its business in Europe, negotiating price increases of 3%-5%, he said

Japanese negotiations were at a sensitive stage and Murray was hesitant to speculate on price increases SA exporters could expect, but said they were waiting for the outcome of Australian negotiations with interest.

Negotiations were now in the "maturing season" in the Far East and some contracts with Japanese steel mills had been concluded.

However, Japan's utilities were under pressure to cut electricity costs. "This will put pressure on coal prices and make for tough negotiations."

Ingwe did not expect the same level of price increases as last year, but tonnage increases were stabilising and major fluctuations were not predicted "However, the US is a wild card as it can increase production"

Murray said stronger demand should come from the Far East, with China, India and South America becoming more important markets This could see a market in excess of 300-million tons of seaborne traded steamcoal by the turn of the century.

Trans-Natal Coal Corporation, with its only asset a 51,46% holding in Ingwe, reported attributable income before extraordinary items of R117,5m (R55,9m), or earnings a share of 113,2c (61,4c) An interim dividend of 37,3c (25,4c) was declared

## Heavy rains knock Ingwe's production

David McKay

(215)

BD 15/2/96

TORRENTIAL rainfall had knocked production at some of Ingwe's largest coal mines, the group said yesterday.

MD David Murray said production had been affected at the Middelburg Mine Services and Optimum operations because rain had rendered access to some loading faces unsafe.

The Optimum mine, including Eikeboom, is the largest producer of saleable product in the Ingwe stable. It produced 9,4-million tons of saleable product from 12,4-million tons of raw coal in the past financial year.

Middelburg and Duvha together produced 9,2-million tons in the same year.

Murray said cut-off drains and dams had been built during the dry season but rain had entered the pits at the loading faces. Pumping facilities were working flat out.

"This is not a disaster. Ingwe has contingency plans to deal with the problem," he said.

The problem was short term and production could be halted for just a day or a week, depending on the mining area and the amount of rain that had fallen.

Amcoal, SA's second-largest producer, said although the rainfall had been heavier than usual, there had been no significant effect on open-cast operations and no effect on Amcoal's underground operations. Amcoal also budgeted for a certain amount of downtime during the year.

"The pits are specifically designed to cater for these eventualities," a spokesman said.

# Fraser Alexander sees colliery eat into profit

BD 21/2/96

(215)

Edward West

FRASER Alexander's income before exceptional items was virtually unchanged at R14,8m in the six months to December after continuing problems at its new Elandsfontein colliery took a big bite of profit.

CEO Dennis McIntosh) said the group had set aside a R3m provision for the excess on the R25m insurance cover on the Merriespruit slimes dam disaster early in 1994. Harmony mine would pay for another R25m of claims expected. Free State area manager Frikkie Botha was fired over the disaster, and area manager Theuns Linde and foreman Adam Uys were demoted.

Turnover was 28% higher at R257,5m after the tailings, waste and bulk materials handling divisions had reported steady growth, while operating profit was 22% up at R22,7m.

Finance costs more than doubled to R7,9m,

due mainly to capital expenditure. Share earnings before exceptional items were up 8% to 63,8c and a 14c (13c) dividend was declared. Full-year earnings were expected to grow up to 20%.

A positive exceptional item of R2,2m represented the excess of the sale of half its 7% stake in Randgold offset against the R3m Merriespruit provision. McIntosh said the other half of the shares held in Randgold would be sold later this year to reduce gearing, currently an "unacceptably high" 60%. Gearing was expected to be about 35% at year-end.

McIntosh said the group would have performed well were it not for the R4m loss suffered by the mining division.

Start-up problems at Elandsfontein colliery had been complicated by heavy rains towards the end of last year. This had affected open-cast mining, cutting planned output of 100 000 tons a month by half, although production had since

been raised to 70% of targeted output. The mine was expected to reach peak production in the fourth quarter of the financial year.

The group had secured a joint venture contract with US-based Separation Recovery Systems to treat oil sludges at Sasol's refinery for five years, with an option for another five years thereafter. The tailings division had secured two major contracts, one at Phalaborwa, and the other at an Exxon mine near Santiago, Chile.

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INGWE

MUCH STILL TO DO

(215)

FM 23/2/96

SA's biggest coal producer has produced interim results which are steady and reliable. However, these underline a new factor in the coal industry, which suggests a lot of the fizz may have leaked out of the sector.

Coal, especially the export element, has been characterised by strong cyclical movements. More recently, however, driven by the growth of Asian economies and burgeoning demand for power, steam coal is increasingly underpinned by thermal generation requirements

A logical corollary is that the nature of the industry will change because it will no longer be as captive to wild swings. This is good for producers and long-term holders of coal stocks, and dull for markets which rely on sharp swings for dramatic action and quick profits

In Ingwe's case, the strain of a huge merger is still evident, though less so as the disciplines of new management steadily take hold. Comparison with a similar period in 1994 is impossible because the company didn't exist then in its present form and, in any event, is confounded by different reporting dates

However, turnover rose 13% on the first calendar half (to R2 347m) on an increase in sales tonnage of only 7%, a sizeable slug of that in growing demand from Eskom stations. Attributable income lifted 12% to R228m (first half R203m) and EPS are at 106c permitting an interim dividend of 35c (first calendar half and last year's final was 52c). The

## 96 Fox

balance sheet is strong and net cash of R155m is R16m better than in June

Export sales are expected to improve marginally in first-half 1996 though analysts don't believe prices will show the same year-on-year increase as in 1995. A gain of between US\$1/t-\$1,50/t is all that is expected

Comparisons may not always be fair but are often salutary. A few figures for Ingwe and local competitor Amcoal over a similar period make interesting reading. Amcoal's sales revenue per ton is lower at R55,6 (Ingwe R59,5) but its operating profit is better (R17 vs R12,6). This pattern is reflected down the line to attributable earnings for Amcoal of R12,9/t and Ingwe of R7,2/t

Of course, these are early days for new boy Ingwe. But the numbers show it still has a lot to grapple with. *David Gleason*

# Independent Newspapers boosts earnings by 45%



ET (BR) 5/3/96

By ANN CROTTY

Johannesburg — Independent Newspapers boosted its earnings by 45 percent to 134,6c a share in the year to December on turnover up by 21 percent to R872 million.

Because of a change in the financial year end and in order to allow for comparison, the results for the nine months to December 1994 have been restated on a pro forma basis.

The dividend for the year is 60c, with the final 40c carrying a capitalisation option. In the nine months to December 1994 the company distributed 20c to shareholders.

Exceptional items were R9 million (R2,6 million), largely because of staff rationalisation costs resulting from technological change.

Interest of R4,5 million (R2,3 million) left operating income after interest 31 percent ahead at R88,7 million.

A lower tax rate lifted attributable profit 45 percent to R60,8 million.

The directors said the group was well placed to benefit from the improved level of economic activity forecast for this year. They expected "further good growth" this financial year.

All three of Independent Newspapers' regional subsidiaries had performed satisfactorily.

"Group turnover benefited from firm advertising support throughout the year and from positive growth in circulation revenue despite lower sales levels from some titles. Circulations are showing a healthy trend so far in the current year," said the directors.

Strong cash generation had

improved the borrowing position by R24 million.

The directors said the group had continued its major investment in new prepress technology.

"Improved flexibility and operating efficiencies brought about by this investment will begin impacting positively on the business in the coming year."

John Featherstone, the chief executive, noted that the three new titles launched last year — The Sunday Independent, Business Report and Sunday Life — "have all settled into their respective market positions and are growing both advertising and reader support."

In addition to the new titles, the group had continued its programme of redesigning, relaunching and repositioning all of its other titles, "the better to serve their identified markets".

Independent Newspapers has changed its accounting policy on the treatment of publishing rights and titles to conform with the policy applied internationally by its holding company, Independent Newspapers of Ireland.

This valuation is determined on behalf of the directors by internally recognised specialist valuers, with any surplus or deficit on valuation transferred to non-distributable reserves.

As a result of the change in accounting policy, the value of the group's publishing rights and titles is stated at R683,3 million.

Liam Healy, chief executive of Independent Newspapers of Ireland, commented: "Our decision to enter South Africa has certainly been vindicated."

# MacPhail reports R2,9m loss

(215) ET (BR) 5/3/96

By CHARLOTTE MATHEWS

Johannesburg — Squeezed margins and restructuring costs saw MacPhail, the coal marketing and distribution company controlled by Forward Corporation, report a R2,9 million loss in the six months to December compared with a R14,9 million profit in the same period a year earlier.

MacPhail said in a statement that owing to the buoyant export market for coal, supply in the local market had been tight and prices for coal at the pithead rose by about 25 percent across the board, levels that could not be recovered from customers. This coincided with once-off restructuring and retrenchment costs.

Although group turnover rose

by 31 percent to R255,9 million, an operating loss of R2,8 million was reported, of which about one-third came from trading operations and the other R1,9 million was the book loss on the disposal of MacPhail's investment in MacPhail Namibia.

MacPhail sold its 40 percent stake in MacPhail Namibia last October, turning its initial investment of R460 000 into a cash profit of R14,3 million. This was below the book value, which meant that a loss was reflected on the income statement.

The British operation reported a loss for this period but this was attributed to development costs MacPhail's management remains confident about its prospects.

The bottom line was lifted by interest income of R210 000, a tax

credit of R580 000 and a R252 000 share of MacPhail Namibia's profit. A loss of 12,5c, against a previous profit of 104,9c, was shown.

Owing to the cash profit from the sale of the Namibian investment and confidence in the balance sheet, an interim dividend of 13,5c was declared.

MacPhail chief executive Paul McNaughton said despite intense competition the group had managed to maintain volumes and market share. The local market was expected to return to normality by mid-1997.

"In the mean time it is still one of our major strategic objectives to diminish our exposure to the South African coal distribution market by increasing our offshore presence and expanding exports."

# Community Bank defends R45m loss

(88) ET (BR) 5/3/96

By THABO LESHILO

Johannesburg — Cas Coovadia, the chief executive officer of the Community Bank, confirmed yesterday that the bank would suffer losses of R45 million for the period January 1994 to March this year. He said there should be no concern because the loss had been budgeted for.

"In our original projections, we predicted a loss of R30 million. But, it must be borne in mind that the higher loss includes establishment costs and the R10 million-a-year interest we pay the Development Bank of Southern Africa (DBSA), the Industrial Development Corporation (IDC), and the five

major banks on their loans for the initial capital," Coovadia said.

He put the bank's actual loss at R8 million when the costs of establishing its 18 branches and the interest were taken into account.

Coovadia said that when the bank was conceptualised three-and-a-half years ago it was agreed it would run at a loss for the first five years. It had to raise institutional capital because its low-income clientele could not provide enough deposits to fund its loan book.

He said that since its establishment 18 months ago, the bank had raised R20 million from 22 000 clients. Its initial capital was R200 million, of which R130 million

was paid out by the bank's initial funders. A total of R50 million was still due from the DBSA and R20 million from the IDC.

The two organisations are due to decide on Friday whether to pay the outstanding money.

The bank expects to lend R200 million this financial year and R200 million next year at which point it would break even. The bank was speaking to local and foreign institutions to raise R400 million over the next two years.

Christo Wiase, the registrar of banks, said the Community Bank was complying with all statutory requirements and he was not aware of any major problems.

# MacPhail plunges into red

Edward West

(215) BD 5/3/96  
COAL distribution company MacPhail posted a R2,98m attributable loss in the six months to December against a R15m profit a year before, after restructuring costs and a buoyant export market for coal boosted pithead prices.

However, comparisons with the six months to December 1994 were distorted by a capital profit on the listing of MacPhail Namibia. The R16,2m listing profit of MacPhail Namibia in 1994 and the group's subsequent R1,9m book loss on disposal of the investment in the Namibian company realised a net R14,3m cash profit in the review period.

Share losses came to 12,5c against earnings of 104,9c previously, but an interim dividend of

13,5c (ml) was declared on the strength of the cash profit and a robust balance sheet.

CE Paul McNaughton said local coal prices had soared about 25% across the board last year amid a lucrative export market. This had put pressure on margins as the group was unable to pass on increases of such magnitude against strong consumer resistance. The Namibian investment was sold when management there decided on a R80m rights issue to invest in a cement plant, he said.

The company expected an improved performance in the second half as trading conditions stabilised and rationalisation measures starting taking effect.

The full effect of rationalisation would probably be felt only after the June year-end.

# Exporters unable to increase coal prices

~~740~~  
David McKay

(215)

BD 25/3/96

SA STEAM coal exporters have failed to push through a price increase for contracts into Japan, despite earlier hopes of a rise on last year's level.

Ingwe Coal Corporation, the country's largest coal producer, said at the weekend that this year's prices into Japan would remain at last year's level, after Australian producers set last year's level as the benchmark price.

Analysts said this would leave steam coal prices at around \$35 a ton, despite previous hopes of a \$1,50 a ton rise.

Ingwe MD David Murray said negotiations were close to complete, but prices had been reined in by an increase in coal production and the higher number of sellers into Japan.

Australian and Indonesian suppliers had both lifted export production last year, with their respective export outputs to Asia ahead 12% and 25% for the year to October last year. It is understood that the Japanese had even pushed for price cuts.

Amcoal declined to comment, saying only that negotiations were still under way.

Though Japan is the secondary market for SA steam coal exports — Europe accounts for 55% of Ingwe's 12,7-million export tonnage — the settlement could still come as a blow. Analysts believe this year's European contract prices were set around 4,5% above last year's \$32,25 average.

Ingwe said price settlements had slowed compared with last year. However the outlook for the second half of this year remained positive.

European industry sources said Ingwe and Amcoal had achieved a marginal increase for prices into Korea. Local electricity company Kepko had bought 200 000 tons of steam coal from Ingwe and 100 000 tons from Amcoal for \$34,15 a ton, 15c above last year's price.

The softer state of the export market has been reflected in the coal sector's rating on the JSE. It stood at 7214,2 on Friday, midway between its year high and low.



# Mondi holds back on upgrade plans

Amanda Vermeulen

PAPER and packaging group Mondi is reconsidering capital expenditure plans of more than R500m following the downturn in the market.

The unlisted group, owned by Anglo American Industrial Corporation, said yesterday that its hand had also been stayed by continuing uncertainty over tariffs and poor customs and excise controls.

Mondi threatened last year to scrap a three-year capex programme worth R1bn unless government gave clear guidance on tariffs. But a spokesman said yesterday that the recent rapid decline in prices had put the handbrake on various upgrade plans.

Pulp prices, which peaked at about \$955 a ton in November, have slipped to trade in a range between \$525 and \$600 a ton.

Analysts said some transactions were taking place below the \$525 mark, and that there was evidence that the price would weaken from this level.

Mondi had earmarked about R500m for quality upgrades, the spokesman said, and a further R1bn for long-term improvements, some of which have

been committed. But a significant proportion was still under consideration.

New investments the group unveiled last year included expanding Mondi Kraft's Piet Retief linerboard mill and Mondi Paper's Merebank mill — plans together costing R268m.

Mondi more than doubled its income to R501m in the year to December, but Amic chairman Leslie Boyd has previously warned the operation was budgeting for lower growth this year.

Mondi's listed rival Sappi said yesterday its R1bn expansion and upgrade programme was going ahead, although chairman Eugene van As conceded the company's timing had been poor.

He said prices had fallen below industry estimates, but that Sappi hoped to complete its capex plans by September, before the downswing in prices took hold.

In the seven months to September, Sappi reported earnings a share of 600c, compared to 353c a share reported for the year to February 1995. Softer prices have been reflected in its share price, which hit a year low at R42 last month against R76,50 last May. It closed 50c ahead yesterday at R55.

## Coal upgrade 'has market'

David McKay

AN UPGRADE of the Richards Bay Coal Terminal's (RBCT's) capacity to a proposed 69-million tons a year would be supported by growth in the international market, Ingwe Coal Corporation MD Dave Murray said yesterday.

The market had rumoured RBCT shareholders — among them SA's largest coal producers — had proposed an additional 9-million tons a year nominal capacity expansion from the current 60-million tons a year. A decision on this expansion would be made within the next few months, he said.

Shareholders were likely to press ahead with equipment upgrades and

modifications to the terminal as part of the proposed upgrade.

Other factors such as coal storage capacity, the number of grades stored and loaded and the addition of a shiploader would have an effect on the final throughput of the terminal, Murray said. These factors would be considered before shareholders could finally rubber-stamp plans to upgrade the facility.

Meanwhile, Mineral and Energy Affairs Minister Pik Botha said a multimillion-rand harbour development at Richards Bay, enabling small coal mining companies to export coal without paying a levy, had been mooted by a major foreign investor.

BD 28/3/96



BD 28/3/96 (215)

# Sasol Mining begins to export high-grade coal

170 30/4/96 (215)

Edward West

SASOL Mining started to export high grade coal for the first time this week, after the first vessels had been loaded at Richards Bay coal terminal with trial cargo from Twistdraai colliery

Export sales of the first 70 000 tons from the colliery — about 150km southeast of Johannesburg — had already been made to users in the Pacific Rim and Europe, Sasol Mining spokesman Johan de Vos said. He did not wish to name the buyers concerned.

Construction on the R635m coal export project started last year.

The diversified petrochemicals group said 3-million tons of high quality coal would be extracted for export from the Twistdraai coal reserves — estimated at 238-mil-

lion tons in total — once the beneficiation plant was completed by the end of this year.

De Vos said a permanent coal-washing plant was expected to be operational by November and exports of about 1-million tons were expected in the first year thereafter. The aim was to steadily increase production to 3-million tons a year by the year 2000.

The coal from the mine — expected to contain on average about 9,7% ash, 31,8% volatile matter and 54,2% fixed carbon — would be crushed and piled into blending stockpiles.

From the stockpiles the coal would be fed into a cyclone plant where the export coal would be separated and transported to Richards Bay coal terminal, in which Sasol has a 5,2% stake.

The export coal would be separated from Twistdraai colliery's annual production of 8,5-million tons. Sasol Mining now produces 41-million tons a year for use by its synthetic fuels and petrochemicals factories.

Once the new facilities were operating at design capacity in 1999, the coal exports were expected to earn about R350m a year in foreign exchange and contribute at least R130m a year to Mpumalanga's gross domestic product.

More than 400 new jobs should be created as a result of the export project, Sasol Mining said.

## Ingwe concludes unique negotiations

Kevin O'Grady

BD 3/5/96

(215)

INGWE Coal Corporation's new affirmative action policy — negotiated in a unique fashion with eight trade unions and employee associations — was signed yesterday.

In what the company said was the first time the industry had dealt with the affirmative action issue in such a "democratic manner", negotiations produced an agreement with the "eradication of discrimination, especially against disadvantaged people" as its main objective.

According to Ingwe corporate renewal manager Solly

Malomane, it was agreed that the policy, which was developed with the help of external consultants, would not be racially based.

The starting point in devising and implementing the new policy was to "look at the disadvantaged people and what we want to do for them".

Close attention was also paid to the constitution to ensure it and the policy were not at odds.

The policy provided that there should be "no tokenism, but real and substantive development of the people", Malomane said. Its implementation would not be concentrated at any particular level but would start at the bottom.

# Little coal to keep home fires burning

McG (BMB) - 9/5/96 (215)

**As demand for South African exports increases, mining houses can expect profits, but the consumer will be hard hit, writes Bronwen Jones**

**C**OAL will be in short supply this winter as overseas demand soars and the rand makes foreign sales more attractive. Add to this the lulls in production enforced by heavy rains earlier this year and sharp price rises look inevitable.

While mining houses can expect sturdy profits, the South African consumer will be hard hit. This may be the next egg that coal marketer and distributor MacPhail

so sorely needs to turn around its R2.9-million loss for the six months to end-December, but the true price rises cannot be easily passed on.

Indeed, MacPhail itself intends to diminish its exposure to the local market. Says chief executive Paul McNaughton: "It is one of our strategic objectives to increase our offshore presence and expand exports."

Speaking from Zimbabwe, McNaughton said: "With South Africa joining the rest of the world post-sanctions, demand for our coal has increased tremendously. Not surprisingly, local suppliers have tended to favour exports over the home market, but to date no one has run out of coal in South Africa."

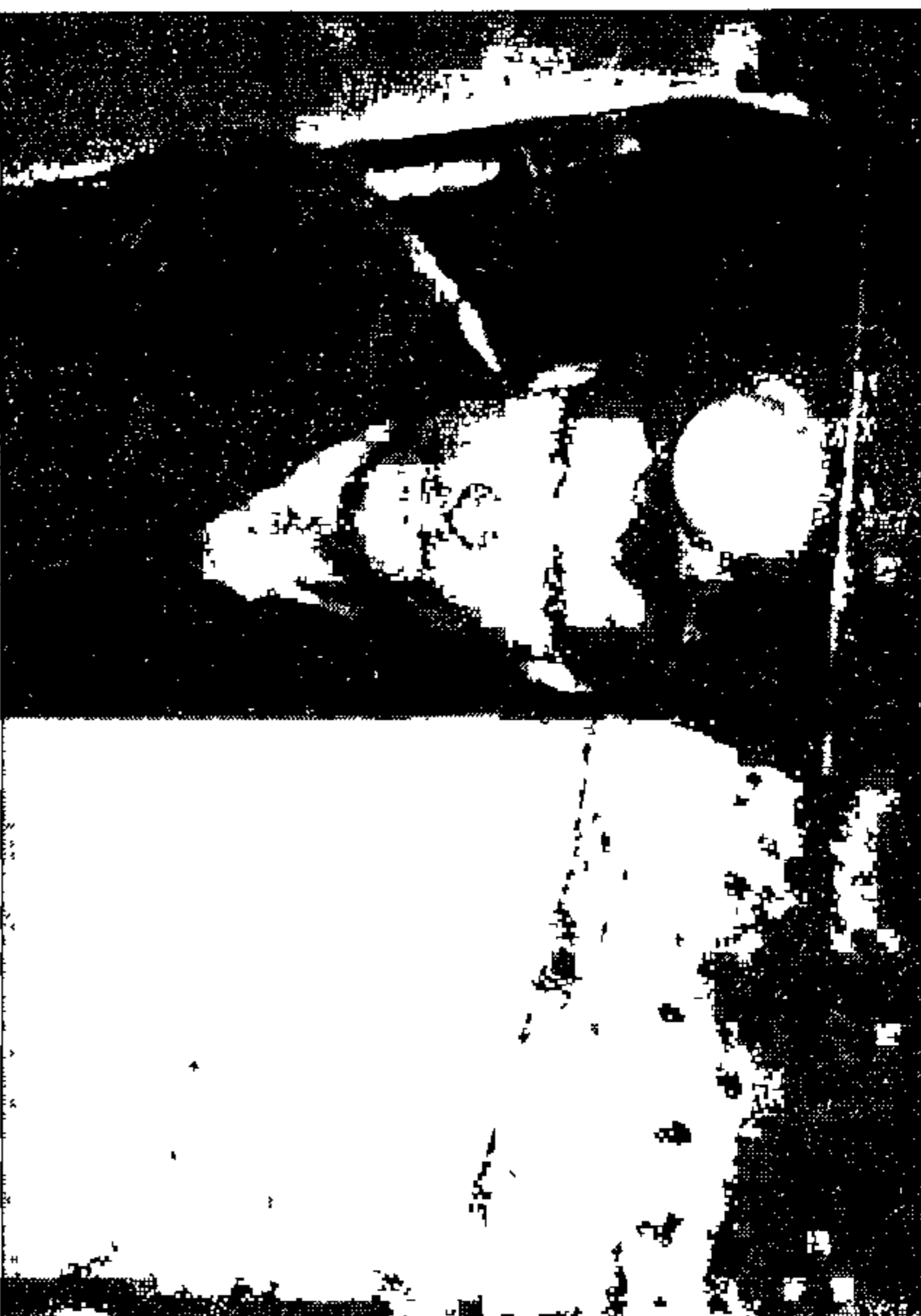
McNaughton said the company had made contingency plans for the winter. MacPhail has purchased 30 000

tons of bituminous coal up front, which will be prepacked and distributed by Spoornet in high-sided wagons. These will be stored in sidings and released to strategic outlets as winter progresses.

McNaughton said: "We've also put in stocks at our depots because we want to prevent shortages. But it is going to be a close-run thing."

On his second trip to Zimbabwe within a week, McNaughton was in the process of negotiating a supply contract "but I can't give you details yet".

He added that another project on the books will be decided by end-June. "We're in the middle of a feasibility study for a R100-million sized coal terminal at Richards Bay. Aiming to serve a niche market, the terminal would handle between two and four million tons a year." This does not alter the



**Hard done by: It will be a cold winter for South Africans as suppliers favour coal exports over local markets**

PHOTOGRAPH HENNER FRANKENFELD

Another problem looming for South Africa is the lack of capacity at RBCT. On current exports, it has 1 396-million tons of "excess" capacity a year left. While work is under way to boost capacity to 63-million tons, another year of the same growth in trade would push the requirement to 64 171-million tons — capacity the port clearly does not have.

Work at RBCT may cost about R10-million, averaging out at R3 per ton of annual export. It is possible to extend the stockpile and to build another ship loader, but the bigger plans for capacity of 69-million tons could cost R150-million to construct. Even that would not be sufficient capacity if there was a further year's growth in trade of 9.5%.

Exporting through Maputo is not necessarily the answer. While this would open up the coalfields of the Waterberg region in the Northern Province, the Maputo port will need a thorough — and costly — dredging and unlike RBCT, it is not owned by the coal suppliers.

The extra railage costs mean Durban is also not a viable option for bulk coals, though it can handle about one million tons of sized coal a year. The answer has to lie in urgent construction of a new terminal at Richards Bay.

In addition to steam coal, South Africa exports low ash bituminous coal, which is used for certain metallurgical processes, chemicals and also for iron and steel production. Meeting the demands of those coal-hungry markets, while keeping the home fires burning, is a problem seeking a solution before winter sets in.

Eskom has seen a 4.7% increase in use, while Sasol's usage is up by 10%. Sasol has its own mines and Eskom has tied collieries that meet its needs. But even so, the pressure is on. South African coal exports surged to a record 59.9-million tons in 1995, worth R6.5-billion. While this is a 9.5% increase on 1994's exports, Chamber of Mines' senior economist Roger Baxter said it had not kept pace with the 15% growth in seaborne coal trade across the globe.

about 90% of South Africa's coal exports are steamcoal and again, while this sector grew by 7%, it lagged far behind the overall international growth in seaborne steamcoal, up by 22% in 1995.

In all, South Africa exports coal to 36 countries, with almost 54% of its trade going to Europe and a further 35% sold to the Far East. The demand in Europe was subdued, because of economic slowdown and cheaper coal sources in North America. The US has been a significant swing supplier and while it has the disadvantage of higher sulphur content, most European countries have the technology to deal with them.

## COMPANIES

### R100m coal terminal planned

Nicola Jenvey

*(215)  
60 6/5/96*

DURBAN — MacPhail Holdings is discussing joint involvement with local and international partners in the construction of a R100m sized coal terminal at Richards Bay and will make a decision by the end of the month.

MacPhail CEO Paul McNaughton said at the weekend the group had already concluded an environmental impact assessment for developing an offshore jetty and loading facility. The results of a feasibility study into the construction of the proposed terminal, delayed due to insufficient information about tariffs and rates, would be presented to the board later this month.

Sized coal is geared towards niche markets in space heating and metallurgical processing, unlike the steam

coal exported through Richards Bay Coal Terminal (RBCT). McNaughton said the new terminal would operate in conjunction with RBCT, while sized coal traffic from the Durban Coal Terminal Company (DCTC) could be diverted to Richards Bay.

However, a DCTC spokesman dismissed the possibility of the coal terminal, claiming feasibility studies over the past 20 years had found this route uneconomical. He said RBCT benefited from economies of scale on its railage tariffs by being able to offload from 100 rail wagons. Coal could then be stockpiled and ship-loading undertaken at 10 000 tons per hour. However, sized coal demanded wagons be brought alongside the ship and immediately loaded. By comparison, DCTC could theoretically handle 10 000 tons a day.

*Higher US dollar prices also contribute to earnings surge*

# Exports help boost Amcoal's profit by 72%

CT (WR) 10/5/96 (215)

By John Spira

DEPUTY EDITOR

Johannesburg — Buoyant export markets helped Anglo American Coal post a 72.6 percent rise in attributable profit in the year to March.

Earnings surged from R390 million to R673 million, translating into R26.62 a share against the previous year's R15.47.

The final dividend, with a capitalisation alternative, was R7.00 a share — 45.8 percent higher than last year. Total dividends for the year were R10.00, 51.5c higher than last

year's R6.60.

David Rankin, the company's chairman, said that earnings from collieries supplying the export market were "significantly higher" because 5 percent more tonnage was shipped and from higher dollar prices.

Earnings in the domestic market showed modest growth. Amcoal sold 30 million tons of coal to Eskom, marginally higher than the previous year but 3.5 million tons below budget.

Sales to export markets increased by 0.7 million tons to 14.1 million tons. The group's turnover increased by

22.4 percent to R2.7 billion.

Colliery operations accounted for R2.4 billion and the Verret refractories and roof tiles division for R321 million.

The company sold 46.2 million tons of coal and coke against the previous year's 45.7 million tons.

Operating profit, after charging R110 million for amortisation and depreciation, increased by R267 million to R833 million. Interest and investment income rose R96 million to R191 million. Tax was R88 million higher at R358 million.

Rankin said cost increases had been contained below the rate of inflation

for the previous five years, but in the past year they had risen by 13.6 percent.

"Eskom collieries were affected by the lower-than-forecast tonnages and trade collieries incurred increased expenditure on the replacement and renewal of equipment," he said.

Gross capital expenditure for the year was R343 million, of which Eskom funded R115 million. Current capital expenditure commitments, including escalators, were estimated at R471 million, of which R279 million was to be funded by Eskom.

"These commitments relate mainly

to the capital expenditure necessary to complete the construction of New Denmark colliery and to complete the No 4 seam export project at Goedehoop colliery," Rankin said. "The capital expenditure required for the construction of the colliery to supply Eskom's proposed Lekwe power station is not included because of the delayed phasing of this expenditure," he said.

Rankin said that earnings from domestic sales would increase in this financial year, though forecasts were difficult because of the fluctuating rand.

# Richards Bay will miss 60-million-ton target

(219) ~~219~~ BD 15/5/96  
Nicola Jenvey

DURBAN — Richards Bay coal terminal would miss its 60-million-ton throughput target this year, held back by production problems and lower international demand, industry sources said yesterday.

The terminal, SA's largest coal export conduit, was on track for just 52-million tons at the end of last month, and coal industry sources said expectations were now being scaled back to around 57-million tons.

Ingwe Coal Corporation, SA's largest coal producer, blamed the shortfall on heavy SA rainfall denting supplies, while European demand had softened. South American suppliers were making headway in Europe at SA producers' expense.

Lonrho-owned Duker Mining & Exploration said the heavy rainfall had reduced total output by 2-million tons over last year.

Consortium sources said the terminal would have to operate at the equiv-

alent of 63-million tons a year for the rest of this year to make up the shortfall, which was impossible, given terminal and infrastructure capacity.

One source said the consortium partners were not concerned about the drop this year as most of the tonnage due through the terminal this year had already been contracted out.

Exports through the terminal hit 58,12-million tons last year, up 8,6% on the previous year, as producers had striven to exploit burgeoning world markets. Expectations in January were that exports through the terminal would have risen 4% for 1996.

The terminal company has approved expansion plans to extend terminal capacity to 63-million tons and a decision was expected within a month on a R250m extension to expand to 67,5-million tons.

Given the two-year lead time and the several years of growth experienced through Richards Bay, a source said poor first quarter tonnages were not expected to affect decision-making

Ingwe Coal  
sets its sights  
on Indonesia

215  
RICHARDS BAY — Ingwe Coal Corporation was pursuing expansion opportunities in Indonesia and Australia, the Gencor-owned company said yesterday

The company, which exported more than 24-million tons of steam coal through Richards Bay last year, said it needed to lift output by about 2-million tons a year to maintain market share. Ingwe planned to complete a pre-feasibility study on its Australian Togara South exploration site by the end of 1997, and a full feasibility study a year later.

The company was also pursuing potential partners in Indonesia, where a boost in power generation in the coming decade and easily accessible coal reserves were expected to catapult the country into the position of a major producer.

Reserves at the Togara site were estimated at 1-billion tons in situ in the entire concession and the low sulphur-content coal was suitable to be exported raw.

Ingwe had already spent about A\$9m on the project, had budgeted R28m for the year to June 1996, and was expecting a "fairly heavy-weight expenditure programme in the next two years", MD Dave Murray said. Funding was being shared equally between Ingwe and Gencor.

Murray said it had identified a number of potential Indonesian partners. The islands currently enjoyed 10 000 megawatts of electricity-generating capacity and this was expected to grow to 40 000 megawatts in the next 10 years, of which coal's share would double to around 50%. Production costs at existing mines averaged about \$19 a ton and the capital cost of establishing operations amounted to between \$10 and \$15 an annual ton — Reuter.





## COMPANIES

### Tax offsets Wankie's coal price gains

David McKay

(215)  
60 27/5/96

WANKIE Colliery Company reduced taxed profit by Z\$1,7m to Z\$97,6m for the year to February due to a higher tax bill, which offset the benefits of increased coal sales and a rise in coal and coke prices.

Share earnings for the JSE-listed company — Zimbabwe's largest coal producer — declined to 58c (1995: 59c), but an improved dividend of 22,5c (17,5c) was declared. Turnover grew 22% to Z\$665,1m (Z\$545m) following higher volumes of coal produced from the colliery side of the operation.

The biggest fillip to its performance was a 20% coal price increase and a 15% increase in the price of coke

awarded in March last year, which raised pre-tax profit to Z\$153,8m against Z\$101,9m last year.

However, a significant increase in deferred taxation arising from the withdrawal of a mining depletion allowance inflated the tax bill to Z\$56,2m (Z\$2,4m).

The company said that commissioning of a Z\$345m coke oven gas line which would replace imported diesel was under way.

Demand for coal and coke was expected to increase over the 1996/97 financial year as an improvement in the agricultural sector would boost confidence in the economy as a whole. Share earnings in the current financial year were expected to total 65c, it said.

# Ingwe to begin seven-day working week

David McKay

(20) (215)

BD 28/5/96

SA's largest coal producer, Ingwe Coal Corporation, planned to move to a seven-day working week at most of its coal mines to rein in costs and increase earnings, the company said yesterday.

In what is believed to be a first for the industry, Gencor-owned Ingwe will introduce full calendar operations at its second largest mine, Optimum, in Mpumalanga, in the next few weeks.

Operations senior manager Rick Mohring said other coal mines, including the Douglas and Middelburg col-

lieries, would follow suit, pending talks with labour. Optimum's main savings would be in creating more time to deal with coal haulage. Distances had increased 17% to 20% as the mine aged.

It would not have to buy new coal haulers, which would have cost about R8m. Up to 35 jobs would be created.

Ingwe had operated draglines seven days a week for 15 years, but would now be able to drill, blast, haul and load coal on Sundays, Mohring said.

Mineral and energy affairs ratified Optimum's change to full calendar operations as "in the national interest".

COAL EXPORTS

**FROM THE ASHES?**

*(215)*  
*FM 24/5/96*  
Coal exporters Ingwe, Duiker, Slater, Kangra and the Rennies Group have agreed to join MacPhail in its bid to have a R100m sized coal terminal built at Richards Bay. The companies are members of the Durban Coal Terminal Company (DCTC) and some were members of the now defunct Coalex consortium.

Coalex, which also included Iscor, Goldfields and Anglovaal, made several attempts to have a second coal terminal built at Richards Bay but the consortium was scuttled when Sasol Mining withdrew. Shell SA (and other exporters) sold Sasol a 5,2% shareholding in Richards Bay Coal Terminal (RBCT) equivalent to 3 Mt/year of capacity.

MacPhail's move means guaranteed sized coal exports worth about R280m a year will be diverted from Durban to Richards Bay if MacPhail gets board approval by month-end.

About 1,4 Mt of sized coal will be exported through Durban in 1996. MacPhail CE Paul McNaughton says at start-up stage of the Richards Bay facility, 2 Mt/year will be exported, bringing in forex earnings of R400m. At full ca-

capacity of 4 Mt/year, it will double to about R800m.

DCTC chairman Barry Farr confirms that the Richards Bay facility, Die Duine, will go ahead, if proved viable.

Adds Farr "Only if the off-mine cost — railage and throughput — is less than that in Durban, will Durban exporters seek to relocate. Our lease with Portnet will have to be renegotiated, but it is likely to view a venture with less cost favourably."

McNaughton says an environmental impact study and research into operational procedures for the terminal have been completed. He is confident about a go-ahead.

Coal exports enticed away from the DBCT will only supply a base load for the proposed terminal. "The rest will come from small coal producers who have always been in the quandary that Durban, with long rail lines, is expensive, and Maputo is inefficient," says McNaughton.

Says Ingwe senior marketing manager Gordon Osterloh "Coal is one industry where world demand grows year-on-year. The world seaborne steam coal market grew 22% to 256 Mt/year in 1995."

McNaughton says the RBCT, sitting on the steering committee for the MacPhail project, has only two requirements for the new facility: that railway traffic is not influenced adversely, and that only sized coal be exported.

RBCT is committed to an expansion to 63 Mt/year, and a decision to upgrade it to 69 Mt/year is expected within the next



**Barry Farr** . . . off-mine costs the key to go-ahead

few months

The viability of another Richards Bay port also comes down to cost and reliability, says Chamber of Mines senior

economist Roger Baxter "Richards Bay has ensured a reputation for SA as a reliable supplier of consistent quality coal. Any unreliability will affect all exporters, not just producers seeking an alternative" ■

# Amcoal keeps up sales figures

David McKay

(215)

SUSTAINED inland sales and higher exports would lead to a real increase in Anglo American Coal Corporation's earnings in the current financial year, the company said, in its annual report. Chairman David Rankin said the fluctuating rand-US dollar exchange rate made it difficult to forecast earnings accurately.

However, steam coal export sales could benefit from long-term electricity demand prospects in the Asian region.

Amcoal, whose export sales rose 700 000 tons to 14,1-million tons in the 1995/96 financial year, had secured modest rises in contract prices for steam coal this year, Rankin said.

Contract renewal discussions for coal with the Japanese steel mills would begin in the next few months. The original contracts, signed in 1971, would come to an end in March next year.

Amcoal increased turnover 22,4% to R2,7bn for the year to March, with operating income rising 47,1% to R832,7m, despite a 15% jump in costs to R1,8bn.

This lifted attributable earnings 72,6% to R673m with share earnings rising to 2 662c (1 547c).

Cash resources at May 31 were R1,53bn, up from R1,09bn last year. Amcoal said in May that this cash pile could be used to exploit opportunities created by Eskom's plans to take several power stations out of mothballs. Rankin said Amcoal would attempt to supply these power stations with coal. The company's Verref division, which produces refractory products such as concrete roof tiles, would benefit from more favourable market conditions.

SD 7/6/96

SD

## COMPANIES

# Mpumalanga and the North strike rich seam

BY DON ROBERTSON

MPUMALANGA and the Northern Province are set to share in a R15-billion mining bonanza over the next five years.

Projects have been planned which will create thousands of additional jobs and earn millions of rand in foreign exchange.

These developments will see a revival of the coal boom and result in exports rising by a further 20-million tons a year to 77-million tons through Richards Bay by the year 2000.

The upgrading of the Maputo harbour is also on the cards to handle smaller quantities of coal at cheaper transport rates.

Many of the projects will include some form of beneficiation, production or processing of metals such as magnesite, gold, chrome, granite, manganese, nickel, cobalt, ilmenite, vanadium and magnetite.

These plans are part of a broader programme of support for the Maputo Development Corridor, a joint programme recently initiated by the governments of Mozambique and South Africa.

In addition, proposals for the development of agriculture, manufacturing, forestry, tourism and infrastructure are worth many more millions of rand.

One of the largest projects is the joint R4-billion Foskor-Industrial Development Corporation phosphate development at Phalaborwa. Project consultants have been ap-

pointed and construction of the plant is expected to begin in 1999 with completion in 2001.

Planned production is for 330 000 tons of alumina, probably destined for Alusaf's Hillside and Bayside smelting plants in Richards Bay, 300 000 tons of magnesite and 230 000 tons of potash-um which will be recovered from waste product at the Foskor mine. Foreign exchange earnings are estimated at R1,2-billion a year.

Linked to this is the proposed R3,5-billion granular fertiliser plant, which will process phosphate rock from the Foskor mine at Phalaborwa.

Production of about 1-million tons is expected by 2000 and when in full production, foreign exchange earnings are estimated at R1-billion a year. The corporation is discussing the site for the plant which could be at Richards Bay or Maputo.

Sasol and Norwegian company Norsk Hydro are potential shareholders in the project.

Iscor is expected to take a decision soon on development of ilmenite sand deposits near Gravelotte and Richards Bay. The mining and processing of ilmenite to produce titanium slag will cost about R1,2-billion.

The location of the central smelter has not yet been

finalised.

Iscor and the IDC are also discussing the beneficiation of Iscor's 1,5-billion ton low-grade magnetite ore reserve in Zandriverspoort, near Pietersburg.

The cost of the project is estimated at R2,5-billion and includes the mining of a volcanic pipe near Pretoria containing between 200- and 400-million tons of magnetite. A 200-million ton waste dump at Palabora Mining is being planned.

A feasibility study into the production of copper, cobalt, nickel and platinum group metals is being done by Nkomati Nickel, 75% owned by Anglovaal and the balance by Anglo American.

Establishment costs are estimated at R1,5-billion for production in an area between Machadadorp and Badplaas on the farm Slaarhoek, for an underground mine, smelter and refinery. The mine will certainly be developed, says a spokesman for Anglovaal, but the construction of a smelter and refinery is still under discussion.

Palabora Mining has decided to proceed with an underground copper mine at its current open-cast pit in Phalaborwa at a cost of R1,6-billion.

Shaft sinking and underground development is due to start this year with full production timed to coincide with the closure of the open-pit section in 2002.

Red River Ilmenite is assessing the development of ilmenite and vanadium magnetite deposits near Malelane to produce 85% chloride titanium slag at a cost of R1,2-billion.

The location of the smelter has not yet been decided, but Komati-poort, Maputo and Richards Bay are being considered.

In addition, the grant Gencor-controlled Ingwe coal group plans to spend R1-billion to develop the Duvha mine, as a first stage, to increase production for coal mines and increase output for export. Other projects to increase the tonnages of export coal are also under discussion.

The Mpumalanga province is already of great national importance, accounting for 82% of coal production, 93% of asbestos, 33% of chrome, 98% of magnetite, 90% of vanadium and 40% of silica.

The Maputo Development Corridor report says that the South African Minerals Policy is currently under review and final submissions will be made to Parliament before the end of the year.

Issues to be discussed will be the promotion of small-scale mining. In addition, most of the large mining groups have programmes to support small suppliers in their areas.

The neighbouring Northern Province will be linked to the corridor through the Tzaneen-Phalaborwa-Neispruit sub-corridor.

AMCOAL

# MOUNTING CASH PILE

FM 21/6/96  
(215)

**ACTIVITIES** Mines coal for sale to domestic users, principally Eskom, and is a major steam coal exporter. Also makes refractories and building products

**CONTROL** Anglo American Corp 51,6%

**CHAIRMAN** D Rankin MD K J Trueman

**CAPITAL STRUCTURE** 25,2m ords Market capitalisation R7,96bn

**SHARE MARKET** Price 31 600c Yields 3,2% on dividend, 8,4% on earnings, p/e ratio, 11,9, cover, 2,7 12-month high, 33 000c, low, 21 700c Trading volume last quarter, 340 000 shares

Year to March 31	'93	'94	'95	'96
ST debt (Rm)	125	138	149	156
LT debt (Rm)	—	—	—	—
Debt equity ratio	n/a	n/a	n/a	n/a
Turnover (Rm)	1 942	1 927	2 246	2 748
Pre-tax profit (Rm)	478,5	441,4	659,4	1 030,5
Earnings (c)	1 833	1 015	1 547	2 662
Dividends (c)	462	500	660	1 000
Tangible NAV (c)	7 041	7 554	8 448	10 863

For the second successive year, Amcoal has published an annual report which reveals a dilemma of magnitude

Last year, the problem was how to take advantage of the sudden surge in world steam coal demand and prices amid internal production limitations. This year, Amcoal's difficulty is how to cope with a colossal, growing cash pile in a comparatively static production environment

The cash surplus results from a number of different factors, so it is worth examining. Cash funds and short- and medium-term investments have risen from R509m in 1991 to R1,69bn now. This hoard could well exceed R2bn by the end of the 1997 financial year

Such a superfluity of cash could easily become an embarrassment. At R2bn, the cash reserve would be about 25% of the company's present market cap. It is a number requiring respect

Some mining companies — gold mines in particular — pay out nearly all their surplus after capex each year. Amcoal's policy is mean by comparison. Its dividend cover is now 2,7 times, the highest for this decade. The argument is that Amcoal, unlike a straightforward mining

company, is an umbrella which is supposed to grow and replace wasting assets — in other words, it is considered to have expansion capability (sometimes called "blue sky")

The underlying reason for the cash retention, though, is probably simply that it is an easy way of making cash available to the greater group's centre. Amcoal isn't called the Bank of Anglo for nothing

Meanwhile, it is noticeable that Amcoal is not developing abroad. One reason may be that this is Minorco's territory, though it is clear that Amcoal, with its vast expertise and technological capability, will participate in any project which eventuates. The fact that nothing material has emerged in coal for the Anglo American group after decades of hunting is worth attention

One reason for this is that Amcoal chairman Dave Rankin believes much



**Dave Rankin** despite a cash mountain, not finding overseas expansion easy

greater demand and higher prices have encouraged unrealistic expectations by coal mine owners anxious to sell

Their demands could be based on continued increases in consumption and

ever-higher prices and so enter moon-struck territory. The word from areas where you'd expect to find Amcoal — like Indonesia — is that the company is around but under-cover and making no offers

Amcoal may be gearing up to make new local investments. It already has the next Eskom power station (Lekwe) in its portfolio. The trouble is that Lekwe isn't expected until 2010 — far

enough on for many things to change

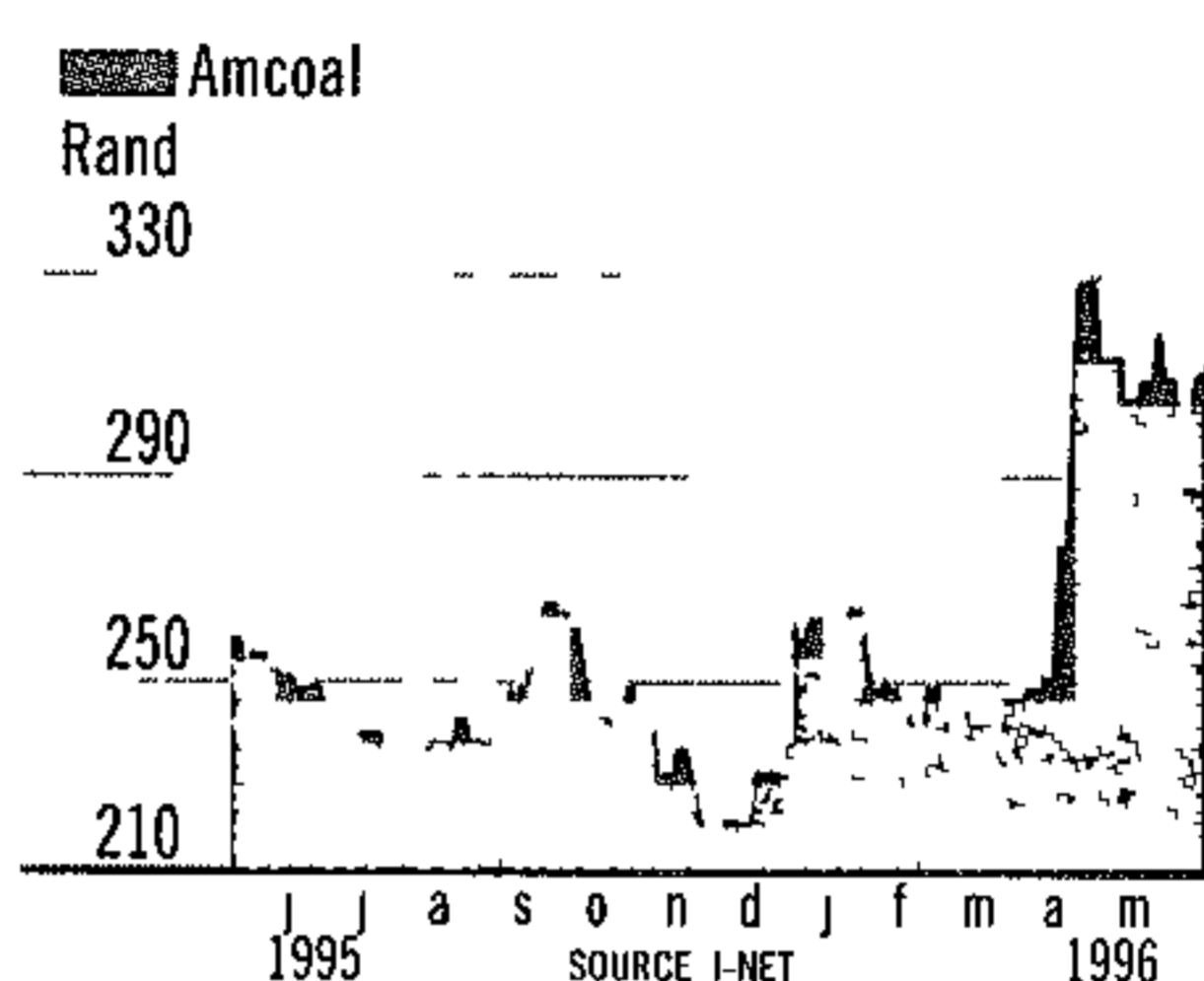
This leads to another aspect: the formulation of energy policy, which Eskom is driving. Much depends on this and the role Eskom plans for itself. Will it, for instance, go on being the dominant public corporation or will it privatise?

If it's to privatise, then smaller power stations could be the route adopted by private companies employing gas (from the Kudu and Pande fields perhaps). Another option is more hydro power from the next stage of Cahora Bassa

Yet another is for SA coal exporters, all of which have to wash their coal before shipping and which, therefore, have accumulated large discard stockpiles, to set up small power stations to use what is now a cheap surface resource. Whichever way, Lekwe grows distant

Two further factors deserve consideration. The first is that Amcoal's environmental programme (principally to return open cast mined land to normal use) is sufficiently advanced for shareholders to feel easy about future obligations. The second and more important is that Amcoal recognises that productivity is the crucial area in coal production and profitability

A recent worldwide examination shows local mines have achieved 3 500 saleable tons of product per man per year. It sounds good but isn't — in Australia and the US, the number is double,



SOURCE I-NET

**ACTIVITIES** Investment trust specialising in "second-line" companies

**CHAIRMAN** D J Cobbett

**CAPITAL STRUCTURE** 17m ords Market capitalisation R127,5m

**SHARE MARKET** Price 750c Yields 3,5% on dividend, 9,3% on earnings, p e ratio, 10,7, cover, 2,7 12-month high, 815c, low, 550c Trading volume last quarter, 282 505 shares

Year to February	'93	'94	'95	'96
Net income (Rm)	1,6	2,2	3,7	5,4
Net assets (Rm)	32,5	45,5	100,6	153,1
Issued cap (m shares)	9	10	17	17
Earnings (c)	19	21	62	70
Dividends (c)	18	20	10	26
Tangible NAV (c)	360	455	592	901

it's selling a share too soon," he smiles

As a closed end trust, Harvest's only route to obtaining capital is through rights issues. A successful offer of linked units in March, after the financial year-end, raised almost R37m for expanding the spread of investments and also increased the trust's liquidity. Each linked unit comprised five ordinary shares and one option, at a price of R40 a unit.

Investor confidence is clear from the value attached to the options (some of which were issued in place of dividends last year). The current price is 375c, compared with the minimum market value of 65c guaranteed at the time of issue, and it's moved as high as 500c.

Cobbett says the options help overcome the discount to NAV at which the share trades — now 14%. But the number of options that can be issued are limited by the JSE, which likes to see a ratio of no fewer than five shares to an option.

#### OPPORTUNITIES

With most of the issue money still available, Cobbett says that "the recent sharp fall in share prices should provide some excellent investment opportunities." He says the trust is going about its investment programme "very cautiously" and has found a couple of good opportunities, though he thinks "we haven't seen the bottom of the market yet."

The share portfolio was extended during the year by five additions: Rex Trueform (2,2% of portfolio), Board of Executors (2%), Kolosus, RMS Properties and Seardel.

Consolidated Mining, Bidcorp and FS group were sold and adjustments made to certain other investments.

#### Harvest Securities

Cents  
825

725

625

475

J J a s o n d J t m a m  
1995 SOURCE I NET 1996

The five largest holdings at year-end were IBMSA (7%), Bidvest (6,4%), Primedia (6,2%), Santam (5,8%) and Boland Bank (5,7%).

Cobbett expects prospective performance to justify a dividend for 1997 of at least 30c — 15% more than the 26c paid for 1996.

For the smaller investor willing to hold shares and committed to a longer-term investment, this fund has produced a far better return than unit trusts.

Compared with other investment trusts on the board, it is also relatively inexpensive. And an important practical point: scrip is available.

Margaret-Anne Halse

## Coal drive 'hampered' by inadequate facilities

Reinie Booysse

(215)

11/6/96

SA's plans to expand its coal exports up to 15-million tons a year were being hampered by a lack of port facilities, Mineral and Energy Affairs Minister Pik Botha said yesterday.

A Reuter report said Botha told a news conference at the SA release of the International Energy Agency's survey on the country's energy policies that possibilities of increasing exports were being investigated by small SA coal mines.

Botha said he had been approached by an association of small coal mines and a large SA company, which he declined to name, to look at ways of expanding coal exports through Richard's Bay.

Original plans to build a second coal export terminal at Richard's Bay were shelved when Sasol pulled out. Talks on the construction of a sized coal export terminal in Richard's Bay have begun again recently. (MacPhail is currently re-examining a feasibility study to construct a R100m, 4-million-ton sized coal terminal for Richards Bay.)

The agency said in its report the SA industry was effective, but would benefit from greater flexibility.

Recommendations emphasised fair competition in transport services and export infrastructure.

Government should promote competition by using the principle, common in most IEA countries, that mineral rights should be progressively relinquished unless development proceeded at an agreed pace.



# River bank residents sceptical over mining claims

(215) ARG 29/6/96

Own Correspondent

JOHANNESBURG - Most people living along the Vaal River's southern bank are sceptical about a new mining venture proposed for the area, even though Sasol and its environmental impact assessment team have assured everybody that damage will be minimal.

Three privately-owned farms in the Sasolburg district, where Sasol has mineral rights, have been earmarked by mining subsidiary Sigma Colliery for the extraction of low quality coal.

One of these farms was declared a private nature conservation area by the owner.

Owners of land, some of them since the mid-1940s, are opposed to the venture, citing an anticipated drop in property values at the mere mention of mining.

Another major concern is that because the proposed mine will redirect the Rietspruit river, it will cut off the flow of water damaging the wetlands and wiping out some animal species in the area.

Residents also claim that mining will pollute the water.

Walmsley Environmental Consultants, contracted to conduct the environmental impact assessment (EIA), sent a briefing document to residents and the media.

In it the consultants said that some alternative coal supply options were evaluated on technical grounds, and the north-west strip mine was considered the most viable option for further investigation.

Alternatives so far discarded are

- A new mine in the southern Sigma reserve - because it would not be viable owing to the depth of the mine and possibly poor geological conditions making mining difficult

- The purchase and transport of coal from external sources such as the Witbank/Middleburg area - because it would prove too expensive

- Increased production at the Wonderwater mine - because it would shorten its predicted life

The new Sigma north-west reserve, with an estimated production potential of 4,2 million tons of coal a year, was the most viable coal source, the report said.

According to Sigma Colliery, production at the Wonderwater mine will come to a gradual end once the new strip becomes fully operational within the next three years.

The Sasolburg district had been mined since the early 1950s.

Because its first Sigma mine could not yield enough coal, another Wonderwater strip-mine south of Millionaire's Bend - the first mine on the riverbank - was established four years ago.

At the time it was estimated that the Wonderwater mine would have a life of at least 20 years.

Three years later, however, miners have been hit by unforeseen geographical difficulties and mining had become virtually impossible, even dangerous said a Sasol spokesman.

With Wonderwater mine production levels at an unexpected low, Sigma was left to find a new coal source to supplement the amount needed in the manufacture of about 100 Sasol chemicals.

Although tests had shown that the coal was a low quality, engineers were confident that it would be adequate in the production of those chemicals.

Sasol's researchers had again put the new mines life at 20 years.

A resident expressed concern that, as with the Wonderwater mine, the new mine would result in a destruction of nature, "for only a few years' worth of good coal".

EIA project leader Andrew Duthie of Walmsley Environmental Consultants said the mine operations would cause as little disruption to the birds and plants in the region as possible.

Two 30m shoulders would be built to hide the mine from the Gauteng side of the river. They would also help deaden the noise of mine machinery, and prevent mine dust being blown about.

Paul Dutton, an independent environmental consultant and ecologist who was involved in research into the St Lucia mining project and the Richards Bay mining operations, warned of the dangers of the proposal.

"Wetlands act as nature's filters for various forms of pollution. Disturbing the soil and hydrology in a region will adversely affect the ecology."

"Digging into wetlands will bring about a negative change in the subtle water table and soil profiles," said Mr Dutton, who also lives near the Vaal River.

Another resident who has researched the project said the Sigma north-west mine would result in the destruction of the Rietspruit wetlands, which were the only declared natural conservation area in the Vaal basin between the dam and the barrage.

"Redirecting the Rietspruit would cut off the flow of water and cause irreparable damage to the wetlands, and drive off the many birds and animals."

The resident added that the shoulders of land would destroy the natural flood plains and would not prevent the pollution.

"Dust, noise, light and water is unacceptable. Many residents are in this area for the healthy environment and silence."

Mr Duthie said it would be another year before the EIA was completed.

On final approval by the Department of Mineral and Energy Affairs and other government departments, mining would commence.

Residents, however, said they planned to intensify their campaign against the proposal.

# Proposed coal mine may be lifeline to Sasol Chemicals — and to town of

By ANITA ALLEN  
Science Writer

The future of Sasol Chemical Industries (SCI) and the town of Sasolburg is bound up with the current application to mine coal at a new site near the Barrage on the Vaal River.

According to a briefing document issued by consultants to Sasol Mining, which has applied for the mining permit, the proposed mine is the only econom-

cally viable alternative to supply SCI with its coal requirements.

In the event that the application to mine is turned down by the regional office of the Department of Mineral and Energy Affairs, SCI and the town would have "a serious dilemma", according to Raan Rademan, general manager of Sigma Collieries, part of the coal division of holding company Sasol Limited.

SCI, also part of the Sasol group, currently uses 7 million tons

of coal a year to produce more than 100 chemicals, while supplying 3 000 jobs.

Its coal requirements have been supplied by Sigma Underground Mine (53%) and Wonderwater Strip Mine (47%), but increasingly difficult underground mining conditions have resulted in progressively lower production from the Sigma mine.

"It is clear that the underground reserve has reached the end of its economic life," says the

briefing document drawn up by Walmsley Environmental Consultants. A new strip mine section, Sigma North West, on the southern banks of the Vaal River, was considered the most viable option for further investigation.

Applications for mining permits have to be accompanied by an environmental management programme report. Part of this report involves details of how the applicant will rehabilitate environments disturbed by mining

operations.

In order to satisfy authorities on this, the applicant has to conduct an environmental impact assessment, which involves consulting with all interested and affected parties. This process has been launched by the consultants, and has met with negative reactions from some residents in the area.

Yesterday the South African Bass Federation (SABF) expressed grave concern at the mining proposal, which involves diverting

the Riet spruit, a tributary of the Vaal, that runs diagonally across the mining site.

"The Riet spruit is a prime breeding ground for largemouth bass, and other fish species, and the potential desecration of this inlet on the Vaal River is a grave concern," SABF president Gerry Leach told The Star.

Leach emphasised that the effect of the mine on the region went beyond environmental considerations only. Sasol's manager,

communications, Alfonso Niemand welcomed the involvement of SABF in the process.

"It is exactly this kind of information that we need in order to properly evaluate the impact of the mine," Niemand said yesterday. He encouraged all interested and affected parties to contact Walmsley Consultants to make sure their concerns were being identified. Inquiries to Andrew Duthie at telephone (011) 807-1360, fax (011) 807-1362

Sasolburg

(215)

Raw 5/17/96

# UK coal loss digs deep into MacPhail's profits

David McKay

MACPHAIL Holdings' profit for the second half of the year to June would not match the first half due to losses incurred in its UK coal trading operation, the company said yesterday.

The company said in March it expected a second-half improvement as trading conditions had stabilised and rationalised measures started taking effect.

The coal distribution group said today the UK coal company losses were related to imported coal supplies which had produced an inferior yield to that contractually agreed on.

It said that some of the losses from suppliers had been lodged, but full provision against the losses would be made in the group's financial statements for the year to June 30.

The group and Forward Corporation, which holds a 63,5% share of MacPhail, also cau-

tioned shareholders today that discussions relating to MacPhail were taking place, which could affect the companies' share prices.

Market watchers speculated that the cautionary could mean the sale of MacPhail was in the offing.

In its latest annual report, Forward valued its 63,5% effective investment in MacPhail at R29,3m. Forward has a current market capitalisation of R161m while MacPhail's capitalisation is at R37m.

MacPhail plunged into the red in the six months to December, posting a R2,98m attributable loss against a R15m profit a year before. The group blamed the setback mainly on restructuring costs.

However, the company stressed that comparisons with the six months to December 1994 were distorted by a capital profit on the listing of MacPhail Namibia. The R16,2m listing

profit of MacPhail Namibia in 1994 and the group's subsequent R1,9m book loss on disposal of the investment in the Namibian company realised a net R14,3m cash profit in the review period.

More recently MacPhail has been linked to the construction of a R100m coal terminal which would aim to export about 4-million tons a year of sized coal.

The project, which was due to receive board approval by the end of May, has been put on hold until a more thorough investigation is completed.

MacPhail closed unchanged at 154c yesterday, with Forward ending down 16c to 280c — 20c above its annual low.

209/7/96

(215)

# Lower profit is manageable — MacPhail

(215) BD 10/7/96

David McKay

COAL distributor MacPhail Holdings believes the lower-than-expected profit in the second half of the year is manageable but cannot quantify the amount until a full investigation has been done.

The group, which posted a R2,98m attributable loss for the six months to December, warned yesterday its performance would be knocked by losses incurred by its UK trading operation after it was supplied low-quality coal.

Chairman Sidney Weintraub declined to name the supplier, but

said it made up a large portion of the coal channelled through MacPhail UK. However, the supplier was not a large part of MacPhail's overall coal supply business. Plans to avoid a repetition of the problem were part of an investigation into the coal supplied to the UK operation.

Weintraub said the supplier had failed to provide a specification of the coal yields, as required in terms of its contract.

Industry analysts said the coal probably came from a Colombian producer which was cheaper than UK coal but often not high quality.

MacPhail and parent Forward Corporation yesterday cautioned shareholders about negotiations concerning the coal company.

Weintraub declined to comment on speculation that Forward could sell its 63,5% stake in MacPhail. Forward valued this stake at R29,3m in its latest annual report, but the stake was worth R24,1m on the JSE yesterday as MacPhail rose 6c to 160c.

Industry analysts said an offshore interest could be involved in buying MacPhail, but another source discounted Lonrho-owned Duker as a possible taker.

# Lama sets its sights on R200m sales within five years

By John Spira

Johannesburg — Murray & Roberts subsidiary Lama International Contractors plans to boost its annual sales from R80 million to R200 million within five years.

Lama had for the past decade focused its overseas efforts on South East Asia, Harry Nieman, managing director, said in Johannesburg yesterday.

"Now, however, we are looking, further afield to many of the Far

Eastern countries, the Indian Ocean islands and Africa.

"At the same time, we shall continue to look for work in South Africa and our traditional foreign bases of Malaysia and Hong Kong."

Nieman said that in South Africa, Lama had been involved in more than R6 billion worth of development, almost always in joint ventures with local contractors.

The company is a specialist in offshore terminals, underwater

pipelines, pipe landfalls and beach crossings, marine and coastal engineering and onland fresh and waste water management.

Among its larger foreign projects is a joint venture with Leighton (China) on a R600 million contract for the upgrading of the Chek Lap Kok airport in Hong Kong.

The company is responsible for the design and construction of the supply facilities for aviation fuel, delivered via an offshore terminal.

Lama is also involved in a

R70 million contract for the laying of submarine pipelines between the Malaysian mainland and Penang Island — a distance of 3.5km in waters up to 35m deep.

"There is a growing demand for the type of work we do in the fast developing economies of the near and far East," said Nieman.

"The time has therefore come to expand."

In recent months Lama has begun operating in India, Indonesia, Myanmar, China, Turkey and Tanzania.

# Gold Fields Coal doubles

(215)

lems, the company managed to lift sales from R50,3 million to R62,8 million.

Director Barbara Day said yesterday that coal prices, and especially export prices, assisted by the weak rand, remained strong. She said domestic demand was high.

Gold Fields Namibia enjoyed an outstanding quarter, with tax profit soaring from R111 000 to R9,5 million. However, the directors pointed out that profit accrued erratically from quarter to quarter. They said operations had proceed-

By John Spira

DEPUTY EDITOR

Johannesburg — Gold Fields Coal doubled its taxed profit in the June quarter from R8,7 million to R17,2 million as production returned to the pre-March quarter levels.

The March quarter was adversely affected by the heavy rains and although the June quarter suffered the disadvantage of five public holidays, a Cosatu stayaway and equipment availability prob-

# its profit

CT (BR) 12/7/96

ed extremely favourably in the three months to June 30.

Of Gold Fields' non-listed base metals companies, Black Mountain's taxed profit nearly doubled to R28,7 million as high metal prices were received. Mill throughput, grades and plant recoveries were all on target.

Zinc Corporation also fared strongly. Taxed profit increased from R8,9 million to R16,3 million on the back of improved production and sales and a higher zinc price.

## Coal owners aim to put new steam into pricing

Reinie Booysen

(215)  
20 17/7/96

THE Transvaal Coal Owners Association may stop producing Witbank Brand 2 coal — used mainly by Japanese steel manufacturers — due to disappointing prices, an association source said yesterday.

The association, representing Amcoal, Ingwe and Gold Fields Coal, would probably generate better returns at current prices from selling the steam coal used to manufacture the 10% ash product, the source said. The association is currently renegotiating long-term supply agreements with several Japanese steel mills.

The Brand 2 grade is used in the pulverised coal injection process used by some steel manufacturers.

"The Brand 2 price is at least \$3 a ton short of the level we need to render its production economic compared with just selling steam coal," the source said.

The decision to continue production would depend on the prices offered by Japanese buyers.

The association exports some 600 000 tons of Brand 2 Coal a year.

At the current price of about \$36 a ton, this generates some \$21,6m.

The washing process entails a yield loss of about 20%, so the association could instead sell about 700 000 to 720 000 tons of steam coal, at current prices of about \$33 to \$34, and generate earnings of \$23,1m to \$24,5m.

The association's exports of Witbank low ash coal — a 7%-ash product which sells for some \$43 a ton at present — would not be affected, the source said.

Exports of this grade are currently running at about 1,6-million tons a year.

SA exports about 60-million tons a year of coal, of which about 5,9-million tons is metallurgical coal, and the rest steam coal.

The association's Japanese supply agreements, initiated in 1976, and extended for 10 years in 1987, are due to expire in March 1997.

# Gencor buys another stake in Ingwe Coal

(215) CT(M) 18/7/96

By Jabulani Sikhakhane

BUSINESS EDITOR

Johannesburg — Gencor's acquisition of an extra 12 percent stake in Ingwe Coal last week could be a first step towards its unbundling Trans-Natal Coal.

The move boosted Gencor's total stake in Ingwe to 41,5 percent. Gencor owns 45 percent of Trans-Natal, whose sole asset is its 51,46 percent share in Ingwe.

"There are no immediate plans to unwind the Trans-Natal structure. But if Gencor's effective economic interest in Ingwe goes above 50 percent, we will have to relook at the structure," said Mick Davis, Gencor's finance director and Trans-Natal's chairman.

Analysts said that an opportunity for Gencor to increase its interest in Ingwe should arise later this year when the unbundling of Rand Mines is completed. Rand Mines still retains an 8 percent stake in Ingwe.

Gencor said yesterday that it had bought 3 million (2,9 percent) Trans-Natal shares and 21,8 million (10 percent) Ingwe shares on July 10, lifting its effective shareholding in Ingwe to 41,5 percent.

The transaction was financed by R24 million cash, the issue of 25 million new Gencor shares and the transfer to the seller of Gencor's 27 percent stake in Anglovaal Holdings. Old Mutual is believed to be the unidentified institution that sold the Trans-Natal and

Ingwe shares to Gencor.

Analysts said it would have received the Ingwe shares from the partial unbundling of Rand Mines, in which Old Mutual had a 27,3 percent stake.

The Trans-Natal shares would have come from the unbundling of Anglo-Transvaal Collieries, which held a 9,6 percent stake in Trans-Natal.

An Old Mutual spokesman said it was not the company's policy to comment on individual transactions. After the merger of Trans-Natal and Randcoal that resulted in the formation of Ingwe, Rand Mines held 99 million shares in Ingwe and Trans-Natal held 111 million.

Last year, Rand Mines sold 4,3 million Ingwe shares at R29,25 outside the market to raise cash for the redemption of preference shares. Analysts believe that Gencor bought these shares.

In a partial unbundling exercise, Rand Mines also distributed 77,5 million Ingwe shares to its shareholders last December.

Gencor would also have received a portion of Ingwe's shares, because it holds a 3 percent stake in Rand Mines.

Rand Mines has said that a portion of its remaining 17,2 million Ingwe shares would be sold to settle about R35 million of liabilities.

Once this has been done, the remaining shares will be distributed to Rand Mines' shareholders after September 30.

## Sasol begins high-grade coal export trial

(215)  
Reinie Beoyesen

BD 22/7/96  
SASOL Mining had started trial shipments of high-grade coal to Europe and the Pacific Rim from its Twistdraai colliery through Richards Bay Coal Terminal, a spokesman said yesterday.

He said a total of 70 000 tons had been shipped since May. The company planned to export a further 80 000 tons before year-end, when the coal beneficiation plant was scheduled for completion.

Exports would then build up

from about 1-million tons next year to the full planned capacity of 3-million tons a year by 1999.

Construction on the coal export project started in May last year. The production rate from Twistdraai Colliery was being expanded from 4,5-million tons to about 8-million tons a year.

Sasol's acquisition of a 5,2% shareholding in the Richards Bay Coal Terminal allowed it to export up to 3-million tons a year through the port, starting next year, the spokesman said.



# Industrial action disrupts SA's main coal exporter

Nicola Jenvey

**DURBAN** — Richards Bay Coal Terminal, the main conduit for SA's coal exports, has been affected by industrial action among 40% of its work force.

Management was tight-lipped last night about the action, claiming contingency plans had been put in place to minimise disruption.

The full effect on capacity would be gauged once monthly capacity figures were calculated tomorrow.

The terminal has sought to keep silent about the dispute, which started early last week, and issued a statement only yesterday following inquiries from the media.

It said the dispute stemmed from annual wage negotiations with the Transport and General Workers' Union, which accounted for about 40% of its 500-strong work force.

The union represented semiskilled labour such as machine operators and

clerical staff, Richards Bay Coal Terminal said, and the action was "illegal". Contingency plans included using machinery operated by casual labour in longer than usual shifts.

The dispute had affected operations, but the terminal hoped to have returned to full capacity by last night. "Any backlog in terms of ships waiting to be loaded was neither significant nor abnormal," a spokesman said.

The terminal, which is jointly owned by major coal producers such as Ingwe and Anglo American Coal, plans to put through more than 60-million tons of coal this year.

Industry sources have previously indicated concerns about bottlenecks at the terminal, which is rapidly approaching full capacity.

None of the terminal's owners would comment, and the terminal declined to comment further, claiming the matter was commercially sensitive. The union could not be contacted.

BD 30/37/96

(152)

(215)

# Coal strike cuts railage 30%

BD/18/96  
Nicola Jenvey

DURBAN — The industrial action at Richards Bay Coal Terminal had cut the daily throughput of coal railed to the terminal by 30%, Spoornet said yesterday.

Spoornet officials said the terminal, SA's main conduit for coal exports, had experienced "severe backlogs" as a result of the dispute with the Transport and General Workers' Union.

Terminal management had previously played down the effect of the action.

About 168 000 tons of coal were railed into the terminal on a normal day, Spoornet said.

On current spot coal prices, coal worth at least R7m was held up for each day of the current dispute.

Terminal management and the union said yesterday that the lock out would end, with employees resuming work yesterday afternoon.

Normal operations were expected to commence from the 6am shift today.

The dispute flared early last week, affecting 222 of the terminal's 500 employees. The union

said management had locked out the employees on Sunday.

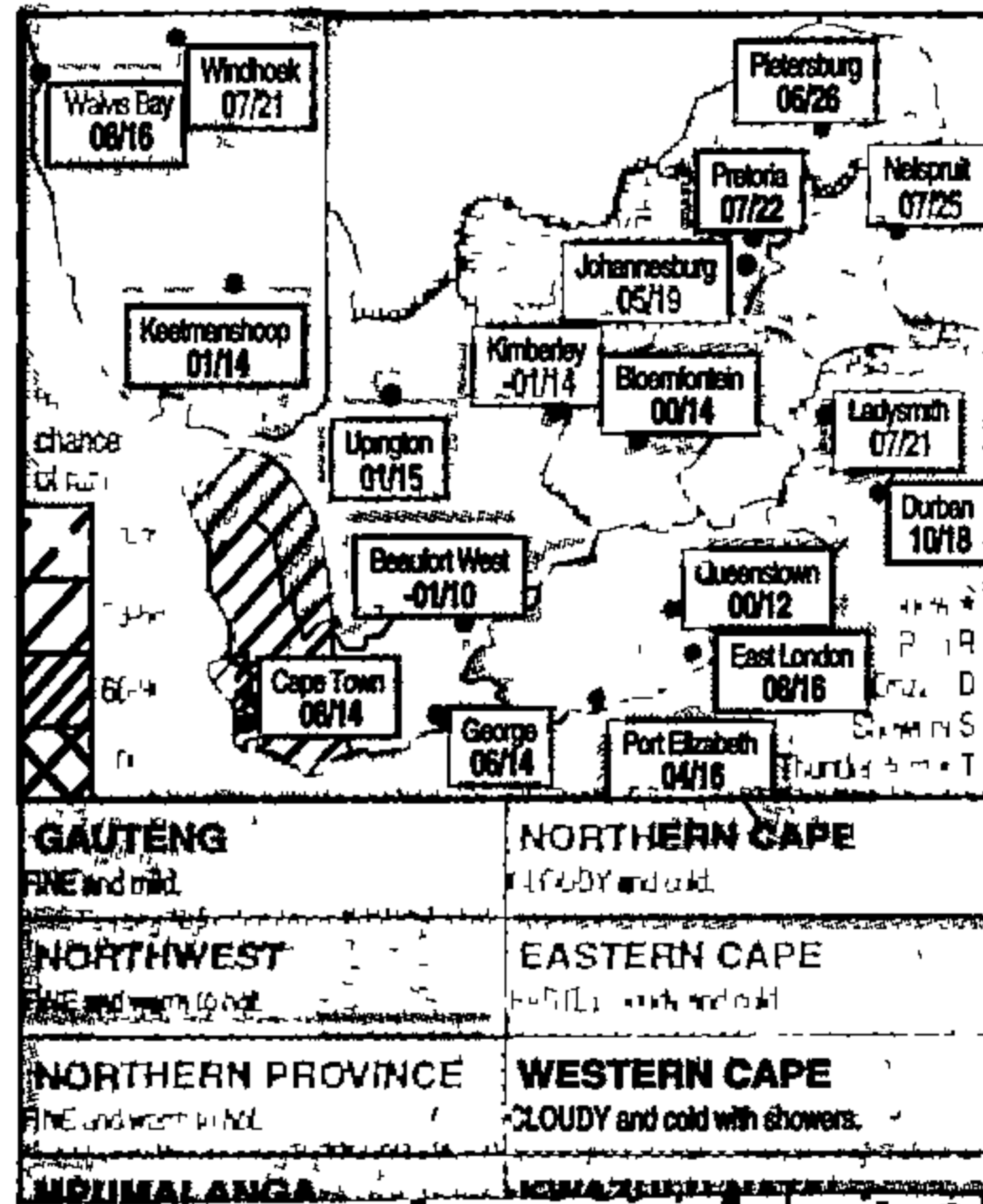
The terminal, jointly owned by coal producers such as Ingwe and Anglo American Coal Corporation, had sought to minimise disruption by extending shifts for other employees.

RBCT corporate relations manager Russell Taylor said the terminal had not denied ships access to coal during the

week, but loading times had "sometimes been longer than normal".

Shareholders were liable for any costs incurred such as holding ships at sea and the industrial action, maintenance for key yard equipment and heavy rains would lower the terminal's output for July. RBCT aims to export 60 million tons this year, and achieved a record 6-million tons for June.

## TODAY'S WEATHER



# Ingwe Coal posts 50% increase in earnings

By Jonathan Rosenthal

*CT (PR) 20/8/96*

Johannesburg — Ingwe Coal, the largest coal exporter in the country, managed to raise earnings a share by 51,3 percent to R2,34 and operating profit to just over R1 billion for the year to June 30 despite flooded mines, a slight decline in yields and increased operating costs.

A final dividend of 75c was declared, bringing the total dividend a share to R1,10 for the year, nearly double the 57c dividend for the previous reporting period of nine months.

In the company's first full financial year since its merger with Randcoal, attributable income increased to R500 million and sales rose 2 percent on an annualised basis to 61,5 million tons.

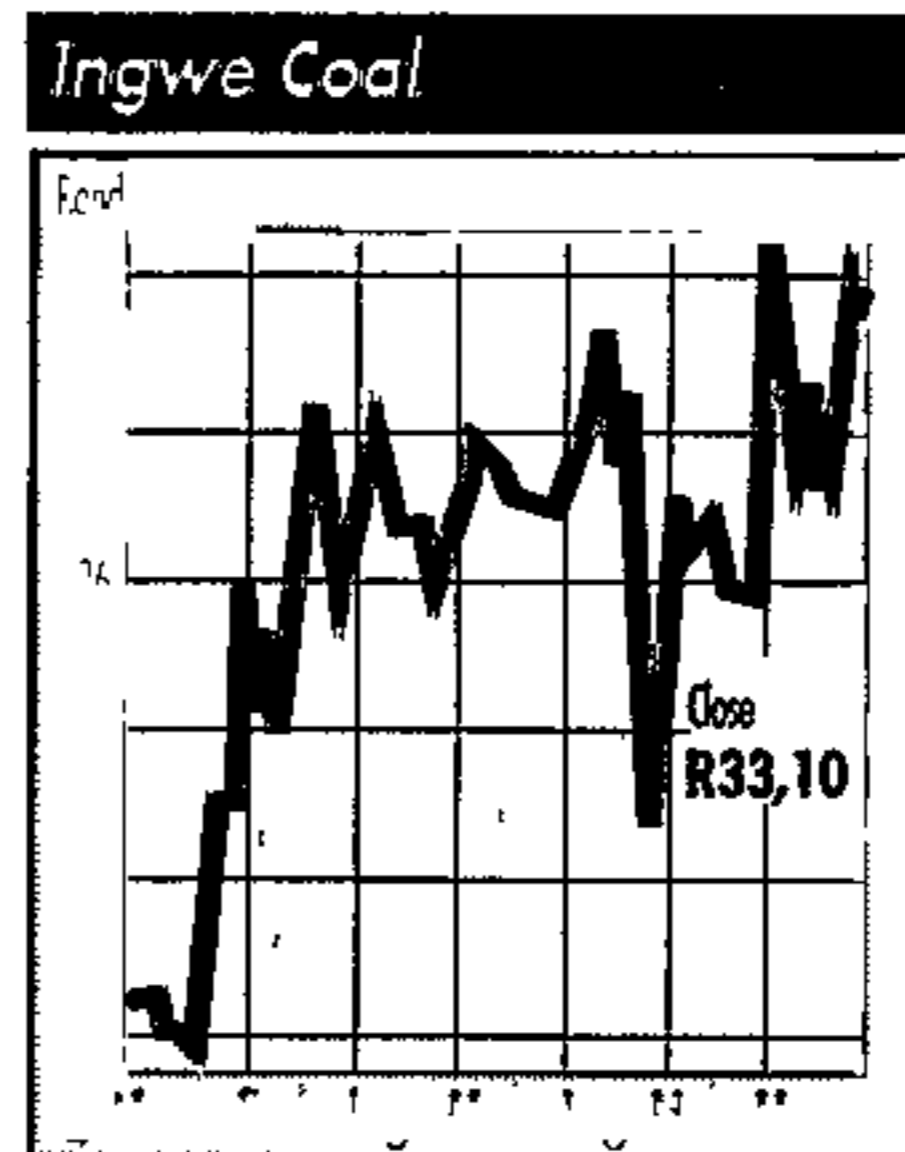
Much of the increase in earnings came from higher selling prices, with the average invoiced sales price 16,3 percent more than during the previous nine months, at R76,12 a ton.

Coal exports increased by 5,8 percent to 24,5 million tons, but sales to Eskom fell 1,1 percent to 28,7 million tons. The largest threat to profit was posed by a 12,9 percent increase in the cost of sales to R44,57 a ton. This was attributed to geological problems at the Koornfontein mine's Gloria section and low productivity at Mpisi, both in Mpumalanga, where trials with low-seam mining equipment were under way.

Group productivity fell slightly to 355 tons a worker a month, from 361 tons the year before.

Mick Davis, the executive chairman, said heavy rains had decreased saleable production by 1 million tons and cost the company R114 million. Insurance claims of R80 million had been lodged because of flooding caused by the exceptional rains, with R58 million received to date, he said.

Available cash reserves at the year end were R493 million, an increase of R298 million on the start of the year. Of the R936 million generated in cash, R419 million was applied to capital expenditure, R31 million to loan repayments and R187 million to dividends. Interest-bearing debt decreased R23,5 million to R67,2 million.



# Export prices fire up Ingwe earnings

David McKay (215)

BD 20/8/96

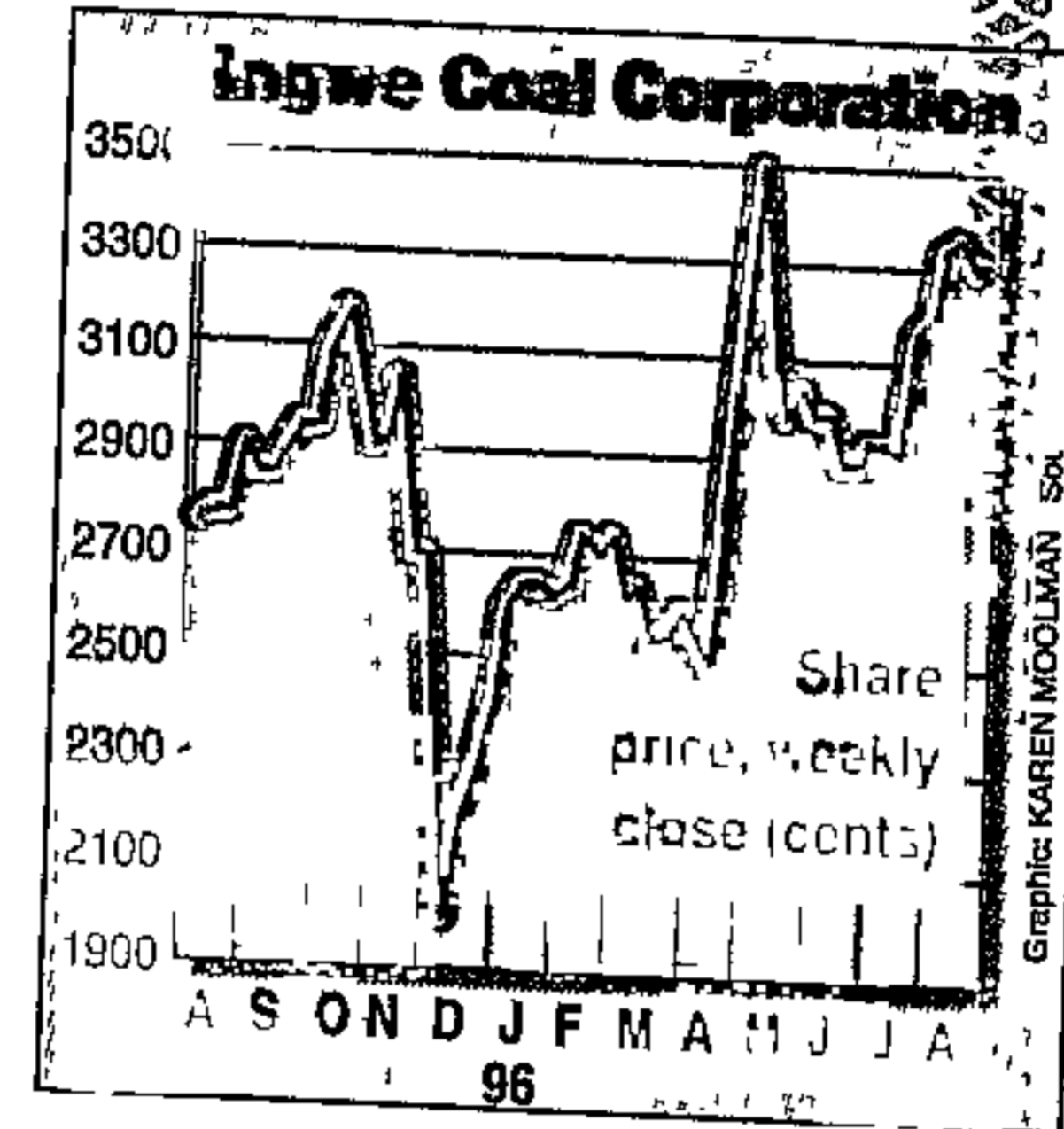
INCREASED volumes and higher export contract prices for coal offset the effect of higher costs to give Ingwe Coal Corporation a 118% rise in attributable earnings to R503,1m in the year to June against figures for the previous nine months.

In its first full year of operations, share earnings before merger costs rose an annualised 51,3% to 234c. A total dividend of 110c a share (1995-57c) was declared. Higher sales revenue of R4,68bn (R2,96bn) resulted from a 2% increase in sales tonnage to 61,5-million tons on an annualised basis, powered by growth in the export market.

However, revenues were affected by forward cover on the exchange rate, which averaged R3,74 to the dollar (R3,60) from February.

Export sales increased to 25-million tons (17,8-million tons) of which 51% was dedicated to Europe and 40% to Asia. The 29,7-million tons (22,5-million tons) of coal supplied to Eskom made up the largest portion of total sales. Inland sales increased to 6,8-million tons (5-million tons).

Geological faulting at Koornfontein's Gloria section and low productivity at Mpisi led to a 12,9% jump in costs to R2,74bn. This was compounded by rains flooding open-pit export mines, leading to a 1-million ton backlog.



Ingwe received R58m from an R80m insurance claim against 600 000 tons of spot sales which were not concluded because of rain.

Capex was R419,4m (R368,6m). MD David Murray said the most pleasing aspect of the results was that higher earnings were backed up by a

Continued on Page 2

## Ingwe (215)

BD 20/8/96

Continued from Page 1

152% increase in cash resources to R493m. The higher earnings were attributable to a robust export market and synergies flowing from the merger with Trans-Natal Coal Corporation.

Contract prices increased 22%, but the European spot market softened to \$4 a ton below contract prices in the second half of last year. They had recovered to about \$1 a ton below contract prices, auguring well for next year's contract price negotiations. A

firm export market, a weak rand and increased demand from Eskom indicated further growth this year.

Executive chairman Mick Davis said the company was working on increasing profit margins and volume capacity. It would also explore new mining prospects in Australia, Indonesia and South America.

Trans-Natal, which has a 51,46% stake in Ingwe, lifted attributable income to R260,3m (R153,5m). Earnings a share were increased to 250,9c (158,5c). A total dividend of 117,3c a share (80,8c) was declared.

Picture: Page 3

**INTO RAND HEDGE CATEGORY**

fm 23/8/96

Investors have good cause to be satisfied with Ingwe's performance in financial 1996. Comparisons with 1995 aren't strictly valid because of the different reporting period, but even so the improvement of 52% in after-tax profit (year-on-year) is considerable.

Even more interesting is that turnover rose 18% and cost of sales by 14%, two statistics which underline the huge gearing effect of the rand coal price. Effectively, this points at dollar export prices — the crucial element in the international coal business.

Ingwe now releases a plethora of information previously kept tantalisingly

GETTING INTO ITS STRIDE		
Year to June 30	1995	1996
Turnover (Rm)	*3 954	4 682
Operating income (Rm)	*770	1 054
Attributable (Rm)	*332	503
Earnings (c)	*155	234
Dividends (c)	57	110

\* Annualised

FINANCIAL MAIL • AUGUST 23 1996

under wraps. For the first time, average sales prices are revealed. Ingwe earned US\$33,40/t on exports in 1996 and averaged an exchange rate of \$/R3,74.

This is an especially significant number in the context of the most recent depreciation. Frankel Pollak analyst Ross Gardiner says an estimate for the coming year is \$/R4,32. If that's correct, and assuming that Ingwe sells the same abroad as last year (25 Mt), it will increase export earnings by another R500m (to R3,7bn) without having to lift a finger.

Unfortunately, this hides some rather bad news. It's that the exchange rate achieved by the company is about 12c less than would have been the case had it not been for an unfortunate judgment by Gencor's treasury. The hedge cost Ingwe about R100m and effectively chopped 10% off its operating income (see *Torque*).

This blunder aside, it's probably fair now for Ingwe to add the attributes of a classical rand hedge stock to its armoury. It's appreciably more heavily exposed in this area than Amcoal, and this must add to its investment attraction. Contributions to turnover in 1996 were R3,1bn from exports, R1,1bn from tied power stations and R0,5bn from the general inland market.

Chairman Mick Davis says policy is to allow the dominant Australian producers to set the lead in determining prices for the Far East market (they're so big, Ingwe can hardly do otherwise). In one sense, this is disadvantageous, however, it avoids the temptation that the rand's slide provides to international buyers wanting to limit dollar prices.

Talks are scheduled with European buyers next month. The long-term plan is to increase sales to the Far East, now about 40% of exports, at the expense of Europe, now about 51%. More broadly, it's clear that Ingwe's important position as the world's largest single exporter of steam coal is unlikely to be challenged in the near future.

A number of other features deserve to

be examined. The first is that little growth is expected by Ingwe in SA in the next few years. The expansion envisaged at Richards Bay will permit it to increase export sales to about 30 Mt over five years (25 Mt now). And it could win the supply contract for the next three generating sets at Majuba power station.

Since this catalogue doesn't offer much to get excited about, it follows that the real key to the future lies in international expansion plans. Already, Ingwe is deep into a feasibility study of an 8 Mt/year-12 Mt/year export mine on its reserves at Togara South in Queensland. A decision is expected next year. There's much acquisition activity in Indonesia, too.

The second is that this deeply constructed strategy play owes much to Davis's growing role in Ingwe's business. Davis, Gencor's finance director, is obviously becoming involved in areas of line management previously outside his immediate area, and this may signal an

important long-term career change.

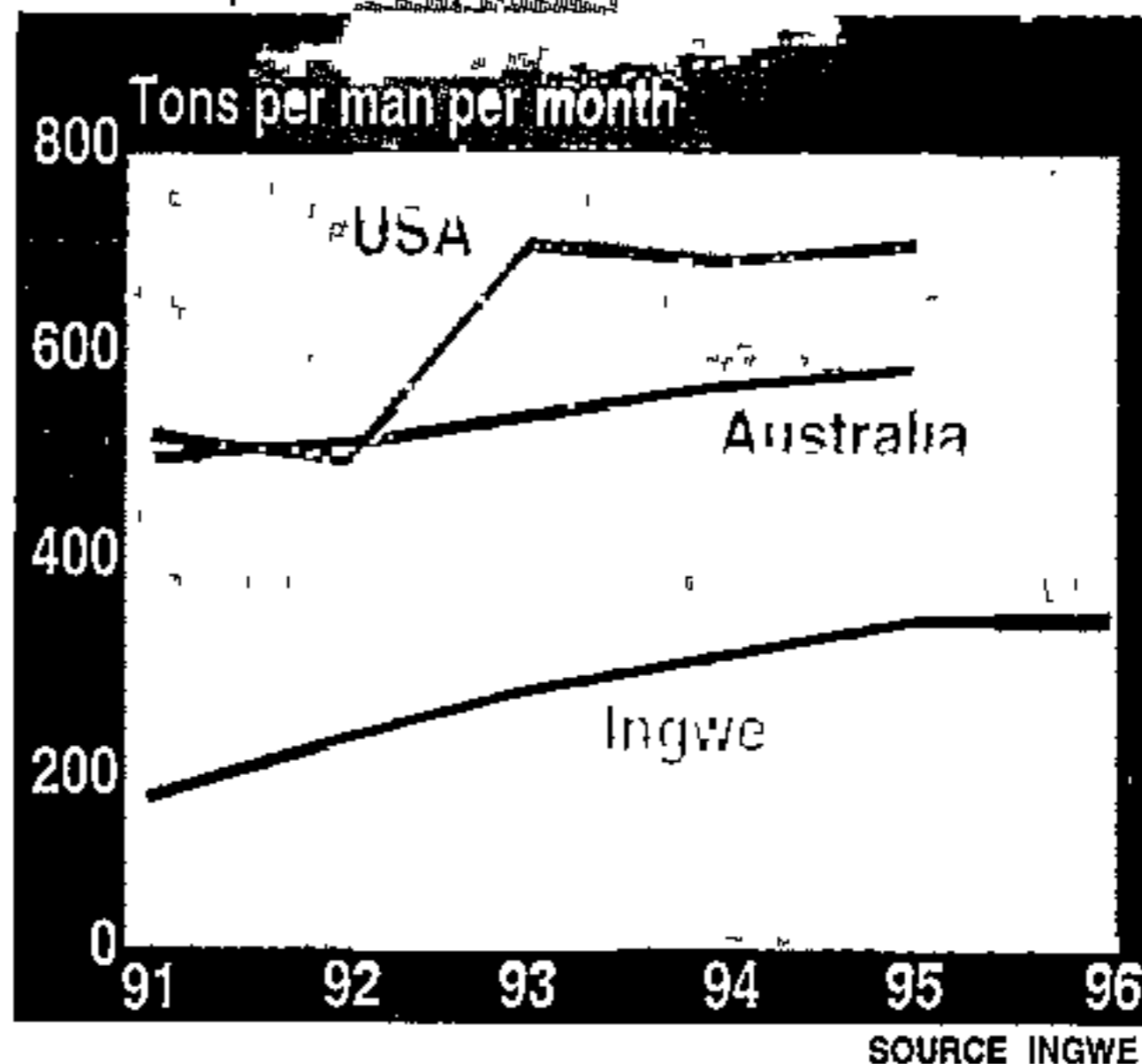
Another is that Ingwe admits it lost about 1 Mt output to heavy rains on its open pits last year. With dams full and water tables high, even moderate rains this summer may produce real production difficulties.

Lastly, Ingwe's big drive this year is to reduce production costs. Given that about a third of direct costs are hit

by the declining rand, this won't be easy. And it will be exacerbated by SA's seeming inability to make inroads on the productivity patterns of its biggest competitors, the US and Australia.

In the short term, investors are probably better off investing in Amcoal because the Anglo producer is such a cash cow. However, the longer term advantage clearly rests with Ingwe, which has developed a focused and demonstrable strategy for global expansion and is intent on developing it.

On an historic p/e of 14,2 and estimated forward p/e of 8,6 (on Gardiner's estimate of 385c EPS), it's a stock which should be in all serious long-horizon portfolios. *David Gleason*



# Black-run coal mine opens soon

*Sowetan 30/8/96 (215)*

## Kuyasa aims to tap on available opportunities

By Mzimkulu Malunga

**S**OUTH AFRICA'S first black-owned coal mining company has been formed and is to start operations in November

The company, Kuyasa Mining, is to start its operations in Delmas, Mpumalanga

Formed last year by a group of black engineers and financial professionals who worked on the coal

mines in the Witbank area, Kuyasa has been talking to a number of major mining houses about coal deposits it can mine

After a long struggle the first breakthrough came in July this year when the company clinched a deal with coal mining giant Ingwe to sell one of its smaller coal mining deposits to Kuyasa

### Environmental study

The company's director in charge of strategic affairs, Ayanda Bam, says a firm of consultants has been appointed to conduct an environmental impact study at the site where the mine is to be located

After the completion of the study, says Bam, the group will apply for a mining licence from the

### Government

The lifespan of the mine that Kuyasa is to start will be seven years and negotiations are already at an advanced stage with Ingwe for future coal deposits

Bam says they are also talking to major mining houses which have coal deposits to build up future reserves for Kuyasa

Already the company has an option to purchase a larger coal deposit site currently controlled by a private coal mining company, Gefco

Bam says one of the company's major objectives is to arrange participation by black contractors in the mining industry

Currently, most of the companies which are able to tap on to the

sub-contracting opportunities available in the coal mining industry are white-owned

"We want to change that and ensure that black people who are presently involved in the industry and have entrepreneurial aspirations gain access to those contracts," he said

"Another objective is to be able to mine 12 million tons of coal a year within the next 10 years"

Kuyasa has three other directors and they are engineers Thabo Sibeko and Shadrack Shongwe and accountant Joseph Ndaba

Between the four of them they have 50 years' of experience in the mining industry and have all worked in management positions in respective coal mines in the Mpumalanga province



Pioneers in black mining industry... Kuyasa's directors, seated left, is Ayanda Bam with Joseph Ndaba, right, Shadrack Shongwe, standing right and Thabo Sibeko, left.  
PIC PAT SEBOKO

60243

# De Beers seeks to clinch diamond deal

(216) BD 3/9/96

MOSCOW — Top officials from De Beers Consolidated Mines begin the latest round of talks aimed at finalising a trade agreement with Russia's state-owned AK Almaz Rossii-Sakha (ARS) in Moscow.

Ray Clarke, head of De Beers' Moscow office, refused to speculate yesterday if the latest talks

might yield the long-delayed deal.

The two sides are hammering out the details of a three-year trade deal, relating to Russian sales of rough gem diamonds through De Beers. ARS officials refused to comment yesterday.

This week's talks are expected to last several days — AP-DJ.

INGWE (215)  
FM 6/9/96  
**GLOBAL AMBITIONS**

**SA's biggest** coal producer and the world's largest steam coal exporter has produced results for its first full financial year which confirm that a difficult merger involving different cultures and approaches has bedded down in most respects

- **ACTIVITIES:** Coal mining, marketing and exporting
- **CONTROL:** Gencor through Trans-Natal Coal Corp
- **CHAIRMAN:** M L Davis MD D J K Murray
- **CAPITAL STRUCTURE:** 215m ords Market capitalisation R7,87bn
- **SHARE MARKET:** Price 3 660c Yields 6,4% on dividend, 3,0% on earnings, p e ratio, 15,6, cover, 2,1 12-month high, 3 680c, low, 2 000c Trading volume last quarter, 2,5m shares

Year to June 30	†'94	*'95	'96
Turnover (Rbn)	2,65	2,37	3,80
Operating income (Rm)	548	577	1 054
Attributable (Rm)	274	231	503
Earnings (c)	127	108	234
Dividends (c)	67	57	110

† Summary of two groups \* Nine months only

The income statement reflects the extent to which this has been achieved, as well as the healthy state of the world seaborne steam coal trade. Turnover nearly reached R4bn and operating income of R1,1bn reflects an excellent margin of 28%. The tax rate, though, at 39%, is high.

Net cash flow from operations was R919m. Out of this it paid dividends of R187m and invested R419m in capital projects, leaving a net improvement in cash of R298m. If there is any blot on Ingwe's report card for the year it is that a forward currency provision of US\$100m bought at an average exchange rate of \$/R4 turned out to be an unfortunate decision.

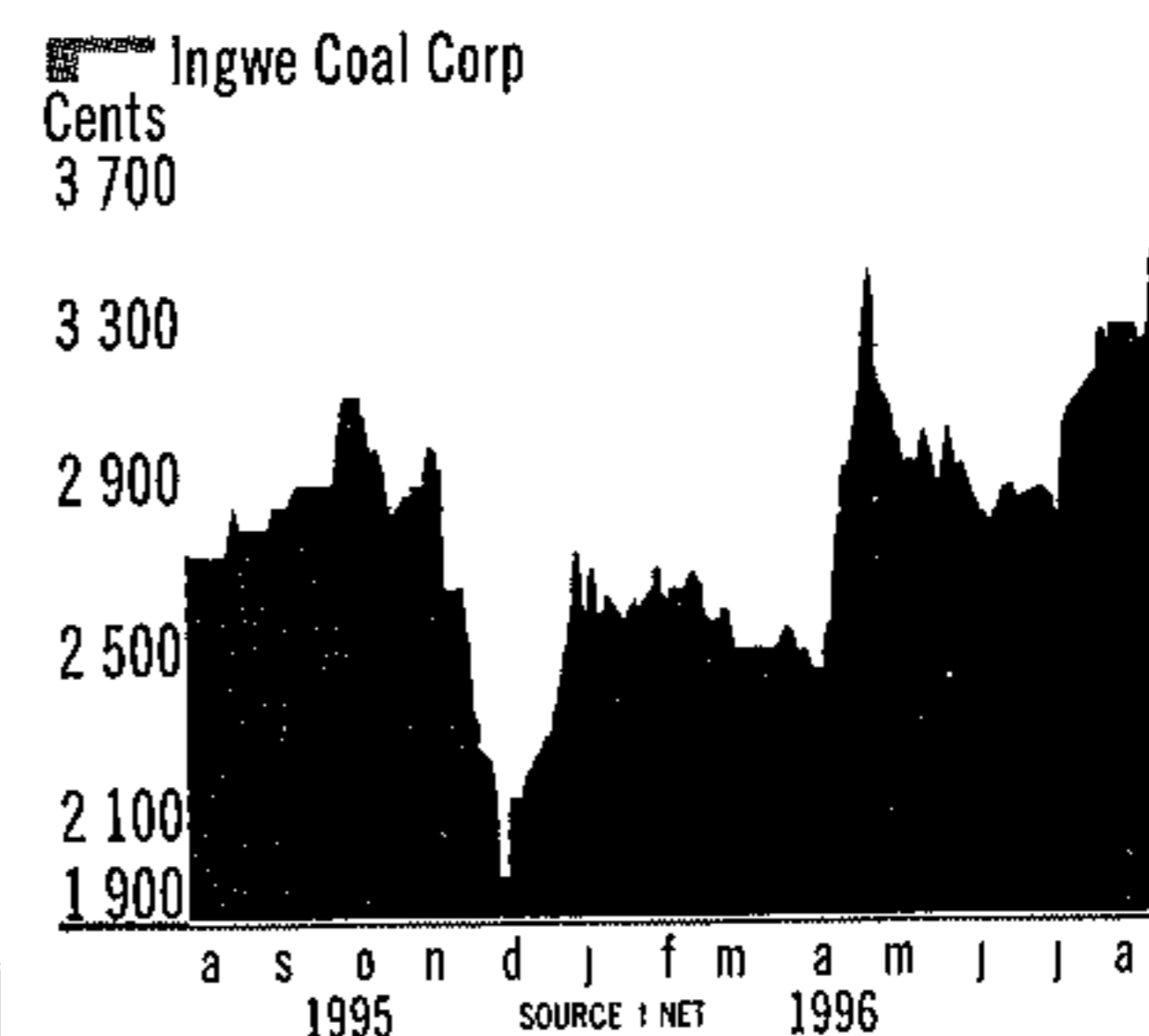
What makes Ingwe different from the other local giant in this business, Amcoal, is that its openly declared strategy is to expand its international reserves as rapidly as it can.

Already, for example, it is deeply involved in determining the viability of

opening a new mine at Togara in Queensland, where early indications suggest annual exports of between 8 Mt-12 Mt may be possible. The company is known to be active in other South East Asian countries, notably Indonesia where Ingwe is opening an office.

These developments underline the company's acceptance that its SA business is probably approaching its apogee and that its future lies increasingly beyond our borders. Also clear is that Ingwe's managers have pinned their hopes for the long-term future on the economic development of the Pacific Rim.

Chairman Mick Davis makes it clear Ingwe is concerned to keep abreast of constantly changing power generation



patterns. Supply and demand factors are constantly changing, he says, buying strategies are always altering and power generation is being progressively deregulated. After 2010 or so, SA's own reserves of better quality coals must be expected to decline in volume,

so Ingwe's pursuit of a long range plan is certainly logical enough.

An investor faced with the choice of Ingwe and Amcoal for his portfolio needs to balance what they offer with requirements. Amcoal is an unusual and steady cash generator on a massive scale. However, its international ambitions are hidden in the Anglo American Corp's greater developments.

If for no other reason, therefore, Ingwe's better enunciated expansion intentions outside SA give it a powerful attraction.

Using this as a basis for judgment, the logical answer is the buy Amcoal for the short term and Ingwe for the far distant future. *David Gleason*



**Mick Davis**



# Richard's Bay processes record coal export tonnages

Reinie Booysen

THE Richards Bay Coal Terminal has processed record tonnages in recent months, as coal exporters work to catch up on production lost due to heavy and unseasonal rains earlier this year.

Analysts said it seemed unlikely this year's export target of 60-million tons would be reached, mainly as a result of losses caused by heavy rains from February through March, which flooded a number of open-cast mines.

They said that even last year's full-year total of 58,1-million tons could be beyond reach.

The tonnage handled by the terminal from January to August this year amounted to an annualised total of 56-million tons only — in spite of some active spells over recent months.

In June, the terminal's throughput topped the 6-million-ton monthly level for the first time.

Although this compensated to some extent for the low levels earlier in the year — in April only 4,1-million tons were shipped — terminal sources said it was unlikely that this record could be repeated on a regular basis.

"In June we had two very favourable circumstances," a Richards Bay spokesman said.

"On the one hand, there was a good distribution of grades to be loaded, enabling our loading machinery to be utilised fully.

"On top of that, the vessel arrival pattern was good, with very little bunching," he said.

A Johannesburg coal analyst said next year would probably be a much

better year for exporters, with target annualised capacity of 63-million tons planned by the middle of next year. Actual tonnage next year could be about 61- or 62-million tons, he said.

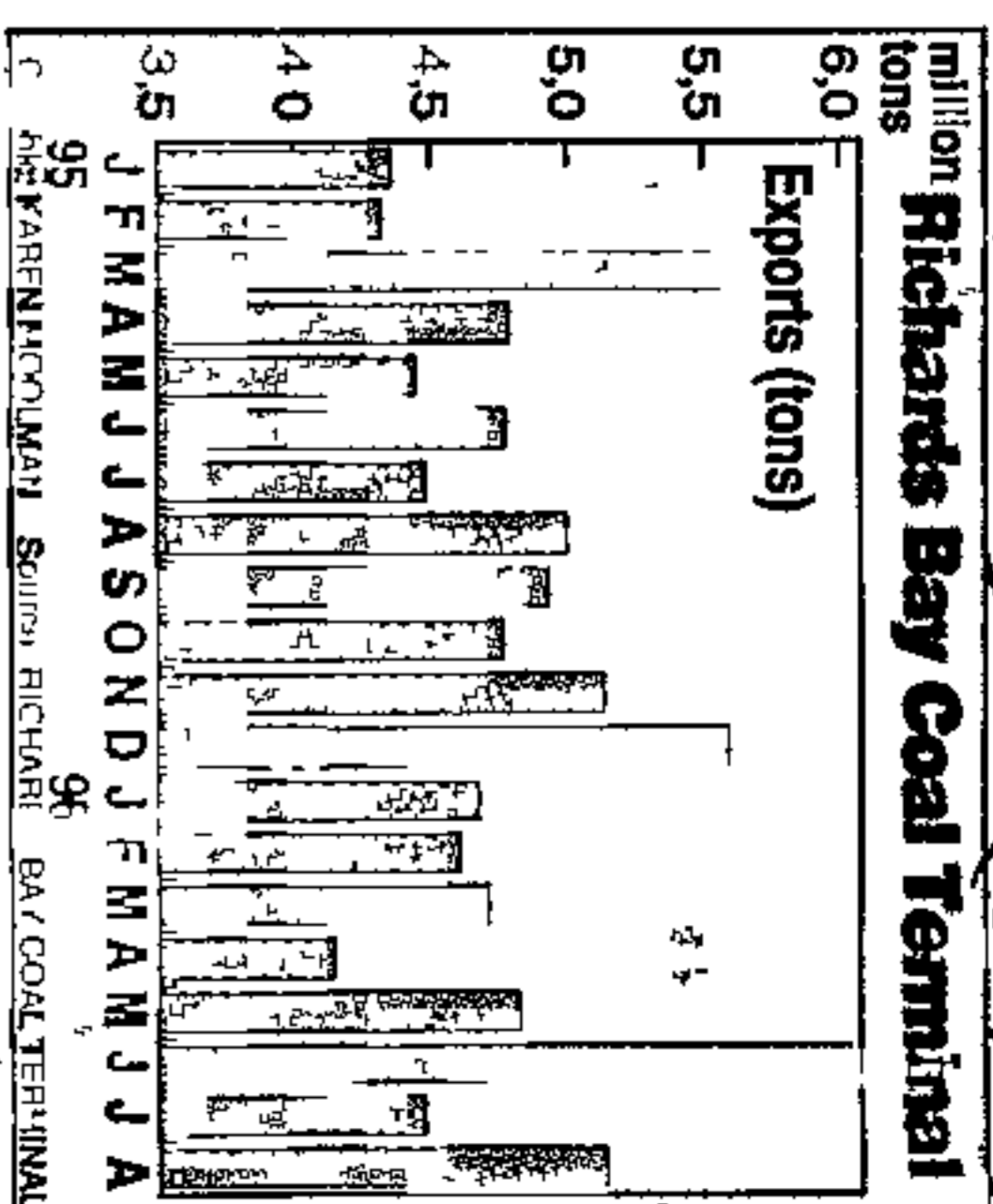
The dip in exports from SA this year has contributed to the relatively firm balance in the world coal market, with prices a few dollars a ton higher since June, and some analysts predicting a continuing strengthening.

Ivor Jones, Roy coal analyst John Loewen said the classic signs of a strengthening market were being witnessed. "I expect the firmer trend to continue," he said.

Although the shortfall in expected sales from SA was small in the context of total international seaborne sales, Loewen said the coincidence with several other bullish factors, including in-

BD 9/9/96

215



industrial action in the Australian coal industry, and a reduction in available exports by high-cost US producers, had boosted market sentiment.

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## De Beers heads off a strike as late agreement is reached

Reneé Grawitzky

A WAGE strike by thousands of members of the National Union of Mineworkers was averted at the 11th hour yesterday when De Beers agreed to drop its demand to abolish a premium paid to some five-day workers when a public holiday fell on a Saturday.

BD 13/9/96 (216) (21)

The agreement provides for a 9,5% increase for workers in A band and 9,25% for those in B band which effectively increases the minimum basic wage to R1 341 a month.

The parties agreed to defer the public holiday issue to a separate forum between the union and the three affected mines.

Besides resolution on wages and the public holiday issue, the agreement focused extensively on health and safety related issues and on education and training

The parties agreed to an HIV/AIDS policy which addressed worker rights and benefits, conditions around testing, counselling and education programmes.

## Elandsfontein coal mine sold to Dutch coal trader

BD 23/9/96

Reinie Booysen

(215)

FRASER Alexander finally agreed to the sale of its Elandsfontein coal mine to Dutch coal trader Anker Kolen for about \$14,5m late last week.

A formal announcement would be made with the company's final results, due to be released on Friday, sources said at the weekend.

Fraser Alexander, and its holding company, Fralex, have issued three cautionary announcements since June. Fraser Alexander shares were untraded on Friday, at R15,60, well below the 12-month peak of R19,50 on February 19. Fralex shares were also untraded at R3,05, against a 12-month peak of R4,20 on March 5.

The opencast mine, which only recently reached full production, is located in the Witbank coal field, near Clewer and adjacent to Amcoal's Kromdraai mine. It has extractable reserves of about 14-million tons and a production capacity of about 1,2-million tons a year "run-of-mine", yielding sales of about 850 000 tons a year.

Anker Kolen apparently planned to sell the output locally and into the export market.

The sale was strategically motivated, as part of Fraser Alexander's decision to "sharpen its focus" on its core activity, sources said. Although the company also manufactured concrete products, this division had been consistently profitable, and was thus unlikely to be sold.

Fraser also owns the Woestalleen coal mine, but this would be shut down within weeks, having exhausted its economic reserves. The sources said Elandsfontein's sale price of \$14,5m would cover the capital cost of developing the mine.

# Ingwe project aimed at lost coal tonnages

BD 26/9/96

(215)

Reinie Booysen

GENCOR's coal company Ingwe is investigating reclaiming unmined portions of disused Witbank mines, with initial estimates indicating reserves capable of yielding 2,5-million tons a year — worth about \$80m a year at current export prices.

The production would largely be aimed at replacing output lost when production at Ingwe's Riet-spruit mine comes to an end, possibly within four to five years.

Rietspruit, a joint venture with Shell SA, produced 4,6-million tons for export in the year to June, of which 2,3-million tons were attributable to Ingwe.

"We must recognise that Riet-spruit has a limited life, and that we must develop production to replace those lost tonnages when Riet-spruit reaches the end of its life," Ingwe business development and strategic planning GM Sean O'Shaughnessy said.

The exact reserves — thought to be around 300-million tons — and production potential of the

project would only be known once a study was complete.

The project would entail recovering the unmined supporting pillars of disused mines, some of which were last exploited a century ago. The mining method would probably involve underground and opencast production.

The coal would be high-quality, and largely aimed at the export market. "We might sell some locally, for example to Eskom," O'Shaughnessy said.

Ingwe sold 61,5-million tons of coal in the year to June, exporting 25-million tons through Richards Bay Coal Terminal, in which it has a 41,3% stake.

The terminal has budgeted for 60-million tons of exports this year, but expansion plans could take capacity to 67-69-million tons within the next few years.

Existing shareholders would have to expand output to fully utilise their shareholdings.

In its latest annual report, Ingwe said it had changed its strategy to maximise supply to local and international markets.

# Ingwe Coal to cut 30% of Mpisi workforce

(215) BD-1/10/96

David McKay

INGWE Coal Corporation would cut about 30% of its 500-strong workforce at underground colliery Mpisi Coal, mainly as a result of rising transport costs

The group said yesterday that about 150 jobs would be made redundant on November 1, and some of the workers would be retrenched. The total number of retrenchments would be made known in about two weeks.

About 350 employees would remain at the colliery's washing plant and the new Maquasa shaft. The remaining activities would be managed by Welgedacht Exploration, it said.

Ingwe's 800 000 ton-a-year Mpumalanga-based Mpisi colliery transports

coal about 25km from the mining area to the washing plant, and a further 25km for dispatch in nearby Piet Retief

The weakening of the rand had increased the price of fuel, making transport one of the biggest costs at the mine's operating level. In addition, Mpisi Coal had produced lower than expected output from its Mpisi shaft.

Senior manager operations Eddie Scholtz said Ingwe had placed a moratorium on new appointments at its twelve collieries to minimise retrenchments at Mpisi.

It had also received a number of voluntary retrenchments and would attempt to transfer affected employees to other operations, he said. Ingwe had made a provision for about R3,5m in re-

trenchment costs in the current financial year. Mpisi had suffered an operating loss of R10m over the last two financial years. The colliery had undertaken capex of R50m over a three-year period which included certain developmental capital, Scholtz said.

Mpisi had failed to offset these costs with profits from coal produced which had also been affected by the heavy rainfall early this year.

The colliery would not be closed soon as certain geological conditions would improve at its Maquasa shaft, reducing on-mine costs. This shaft would access a reserve of about 20-million tons.

There had been full co-operation between the various unions represented and management at Mpisi, Scholtz said.

# Ingwe buys Australian coal company

(215)  
80 2/10/96

David McKay

INGWE Coal Corporation has reinforced its dominance of the global steam coal market by buying an Australian coal company in a deal worth R800m — a move which could boost its exports 80% by 2005.

The Gencor-controlled group has also gained access to a basket of properties with 2,1-billion tons of inferred resources

Ingwe said yesterday it had bought 96% of Coal Mines Australia Ltd (CMAL) for R310m from investment group Australian Mutual Provident Society (AMP). As part of the deal, Ingwe had committed itself to R490m in new equity to recapitalise CMAL. This would pay the way for capital investment of R905m at CMAL's coal mines.

Ingwe stood to nearly double its export capacity within ten years, it said.

CMAL owned two joint ventures which had the potential to increase their output from 4,7-million attributable tons to 10-million by 2005. This would be bolstered by Ingwe's Togara exploration, which aimed for annual production of 10-million tons by 2005. Ingwe therefore could export 20-million tons from Australia, on top of the 25-million tons it currently exported from SA, it said.

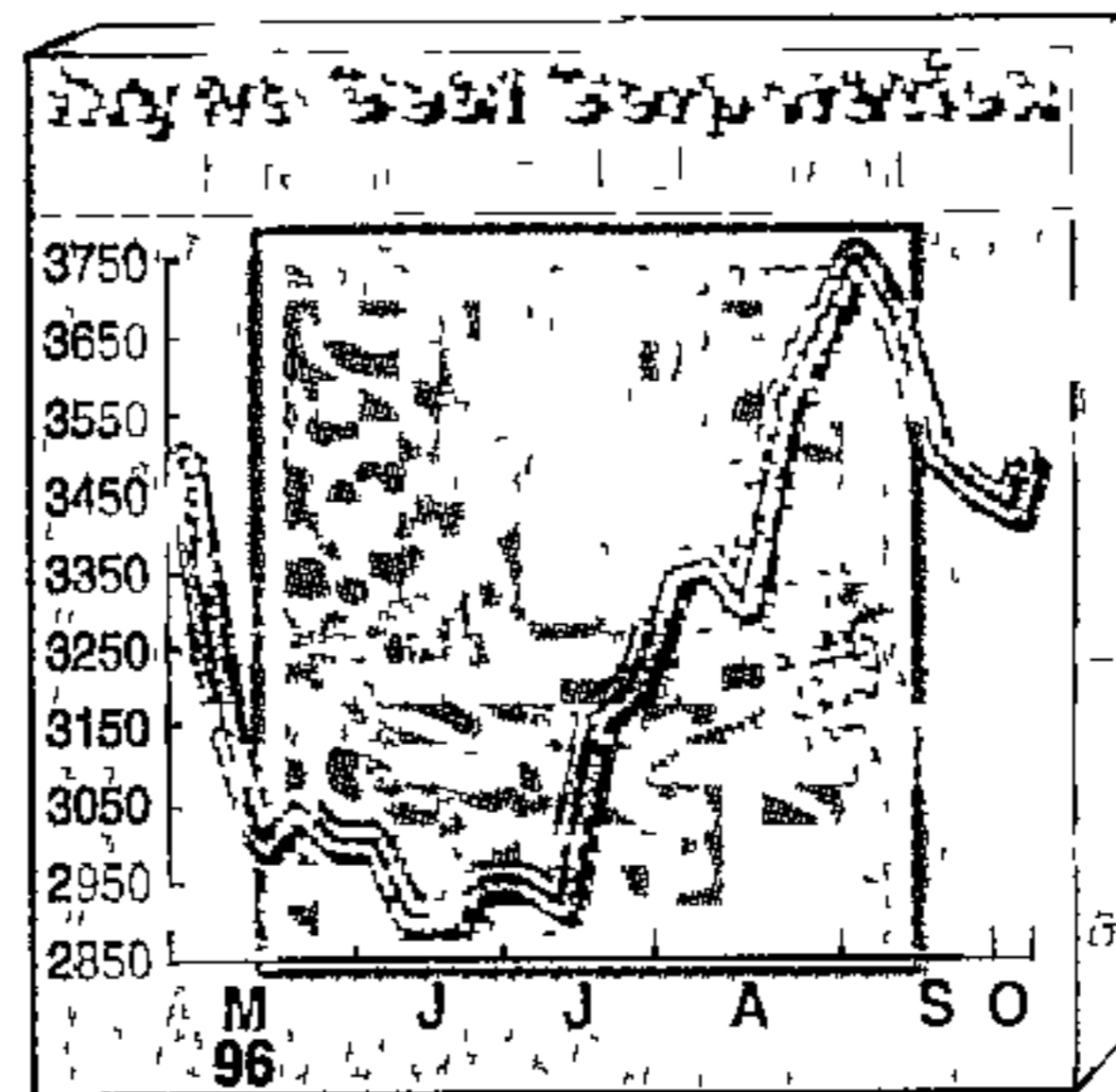
New business senior manager Noel Halgreen said CMAL's assets included an 80% stake in the Wallarah Joint Venture, and a 78,8% stake in the Bayswater Joint Venture, 100km from Newcastle harbour in New South Wales. He said 20% of the Wallarah Joint Venture was held by Nishi Iwai of Japan. The balance of the Bayswater

Joint Venture was held by two shareholders: Kepco of Korea and Japan's Nippon. Ingwe had no plans to purchase these stakes at this stage.

The Wallarah Joint venture has underground mines Wallarah, Cham Valley and Moonee. The Bayswater Joint Venture has two open cast mines.

Financing of the deal would be through bank loans and an equity settlement between Ingwe and Gencor. Details of this deal were unavailable.

Halgreen said apart from establishing a toe-hold in the Australian market, the acquisition allowed Ingwe "significant blue sky". There were several large deposits around the joint ventures, including a 1,8-billion-ton deposit at Wyong (in which CMAL has a 42% interest) and a 350-million-ton underground reserve at Bayswater. "The operating mines are in the lowest cash-cost quartile," he said. The deal with AMP would give Ingwe the asset base to maintain leadership growth in the world steam coal industry.



# Ingwe buys into Australian coal for R310m

(215) CT (PR) 2/10/96

**ANDI SPICER**

MINING AND RESOURCES EDITOR

Johannesburg — Ingwe Coal, the coal mining company in the Genecor fold, has reinforced its position as the world's largest exporter of steam coal by buying a 96.3 percent stake in Coal Mines of Australia (CMAAL) from the Australian Mutual Provident Society for R310 million.

The company said yesterday that it was making an offer to acquire the remaining 3.7 percent of CMAAL's equity held

by the management.

Ingwe and Genecor will inject about R490 million in equity to recapitalise the company, bringing the total cost of the venture to R800 million. Further financing will be provided by offshore non-recallable debt.

CMAAL is a medium-sized unlisted coal company with extensive coal operations in New South Wales' Hunter and Newcastle coalfields. It produces about 4.7 million tons of coal a year, and is expected to top 5 million tons this year. It has reserves

of 665 million tons and access to a further 1 800 million tons.

CMAAL owns Coal Mines of Australia, which has majority stakes in the Bayswater, Wallarah and Wypong mining companies and minority shareholders in these ventures include South Korea's Kepco and Nippon and Nisho Iwai of Japan.

Peter Cassidy, Australian Mutual's head of private investments, said, "having fulfilled our objectives in helping management to build the company, we were looking to realise our in-

vestment later this year through a float or trade sale."

The acquisition complements Ingwe's ownership of the extensive Togara deposit in Queensland, which is in the pre-feasibility stage.

Noel Halgreen, Ingwe's senior manager of business development, said the purchase and its link with Togara would add production of about 20 million tons a year. "This will allow us to remain the number one steam coal exporter in the world and also to remain competitive," he said.

Following the acquisition, Ingwe has a suite of high-quality offshore coal mines with the potential to develop the region into a large coal exporting centre in the Pacific, close to the rapidly expanding economies of Asia.

The Ravensworth Coal terminal which can be linked to the Mt Ogilvie coal deposit in New South Wales, is included in the package. An application for the deposit's lease has been made.

"This gives us an offshore base from which to grow the company further," Halgreen said.

# Ingwe invades Australia

(215) Sametari 2/10/96

By Mzimkulu Malunga

GENCOR-controlled coal mining outfit, Ingwe, is heading for the South Pacific, with a R740 million expansion programme

The company has acquired a 96,3 percent stake in an Australian company Coal Mines Australia Limited (CMAL) for R310 million.

CMAL owns five mines and deposits which contain about a billion tons in coal reserves. It currently exports 4 million tons of coal a year.

Ingwe senior manager business

development Noel Halgreen says his company plans to increase its stake to 100 percent and is already talking to CMAL management, which controls the remaining 3,7 percent, to sell to them.

Ingwe plans to invest a further R430 million in CMAL to boost its growth potential. The money will be paid into CMAL in phases. Halgreen says "a fair amount" will be given to the CMAL in the next six months.

With this investment, Ingwe projects that CMAL will be able to export 10 million tons of coal a year within the next decade.

It also hopes to start realising returns on its investment within the next three years.

The decision to go off-shore is part of the Ingwe's plan not only to be next to the market, but to remain competitive as well, he argues.

One of the major handicaps, he says before this deal, Ingwe had only one outlet through which to export the 25 million tons of coal to the international markets each year.

The company exports through Richards Bay and its internal expansion programme is mainly dictated by the port's capacity to cope.



INGWE IN AUSTRALIA

# AMBITIOUS EXPORT PLANS

(215) FM 4/10/96

**SA coal giant** Ingwe is on the verge of catapulting itself into a new role as a major Australian exporter of steam coals

It has just secured a deal with Australian Mutual Provident (AMP, the Australian equivalent of SA's Old Mutual) to buy a 96% stake in Coal Operations Australia, an unlisted New South Wales (NSW) coal exporter which is now selling about 4 Mt/year of product into Japan and Korea. The purchase price is A\$85.4m (about R312m), and Ingwe chairman (and Gencor finance director) Mick Davis says it will be met in cash.

Coal Operations currently operates four producing units in two areas, the Hunter Valley field (Bayswater JV) and another close to Newcastle port (Walarah JV). Ingwe new business director Noel Halgreen says the Australian company produced a net profit at the June interim stage of A\$4.8m.

Ingwe secured the deal in the face of competition from three other bidders. Halgreen says two were substantial and the third a moderately sized trading company. Asked what an institution like AMP is doing in a coal mining operation, Halgreen says the assurer's investment division is actively involved in structuring projects of this kind — a venture capital undertaking which SA institutions could learn about in greater detail.

The trick in this purchase, though, is the price — effectively about A\$50 per annual sales ton. This compares well with other recent coal mine transactions in Australia — Cyprus bought in, says Davis, at A\$87/t, CRA (A\$74/t) and the world's biggest producer Peabody (A\$83/t).

The reason is that Coal Operations is a comparative newcomer — until two years ago, it was a series of discrete mines and mineral rights holdings, all stitched together by AMP, which then had the

alternative of listing the company or selling off its entire holding.

The purchase price aside, Davis says Ingwe intends injecting A\$130m (R475m) to refinance the company and prepare for a five-year capital expenditure programme of A\$280m (R1bn).

All this means that Ingwe faces an initial bill of about A\$220m, which Davis says will be financed partly by Gencor and partly from Australian borrowings, for which underwriting has already been secured. Gencor's contribution — amount unspecified — will be funnelled into Ingwe from its existing offshore facilities.

Coal Operations is projected to produce nearly 5 Mt of saleable coal in 1997 from reserves under its control and now estimated at close to 2.5bn t. Two-thirds of these are located in its Wyong area, close to Newcastle but also adjacent to a designated nature reserve. Davis confirms the environmental

factor in this sector will require delicate planning.

This development needs to be seen in the context of its Togara South coal export project in Queensland, where the group already has an estimated reserve

approaching 1.5bn t of very high quality steam coals. Halgreen says the programme involves a pre-feasibility study, due to be completed by the end of the year, followed by a final assessment by end-1997.

Assuming this results in a decision to proceed, the investment would probably total close to A\$750m for two discrete mines (separated only by a geological fault) and the operation could produce about 10 Mt/year for export early in the next decade.

Taken together, therefore, the NSW Coal Operations and Queensland Togara South projects could see Ingwe exporting from Australia as much as 20 Mt/year of high grade coals within the next 10 years — not far off the 25 Mt/year it now sells out of SA.

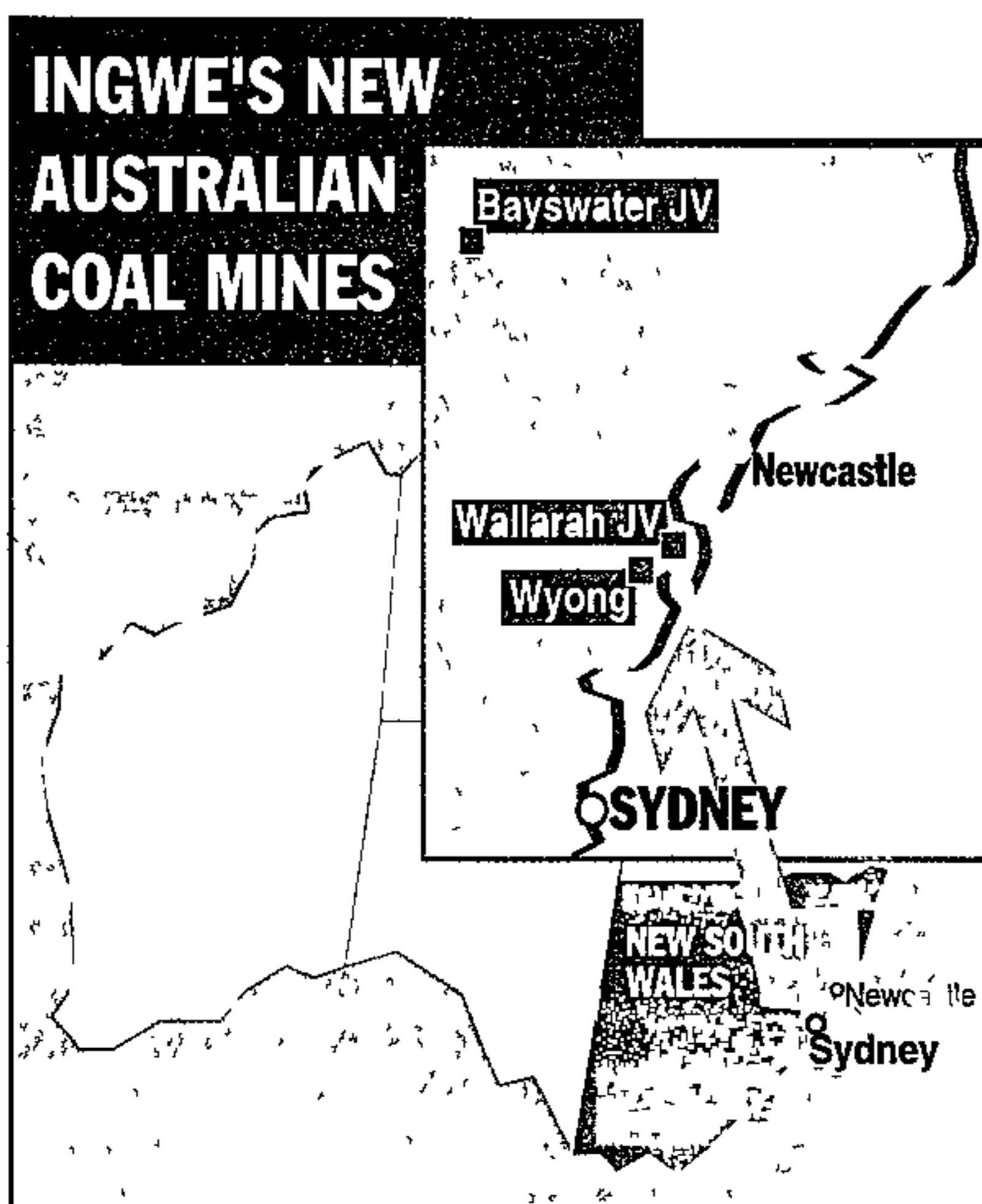
The danger in a project of this kind will be only too apparent to parent Gencor and to cautious investors. It's that Ingwe cannot really afford failure or mediocrity — aside from the cash at stake, reputation matters even more.

Davis's response is that this is precisely why the exploration and feasibility studies at Togara are being conducted so exhaustively. "We're peppering the reserve with boreholes, because we need to know precisely what we're dealing with."

The implication — if the Togara and Coal Operations projects live up to Ingwe's expectations — is that they will cement Ingwe's position as the world's single largest exporter of steam coals and a major international player. It also clearly fits neatly into Gencor's long-term strategy to become a natural resources company of the first rank. *David Gleason*



Mick Davis



# Rain set to squelch coal figures

(215)  
David McKay

BD 28/10/96

SA COAL production and exports from Richards Bay Coal Terminal could be reduced further this year if forecasts of torrential summer rains prove correct.

Producers said several opencast mines were flooded when the drought was broken last year, and a repeat performance was likely if the wet cycle continued.

Analysts said Richards Bay Coal Terminal would fall short of its 60-million-ton output target due to rail strikes and production backlogs caused by rain.

Weather reports have predicted heavy rains in SA again this summer as the effect of the El Nino pressure system, which causes dry weather, continues to fade.

Lonrho-owned Duiker Exploration said it had taken measures at its mines to increase pumping to cope with heavy rainfall.

MD Hugh Stoyell said run-off from catchment areas could not be controlled if rainfall was similar to last year's, which exceeded the 50-year flood level.

Duiker had installed more diversion drainage to reduce flooding at its pits, but there were "practical limits as to what one could do."

Ingwe MD David

Murray said the water tables at some of its mines were high from the floods last summer. This would result in surface water draining off into the mines more quickly than usual should heavy rains fall again this summer.

However, the company was ready to deal with this as more pumping facilities and cut-off drains had been installed last year.

A spokesman for Sasol Ltd, which had opencast coal mines at Syferfontein in Secunda and Wonderwater in Sasolburg, said continuous

rain could hamper production at its mines because of the effect of wet roads on coal haulage. It produced 9,3-million tons from these two mines last year.

Anglo American Coal Corporation said it had increased pumping capacity at its open cast mines.

An analyst said lower SA coal production could see contract prices stabilised at slightly higher levels. Contract prices for certain grades of coal had increased in recent negotiations with European buyers to about \$33 a ton, analysts said.

# Coal cost in Western Cape becoming 'prohibitive'

Reinie Booysen

THE Cape coal industry was in dire straits due to severe upward pressure on coal prices and "prohibitive" Spoornet rail transport charges, industry sources said yesterday.

They estimated that coal sales to the Western and Eastern Cape had dropped more than a fifth or by 150 000 tons over the past 12 months to about 600 000 tons a year. At that rate sales from Mpumalanga to the Cape would dwindle to virtually nothing by the turn of the century.

Industries faced with sharply higher coal costs were either shutting down or switching to other forms of energy, such as electricity, gas or oil, they said. There

was even a possibility of coal being imported instead.

In August, the cost of coal energy in the Western Cape — 1,06c per megajoule — was more than three times higher than Gauteng's 0,31c, according to figures compiled by UCT's Energy Research Institute. Eastern Cape coal energy costs were also higher than those of Gauteng, although not as high as the Western Cape.

While coal was still cheaper than oil energy (about 2,09c a megajoule for heavy furnace oil in the Western Cape in August), many energy consumers expected this disparity to disappear, and some were already switching to oil.

Spoornet's rail charges to the Western Cape, at about R185/ton, constituted

more than half of the cost of coal in the Cape. The "free on rail" price of coal in Mpumalanga was about R80 a ton and Western Cape coal merchants added roughly R55, leaving a delivered price of about R320.

The price of coal for consumption in SA was also expected to rise dramatically within the next few months, once the current contracts, negotiated before the collapse of the rand, expired. At present, coal producers could get close to R130/ton ("free on rail" equivalent, at the mine) in the international markets, compared with only R80/ton locally.

"By not selling our coal at export-related prices, we would be denying our shareholders a benefit to which they are

entitled," said one coal executive. He pointed out that the Cape coal consumers generally used premium export quality coal. Because of the high transport costs involved, coal users sought to get as much heating value out of each ton as possible. Sales to the Cape at anything below international prices would thus represent a lost opportunity for coal producers.

On top of that, industry sources said Spoornet's charges were so "prohibitive" that some Cape merchants had resorted to road haulage to cut costs. Road haulage charges from Mpumalanga to Cape Town were about R140/ton.

But Spoornet's business manager of coal and ore, Jan Grobbelaar, said average rail freight rates of coal to the Cape

were lower than the published rate of R185/ton, as large-volume coal transporters received bulk discounts. He said Spoornet had no choice but to challenge the growth in road haulage.

Grobbelaar said the lower road freight rates were partly due to overloading by road hauliers. Some coal trucks were carrying up to 60 tons, compared with the legal maximum of 36 tons. This was taking a huge toll on SA's roads.

"Road hauliers do not have to pay for road repairs, while Spoornet does have to pay for repairs to its rail infrastructure."

Coal producers countered that Spoornet's infrastructure costs were largely fixed, and that these would be covered better by increased utilisation.

# Amcoal boosts profit through exports

(215) CT(BL) 7/11/96

ANDI SPICER

MINING AND RESOURCE EDITOR

Johannesburg — Anglo American's coal division, Amcoal, raised its attributable profit 34 percent to R434,1 million in the six months to September 30, based on the weaker rand and higher export sales

"The improved US dollar export earnings prices and the weaker rand-dollar exchange rate resulted in higher earnings from export," Dave Rankin, the chairman of Amcoal, said yesterday.

The results were widely expected by analysts as Amcoal's exposure to export markets was the driving force behind the company's profit. Export sales were marginally higher at 7,19 million tons from 7,16 million tons.

Domestic coal sales to Eskom declined as did domestic earnings, but the higher rand price gained from exports benefited

Amcoal. "While earnings on Eskom business decreased, those on sales to other domestic consumers increased

Sales to the general industry sector rose due to increased demand, despite the downturn in the steel sector," Amcoal said.

Higher sales to Alusaf and Columbus steel were the main local destinations. Sales to Eskom decreased from 16,78 million tons to 15,98 million tons on a disappointing performance at New Denmark Colliery Steps to improve output from this colliery were being implemented, the company said.

Spot coal prices on the international market are above contract prices at the moment.

This means that there is a "robust situation" with relation to coal price negotiations.

Prices dipped in Europe earlier in the year because of the surplus of power from hydroelectric sources, particularly in Spain

and Portugal but also in Scandinavia. Australian prices were also depressed because of high coal stocks. The situation had improved because water levels had dropped in the Nordic countries and coal demand had increased, said Hugh Stacey, the company's marketing director Rankin said he was confident the company could take advantage of the increased export capacity at the Richards Bay export terminal. He expected second-half sales through the facility to be at a similar level to this half-year.

He also emphasised that Spoornet had responded positively to requests for higher transport throughput

Earnings a share increased 31 percent to R16,80 from R12,83 last year, while operating profit was 25 percent higher at R533,5 million from the previous year's R426 million

□ Business Watch

HOWEVER, EXPORTS...  
SIX MONTHS

attributable

# Amcoalg to export 14-million tons' this year

Reinie Bovyser

ANGLO American Coal Corporation (Amcoalg) is confident of utilising its Richards Bay Coal Terminal capacity allocation to the full over the next few years, as new production comes on stream from its Goedehoop and Bank colliery expansions.

MD Tony Redman said at the weekend that Amcoalg expected to export more than 14-million tons of coal this year — its full 23,67% allocation of the terminal's planned tonnage for calendar 1996 of about 60-million tons. However, it now seems that the actual 1996 total for the terminal will fall short at 58,5-million tons.

"We still have five months to go until our

financial year-end, but it looks as if we should achieve this targeted throughput."

On top of the increased tonnage coming on stream from Amcoalg's Goedehoop mine, the Bank Colliery expansion is due to raise Amcoalg's annual export capacity by another 600 000 sales tons from about March next year. Bank, south of Middelburg, produced 2,83-million sales tons last fiscal year (through to March this year), while Goedehoop produced 3,81-million sales tons.

The increases will enable Amcoalg to take up its allocation at the terminal, which is increasing capacity to 63-million tons over the next few years provided its members do not suffer the same weather-related setbacks earlier this year.

Many opencast facilities were affected by the unseasonably high summer rains of February and March. The increase will leave Amcoalg with an export allocation of just less than 15-million tons.

At Goedehoop, a R295m project to increase production 1,6-million tons a year is coming on stream following the development of its No 2 and No 4 seams. The underground reserve area of Bank's No 2 seam is being expanded at a cost of R143m.

The coal to be produced from these developments will be in line with the general specifications of Amcoalg's steam coal export grade. The coal would be exported to Amcoalg's existing markets 60% to 65% for Europe and the rest to the Far East.

# Australians dash SA coal exporters' hopes

215  
Reinie Booysen

BD 18/11/96  
DISCOUNT spot coal sales to Europe by Australian producers have undermined SA coal exporters' hopes of increased term contract prices for next year, analysts say.

The Australian sales have weakened sentiment in the European coal market, just as there were signs of a firming trend, with some SA spot sales in recent months about \$1 to \$2 a ton above the existing contract prices applicable this year.

Several weeks ago SA's Ingwe coal sold one, possibly two, spot cargoes of coal to European buyers at about \$35 a ton — clear above the \$31 to \$34 a ton range for term contract prices this year. The benchmark price agreed for this year by major Italian utility Enel was \$33,60 a ton.

However, more recently an Australian cargo was sold at a price which equates to about \$33,80 a ton. This led some analysts to believe it was a deliberate attempt by the Australians to undermine SA hopes in one of their core markets.

There have also been rumours of a term deal being concluded by

an Australian producer at a similar level.

"A few weeks ago the expectation was that SA producers could get another 50c to \$1,50 a ton more next year," said one analyst. "Now I think they would be happy for a rollover. It's all a marketing game. The big guys were initially dubious that the Australian deal had been done at all, but now they are beginning to believe it."

Anglo American Coal Corporation MD Tony Redman said the latest indications suggested that prices would be "fairly stable".

Coal analysts agree. "Although there have been some high spot prices recently, as far as the term contracts are concerned, it seems both buyers and sellers are backing off a bit," said one analyst. "It seems they are happy to adopt a wait and see attitude, to try and get a better feel for the market."

Belgium is the SA coal marketers' first port of call in Europe, this week. They will probably wrap up their European negotiations by year-end, including contracts with Enel, the Italian utility which buys large quantities of SA coal, and move on for their Far East negotiations early next year.

**ENERGY** *Growth in the Pacific Rim is creating demand that outstrips resources*

## Coal exporters to stay focused on Europe

(215) CT(BR)20/11/96

**ANDI SPICER**

MINING AND RESOURCES EDITOR

Johannesburg — Economic growth in the Pacific Rim is running wildly ahead of Europe and North America, creating a demand for energy that far outstrips the area's resources

Though most South African coal exporters see an opportunity, some are cautious and believe traditional markets in the West can still bring in the profit

Craig Wiggill, Amcoal's marketing director, said earlier this month that everyone said the main future markets for South African coal would be the Far East, but their principal market would still be Europe. He said Germany would be a specific target for Amcoal

The company exported 12,02 million tons of steam coal and 2,03 million tons of metallurgical coal in the year to March 1996, a total of 14,05 million tons or 30,4 percent of production. Eskom, the national electricity utility, took the lion's share of 30,04 million tons (65 percent) and other domestic users, including the Columbus steel plant and Alusaf's Hillside aluminium smelter, about 2,1 million tons (4,6 percent)

The European market has been difficult for coal exporters recently but this is starting to ease. Scandinavia and the Iberian peninsula had an excess of hydroelectric power, but lower rains this year have meant water levels at dams are low and coal is taking up the slack

The world steam coal trade is turning towards Asia. Australia is providing more coal to the Pacific Rim as are South Africa and Indonesia. The problem is that growth in Asia tends to be in the independent power sector

Amcoal says the UK power utilities will be looking to take more imports in the future, and French and Spanish production is expected to fall. Also German subsidies for its coal industry are set to fall dramatically. Wiggins said this would affect South African coal exports into Europe

South Africa's steam coal export trade flows mostly to Atlantic destinations, with just under 20 million tons going to the Pacific region out of about 60 million tons exported. The future, however, is perceived by

most South African coal companies to be in Asia, particularly China and India rather than in Europe and North America

Wiggill says South Africa will play a role in the Pacific region but the large markets will still be west rather than east

"India and China has potential to boom, but I do not think South Africa will participate that much in the expected expansion in Japan's coal sector," he said

South African coal production last year was 206 million tons, Amcoal contributing 47 million tons (23 percent), Ingwe 75 million tons (36,5 percent), Sasol 41 million tons (20 percent), Iscor 17 million tons (8 percent), Duiker 9 million tons (4 percent) and JCI 8 million tons (4 percent)

# Ingwe Coal's acquisition set to increase resources

David McKay

(215) BD 21/11/96

INGWE Coal Corporation could increase estimated coal resources held through newly acquired Coal Mines of Australia (CMAL), by about a fifth to 2,5-billion tons.

The Gencor-controlled company is already set to dominate the global steam coal market, with CMAL helping it boost exports 80% by 2005. Ingwe also plans to export 10-million tons of coal a year from Togara, a licence area in Australia under exploration.

But a further increase in estimated coal resources through CMAL's mineral rights will help Ingwe consolidate its position as the world's leading steam-coal exporter.

The increase in estimated coal resources owned by CMAL is as a result of the acquisition of the Mount Ogilvie resource, an area adjacent to the Bayswater Joint Venture in which Ingwe now has a 78% stake.

Exploration had shown Mount Ogilvie had an inferred coal resource of 400-million tons, of which a large part shows the existence of PCI coal, an export product used in the manufacture of steel.

Mount Ogilvie's PCI coal resources could replace dying reserves at Bayswater, likely to end by 2003,

adding up to 15 years of life to PCI reserves at the joint venture.

Mount Ogilvie will also increase CMAL's total steam coal, which is exported and certain low-quality coal resources which are used domestically in the local market.

The new resource could be mined partially with open-pit mining methods, but a portion of the resource is located underground.

Bayswater's high-grade thermal coal and domestic use coal reserves are expected to last 20 to 25 years.

Business development senior manager Noel Halgreen said yesterday the resource was not a new discovery. It was acquired by CMAL after Ingwe had made the offer to buy the company.

He said Ingwe was also considering tendering to develop another coal resource located close to Australia's eastern coastline. It had not yet made a bid.

The successful bidder would be able to find an export market for the coal and comply with Australia's environmental strictures in developing the resource, Halgreen said.

In concluding the purchase of CMAL this week, Ingwe increased its ownership of CMAL from the proposed 96,7% offer to full control. Halgreen said that Ingwe had put offers to minorities which were accepted.



# Ingwe plans expansion drive

(215) CT (GR) 21/11/96

**ANDI SPICER**

MINING AND RESOURCES EDITOR

Johannesburg — Ingwe Collieries, the world's largest steam coal exporter, planned to produce 20 million tons of coal a year from its operations in Australia within 10 years, the company said yesterday

"This would be done using existing reserves and I believe this estimate is conservative," said Mick Davis, Ingwe's executive chairman. He also reaffirmed that the company wanted to be a producer "in all major producing areas in the world"

Ingwe, part of the Gencor stable, produced 75 million tons or 35 percent of South Africa's

coal output last year, second only to Anglo American's Amcoal. Last month, it announced the acquisition of Australian coal company CMAL, which has substantial coal assets in New South Wales.

Ingwe already has its Togara coal resource in Queensland, which is in the exploration phase. Reserves are estimated at over one billion tons. "It is good quality and an enormous reserve," Davis said.

The CMAL deal gives Ingwe access to 665 million tons of reserves in the near term and a further 1 800 million tons in the long term. It also provides access to adjacent lease areas around the Bayswater mines and the Mt

Ogilvie reserves at Sadlers Creek and Mt Arthur

Part of the deal is the Ravensworth coal terminal and access to reserves that will extend the life of a pulverised coal-injection (PCI) mine facility, in the Bayswater No 3 mine region.

"Togara predated the acquisition of CMAL and both will be pursued as part of our overall strategy for Australian production," Davis said. "CMAL will become our vehicle for coal production in Australia in the future."

Ingwe has opened offices in Indonesia and is looking at "two or three" coal opportunities outside South Africa, including the Pacific region and Colombia.

# A smile for environment on coal's face

(215) ST(BT) 8/12/96

INGWE, one of the world's leading coal producers, is the first SA miner to publish a dedicated environmental annual report. It is also to produce a separate health and safety report.

"By its very nature, mining disrupts the natural environment and our job is to minimise that impact," says managing director Dave Murray. "Our environmental management system aspires to meet ISO 14 000 standards."

"Even as recently as 20 years ago when the Optimum colliery was opened, no one ever thought of flattening the spoil-piles. Now, they are contoured, top-soiled, planted and a percentage of the land restored to its former condition."

"This report does not hide our black marks. Our biggest problem, not yet solved, is water purification," says Murray. Rainfall drains into opencast pits, where it collects impurities that are difficult to remove. Water has to be pumped into local streams to maintain production. Abnormal rainfall earlier this year highlighted the problem. Ingwe and Mintek are piloting a reverse-osmosis de-salination scheme at Optimum to treat this water.

Rehabilitation costs are divided into two: that for ongoing mining, and that to enable a mine to obtain a closure certificate. Ingwe will spend R185-million in the year to June 1997 on ongoing rehabilitation.

It follows a "snapshot" approach in making adequate financial provision for the group's restoration, rehabilitation and environmental liability of its mines. A sum of R1-billion has been estimated conservatively, as it includes total demolition of all infrastructure, much of which would not be required as many buildings could be used after a mine's closure. Of this sum, R388-million had been set aside by June 30 this year and the remainder will be provided over the remaining life of the mines — roughly 25 years. Historically, the amount ring-fenced for this purpose has been 75c per ton mined and it will be continued in real terms at this level. In the year to June 1996, Ingwe mined 79,2-million tons of coal.

An amount of R28-million will be spent by the Ingwe Environmental Trust fund in reworking old dumps which potentially could reduce the current estimated liability. Ingwe also aims to spend R1-million a year over five years on environmental community projects.

The Ingwe Adventure Trail has been established for miners and their children to go into a game park to see at first hand what a pristine environment looks like. "So far, 150 people have gone on the trail. Our aim is that all 17 000 employees should get to do this and that everyone becomes far more environmentally conscious," concludes Murray.

# Duiker sees strong coal demand in Pacific Rim

Reinie Booyen

(215)  
BD 8/1/97.  
SA BITUMINOUS coal is expected to be in strong demand from the Pacific Rim countries for the foreseeable future, "with SA supplies to India, Korea and Japan rising steadily", according to Duiker Mining's latest annual report

In his review, chairman Terence Wilkinson said average export and inland prices for bituminous coal sales by Duiker in the year to September last year rose 34% and 20% respectively, following a combination of sustained demand, a change in product mix and the substantial 22% reduction in the rand/dollar exchange rate.

"As expected, the demand for internationally traded steam coal remained firm

(in the year to September 1996) but the dollar-denominated export selling prices were only marginally higher than those realised last year"

Wilkinson said these moderate price increases reflected keen competition in the European market between Colombian, US and SA products.

"European price settlements appear to have influenced price negotiations in the Pacific Rim market and, after protracted negotiations, the Australian producers eventually accepted roll over prices for their supplies to Japan which set the basis for most of the Far East market prices last year," he said

In the SA market, Wilkinson said the improvement in the economy contributed to

sustained demand for the company's products, "but orders from some of the municipal power stations were somewhat erratic".

He said some of these stations varied their requirements according to their ability to buy electricity power from Eskom at favourable tariffs

With regard to anthracite sales, Wilkinson said the average export and inland prices increased 42% and 40% respectively, owing to effects of improved demand, a higher proportion of sized products sold, and the weak exchange rate

"The inland market for anthracite improved materially because of higher consumption by the local metallurgical industry. The market in Europe for sized products was also very strong"

## INSIDE MINING

ET (BR) 30/1/97

(215)

# Raining on Ingwe's parade

Ingwe Coal was one of the most favoured stocks on the JSE last year, with many analysts punting for the share to make rapid gains. The company was expanding wisely into international markets, particularly Australia, and was reinforcing its position as the world's largest steam-coal exporter. It was a good rand hedge and most of its production was exported for dollars. Despite this, Ingwe has dropped precipitously on the JSE since December, losing more than 20 percent.

Ingwe closed on the JSE yesterday at R30, a large fall from its peak of R37,40 at December 28. Since its low of R20 on January 12 last year, the share has risen in a series of peaks and troughs with each bottom higher than the next. Technically, the share has performed in a classic fashion, with the trend clearly identifiable as an upward pendant shape.

From September to December, Ingwe tracked this trend almost through the middle, but fell down in a tumble that broke the trend in late December when large volumes of sales pulled the share down to its next major support at R32,50. This was the 200-day moving average line. Moving averages are a sequence of averages calculated for the time series that smooth out wild fluctuations in value.

Once a 200-day average is broken it can signal a break up or down as it confirms a trend.

Technically, there was another indicator that spelt problems for Ingwe. The 18-day moving average was also falling and it hit the 200-day on January 14.

Traders decided that, once Ingwe's 18-day moving average had broken the 200-day, it was a further sell signal. The roller-coaster down continued.

Analysts predict that Ingwe is heading for its next support at about R28,70 but could be near the bottom of its present value at the moment.

Ingwe is not isolated among South African coal shares in feeling the cold edge of the market. Amcoal and Duiker, as well as Ingwe, have fallen along with the JSE coal sector by similar amounts to Ingwe.

The rand has stabilised and even gained a few cents in the past week and has thus removed some of the logic of coal stocks with large dollar export profiles being rand hedges. Analysts point out that the fall in Ingwe and the other coal companies started before Christmas and was not initiated by the rand's decline. Rand strength now probably exaggerates the fall.

The weather this summer has produced large amounts of rain and has added to the already high water-table left over from last year's heavy precipitation. Coal mines are highly susceptible to flooding, as many are open cast and the material itself lets in water underground. Last year, all the coal mines were hit by the unexpect-



ANDI SPICER

ed rainfall, which caused flooding and disrupted rail links to coastal export depots.

But this year mines put in extra pumps and were ready for any "normal" rainfall. Ingwe officials argue that the rainfall this year is within normal limits for the mines and that the extra pumping systems are performing well.

Heavy rain may dent sentiment about coal shares but the reality is that the mines are well prepared and can cope with the weather.

With the rand hedge and rain discounted as reasons for the fall in values, the culprit can be seen clearly as the weak international coal price.

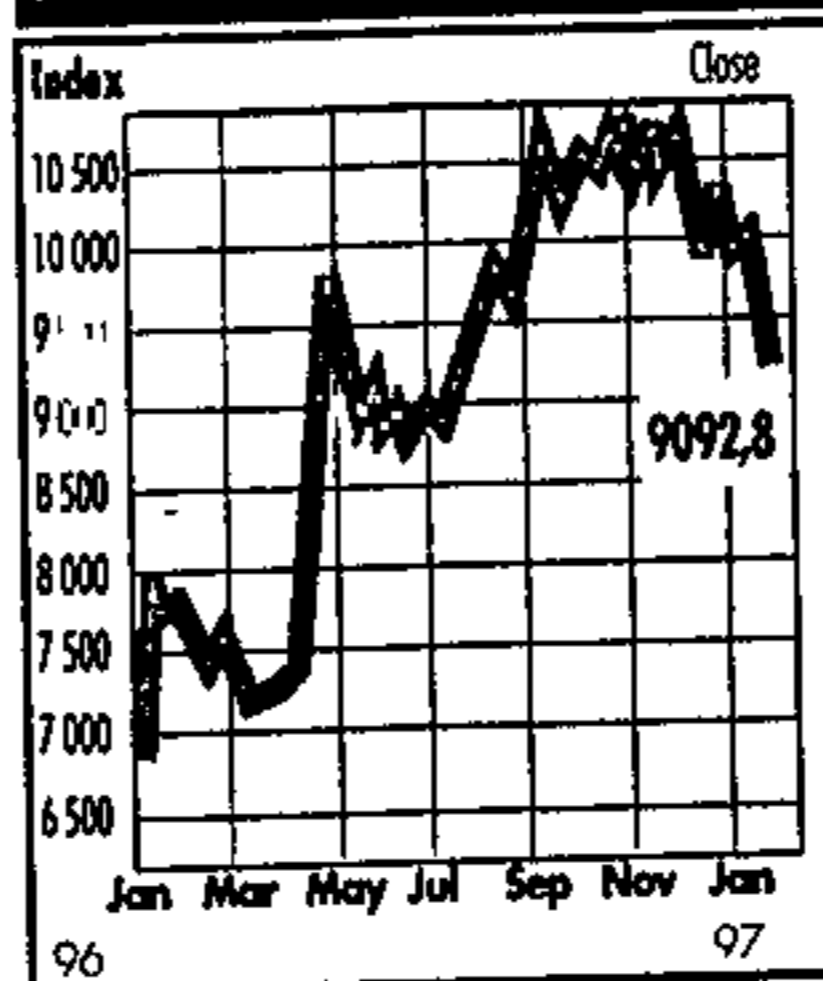
Coal companies were hopeful this year that they could negotiate higher prices for their exports. The cold winter in Europe and North America would normally boost coal demand and thus prices.

Drought in northern Europe, Scandinavia and the Iberian peninsula meant that dams serving hydroelectric facilities were low and higher coal exports to these regions were expected. Then the rains came.

Worst of all, Asian demand for South African coal has slackened because of large stockpiles held in Australia. Because the Australian coal is now moving into the market, prices are falling across the globe, and particularly in the Pacific Rim.

There are very few international benchmark prices for coal and contracts between producers and consumers are usually highly secret. These negotiations are held every quarter for long-term contracts. The reason coal shares on the JSE, and particularly Ingwe with its large exposure to the export market, have fallen is that coal prices dropped.

JSE coal index



# Ingwe posts 52% rise in earnings

CT (BR) 14/2/97

ANDI SPICER

(215)

Johannesburg—Ingwe, the world's largest steam coal exporter, pushed earnings up 52 percent in half-year results to December 31 as increased productivity and controlled costs fed through into higher profits, the company said yesterday

The lower rand also helped, as

did higher volumes, despite a "marginal" fall in exports and higher sales to local power utility Eskom, the company said

Profit after tax rose to R549,5 million from R379,6 million in the six months, and attributable income increased to R346,5 million from R228 million in the previous six months

"The cost containment was the most important factor, and we made the decision that we can only survive if we are a low-cost producer," an Ingwe executive said.

He said slightly lower coal prices were being experienced at the moment, particularly in the Far East, but Ingwe had not yet negotiated any contract settlements

# Ingwe glows brightly as earnings go skywards

ST(BT) 16/12/97  
INGWE managing director Dave Murray says it is difficult to find highlights in what was an outstanding six months to December for the world's largest coal exporter. Earnings a share were lifted by half to 159c — more than was earned in the whole of the 1995 financial year.

Exports comprised 64% of the R2.8-billion sales revenue, Eskom 22%, inland sales 11% and Coal Mines Australia the balance.

Europe accounts for 51.5% of export sales, South America 6.5% and Kenya 1%. The Far East, mainly Japan, buys 37%. Murray is pleased to report that 2% of sales went each to India and China in the six months under review.

The publication *Coal Week International* forecasts a 30% rise in steam-coal imports to 304.5-million tons a year between 1995 and 2000. European demand will grow by 10% and Asia/Pacific by 46%. European coal production is expected to fall in line with European Union directives because much of the tonnage

requires subsidisation

Murray describes Ingwe's November purchase of CMAL as the first step in the internationalisation of the group. On a 10-year horizon, Murray would like to replicate Ingwe outside South Africa. "We need legs in Columbia, Australia and South Africa to be really competitive."

But does CMAL meet world-class criteria? Its returns are much lower than those achieved from Ingwe's domestic collieries.

Early days, says managing director Tony Haraldson, who visited Ingwe last week. "We are in a development phase ourselves as CMAL took over ownership of Bayswater only last June. We will lift production from 2.6-million tons to 3.8-million tons this year, and from 1.8-million tons to 3-million at Moonee, with unit cost benefits."

Ingwe shed 75c to R29 after the results, probably because the outlook for pricing is unclear following undercutting by Australian producers.

(215)

SMOKING!!!

Six months to	Dec 31	Jun 30	Dec 31
	1995	1996	1996
Turnover (Rm)	1 893	1 902	2 284
Operating income (Rm)	505	549	675
Attributable (Rm)	228,0	275,0	346,5
Earnings (c)	106	128	159
Dividends (c)	35	75	50

INGWE **215** FM 2/2/97

### EXPORT PRICE WORRIES

**Conditions in** coal export markets appear to have deteriorated markedly in the past two months with adverse short-term implications for large coal groups like Ingwe and Amcoal

Damage is being done on all fronts, with lower dollar price settlements compounded by a stronger rand and, surpris-

ingly, softness in physical demand

Ingwe share price has fallen about 9% over the past 10 days to R28,5 despite excellent interims which report attributable earnings up 52% at R346,5m (R228m)

The overall effect on Ingwe is summed up in the forecast from MD Dave Murray, that second half earnings for the year to June are likely to be similar to the R346,5m (159c a share) earned in the first six months

That's despite expected higher export volumes as the Richards Bay Coal Terminal (RBCT) expands to 63 Mt/year in March, with exports for calendar 1997 forecast at 62 Mt compared with last year's 59 Mt

Ingwe is the largest shareholder in the RBCT at 41,3%. Its share of the terminal's throughput should be

26 Mt in 1997, up from 24,4 Mt last year

The export market is by far the most important in terms of revenue, accounting for 64% of Ingwe's R2,78bn turnover for the six months to December

Eskom came a distant second at 22%

In December the outlook was for coal prices for 1997 contract delivery to be slightly up and, at worst, rolled over

European prices are now expected to be "slightly less than rollover," while Murray reveals Ingwe has concluded contracts to sell metallurgical coal to Japan during 1997 at "an average price reduction of less than US\$2/t"



Dave Murray

Negotiations have not yet been completed with the Japanese power utilities on steam coal exports.

Murray does not think the drop will be as severe as the \$2,65/t cut the Japanese won from the Australians.

Ingwe is blaming the marketing strategies followed by the Australians for the price drops in both Eu-

rope and Japan

The RBCT is having a slow start to the year

It's supposed to shift 62 Mt this year, an average of 5,2 Mt a month

January is traditionally a quiet month and the terminal only moved 4,4 Mt, but it appears February will be similar at around 4,5 Mt

Ingwe's short-term revenues will be under pressure but anyone taking a view on SA's largest coal group has to look long-term

These interim results are significant because they include the first contribution from Ingwe's newly acquired Australian operation, Coal Mines Australia (CMAL)

This is the first operating offshore component in Ingwe's plan to duplicate overseas the amount of export coal it's now selling from SA within 15 years.

Plans are to expand CMAL's own operations in Australia, as well as to use the group as the base from which to exploit the coal deposits Ingwe holds at Togara

in Queensland, assuming the feasibility study shows these as viable

Murray says that, for any export coal company to succeed in future, it will have to control production in a number of countries such as SA, Australia and Indonesia

Ingwe has identified two areas in Indonesia for possible joint venture arrangements

Murray adds no details on these

The group is also looking at investing in the developing Carbocol operation being privatised in Colombia

Brendan Ryan

*Bid for a three-continent 'swing position'*

# Ingwe eyes Colombian coal mine <sup>(215)</sup>

**ANDI SPICER**

MINING AND RESOURCES EDITOR

Johannesburg — Ingwe, the world's largest steam coal exporter and a part of the Gencor stable of mining companies, is considering expanding its South American coal assets by buying the soon-to-be privatised El Cerrejon mine in Colombia, the largest open-cast mine in the world.

"Our focus is predominantly Australia and Asia, but Colombia is a major coal producer and we have to take notice of what is going on there," Dave Murray, Ingwe's managing director, said last week.

The partly state-owned El Cerrejon mine is 50 percent-owned by the government and 50 percent by US energy company Exxon. Colombian officials plan to raise between \$2.5 billion and \$3 billion by selling the mine. Negotiations are hoped to be completed by the middle of this year.

"(El Cerrejon) has good reserves and sells quite large volumes of coal into Europe," Murray said.

The Colombian government wants to separate the El Cerrejon mine from its transport operation and sell the two to different bidders. To make the mine more attractive, Bogota will grant an extended mining concession to 2026.

Adding El Cerrejon would underpin Ingwe's dominance as the

CT(DR)24/3/97  
world's largest steam coal exporter and dovetail with the company's acquisition of Australian coal producer CMAL last year, which has substantial coal assets in New South Wales.

Ingwe already has its Togara coal resource in Queensland, which is in the exploration phase. Reserves are estimated in excess of one billion tons.

The CMAL deal allowed Ingwe access to 665 million tons of reserves in the near term, and a further 1 800 million tons in the long term. It also provides access to adjacent lease areas around the Bayswater mines and the Mt Ogilvie reserves at Sadlers Creek and Mt Arthur.

Also part of the deal is the Ravensworth coal terminal and access to reserves that will extend the life of a pulverised coal injection (PCI) mine facility, which lies in the Bayswater No 3 mine region.

"Buying El Cerrejon will give Ingwe a swing position, in that it can provide coal from Asia, Africa and Latin America," said a Johannesburg coal analyst.

But analysts are worried that the Colombian government will ask too much for El Cerrejon, as Exxon has poured huge amounts of investment into the project because it had problems repatriating its oil and gas profits from within Colombia.

"Whether they will ask a realistic price from Ingwe is another matter," said the analyst.



# Basil Read wins big Kuyasa deal

(216)

CLYDE RUSSELL

CT(DR) 8/4/97  
 Johannesburg — Basil Read said yesterday it had been awarded an eight-year contract to mine 7 million tons of coal at Ikhewezi coal reserve by Kuyasa Mining, South Africa's first black-owned and managed coal mining house.

Kuyasa Mining was formed by three black former Ingwe managers. Under the deal, Ingwe concluded a marketing and mineral rights agreement with Kuyasa for the exploitation of a 7 million ton coal deposit near its Delmas Colliery in Mpumalanga.

The contract required Basil Read to undertake the opencast strip-mining and subsequent rehabilitation of two coal deposits. The coal would be delivered to Ingwe Coal's nearby Delmas Colliery for processing.

Opencast mining generally consists of removing overburden waste to expose and mine a particular mineral, in this case coal. Strip-mining entails excavating overburden from successive strips, which is progressively placed into previously mined-out areas thereby rehabilitating the open pit as mining progresses.

On the Kuyasa project, the coal will be mined in two separate layers with a combined 9m coal seam thickness, and with a maximum open-pit depth of 40m.

The project will also require the construction of a permanent stream diversion around the mining area, to prevent contamination of the public stream.

Jo Johansson, a spokesman at Basil Read Opencast Mining, said work had started "on the box cut of the first block to be mined, and first coal is due for delivery at the beginning of May. Run-off pollution control measures have been established and mine-haul roads are under construction."

# Black owners award mining contract

BD 8/4/97

## Business Day Reporter

SA's first black-owned and managed coal mining house, Kuyasa Mining, has awarded Basil Read an eight-year contract for mining

of about 7-million tons of coal at its Ikhewezi coal reserve in Delmas

Kuyasa was formed by three black former Ingwe managers

Under the deal, Ingwe has concluded a marketing and mineral rights agreement with Kuyasa for the exploitation of a 7-million ton coal deposit near its Delmas Colliery in Mpumalanga.

Under the contract, Basil Read would undertake the opencast strip-mining and subsequent rehabilitation of two coal deposits. The coal would be delivered for processing to Ingwe Coal Corporation's nearby Delmas Colliery

Opencast mining consisted of removing overburden to expose and mine minerals such as coal. Strip-mining entailed excavating overburden from successive strips. The overburden was pro-

gressively placed in mined-out areas, so that the open pit was rehabilitated as mining progressed. On the Kuyasa Delmas project, the coal would be mined in two separate layers with a combined coal seam thickness of 9m, and a maximum open pit depth of 40m.

In addition to mining of coal, the project required the construction of a major permanent diversion of a public stream around the mining area, to prevent any contamination of the stream.

Basil Read Opencast Mining's Jo Johansson said "Works have commenced on the box cut of the first block to be mined, and first coal is due for delivery at the beginning of May. Run-off pollution control measures have been established and mine-haul roads are under construction."

(219)

# Imported inflation caps Amcoal results

CT 13/5/97 (215)

FROM REUTER

Johannesburg — Export earnings boosted by the rand's depreciation may raise Anglo American Coal's (Amcoal) yearly profit by nearly 30 percent, but gains will be slightly capped by imported inflation, analysts said yesterday

"The depreciated rand will raise earnings and sales will be slightly up, but nothing phenomenal. Earnings a share will be up by about 30 percent," said Ross Gardiner, analyst, at Societe Generale Frankel

Pollak Amcoal is due to announce its results for the year ended March 31 tomorrow

Better coal prices in dollar terms last year would also fuel profit, but "there has been cost pressure over the past few months because of the knock-on effect of the rand's fall, which brings in inflation", said one analyst "The coal business relies on machinery imported from overseas. So there is a bit of a countering effect"

The consensus of five analysts polled by Reuter was for earnings a

share of R34,08 compared with R26,62 previously, in a range of R32 to R35

The analysts saw the total dividend ranging between R12,60 and R14, with consensus at R13,53 a share, compared to R10 previously

Amcoal said last May it was expecting a real increase in earnings for the 1996-97 financial year

Ahead of its results, Amcoal was hardly traded on the JSE yesterday, with only 200 shares changing hands in a single move. It was last R2 down at R309

## Amcoal gains capped by import costs

BD 14/5/97 (215)

HIGHER export earnings arising from the rand's depreciation could lift Anglo American Coal Corporation's (Amcoal's) year-end profit nearly 30%, but gains would be capped by imported inflation, analysts said.

"The depreciated rand will raise earnings and sales will be slightly up, but nothing phenomenal. Earnings a share will be up by about 30%," Société Générale Frankel Pollak analyst Ross Gardinar said.

Amcoal is due to announce results for the year to March later today.

Analysts said that better international dollar coal prices received last year would fuel profits, but the rand's depreciation had also started increasing costs.

"There has been cost pressure over

the past few months because of the knock-on effect of the rand's fall, which brings in inflation. The coal business relies on machinery imported from overseas, so there is a bit of a countering effect," one analyst said.

A poll of five analysts produced a consensus earnings a share forecast of R34,0815, compared with R26,621 previously, in a range of R32 to R35.

The total dividend was expected to range between R12,60 and R14 a share, with consensus at R13,525, compared to R10 previously.

The group said last May that it was expecting a real increase in earnings for the 1996/97 financial year.

Amcoal closed 100c down at R308 on the Johannesburg Stock Exchange yesterday — Reuter

# Better sales add fire to Amcoal

(215)

ANDI SPICER

MINING AND RESOURCES EDITOR

ET (BR) 15/5/97  
Johannesburg — Amcoal, the coal producer in the Anglo American stable, pushed earnings up 34 percent in the year to March 31 on higher local and export sales, despite a slump in the price of the commodity on Asian markets, the company said yesterday

Earnings from the export market were higher because of "an increase in tonnage shipped, improved dollar prices and the weaker rand-dollar exchange rate", it said.

High rainfall hit opencast operations in the earlier part of the year and this resulted in lower exports through the Richards Bay coal terminal of 58,7 million tons — 200 000 tons less than last year.

Sales on the domestic market were, however, buoyed by a rise in demand for electricity because Amcoal is a major supplier to power utility Eskom's coal-fired stations

But earnings from collieries supplying the company fell despite increased tonnages.

"Electricity sales by Eskom showed a strong increase due to electrification and increased sales to neighbouring countries," Hugh Stacey, Amcoal's financial director said yesterday

Earnings increased from R672,6 million to R901,3 million last year and earnings a share moved up from R26,62 to R34,60

Capitalisation shares were awarded, but shareholders declining these will receive a final dividend of 900c, bringing the total dividend for the year to R13,20, up from last year's R10

Group turnover moved up by 19,5 percent to R3 285,4 million, of which R2 934 million was from coal operations and the remainder from the non-coal Verref division

More than 48,3 million tons of coal was sold, an increase of 2,1 million tons from the previous year

James Campbell, the newly appointed chairman, said yesterday that he expected a "marginal increase in earnings for the group in the coming year and also a small increase in tonnage"

Picture JON HRUSA



GOING IT ALONE . . . Thabo Sibeko, operations director, Ayanda Bam, and Joseph Ndaba, financial director of Kuyasa Mining

(215) ST(OT) 13/7/97

# Coal mining's empowerment star

THE Nguni word for "dawn" is *kuyasa*. Before dawn there is always a signal in the form of an early morning star called *ikhwezi*. Similarly, it has also been through the first black-owned mine, Ikhwezi Colliery, that it has dawned on the mining and business world that the Kuyasa Mining Company means serious business.

The post-1994 dispensation, with its economic challenges to prospective black entrepreneurs, inspired six black graduates from Witbank to start a mining company of their own. The skills they had attained while working for Ingwe's mines gave them the motivation to pursue this gigantic aim at the beginning of 1995.

However, they could not at first strike a deal with any of the mining houses, financial institutions, or government departments. Part of the reason was

## NATURAL RESOURCES

By THAMSANQA NKWAYANE

that the institutions' terms were incompatible with the miners' quest for autonomy.

After three of the original partners left, the remaining three decided to quit their jobs and commit themselves fully to the project, forming Kuyasa Mining (Pty) Ltd in January 1996. The three are Ayanda Bam, executive chairman, who previously headed the department of information technology at Rietspruit Colliery, Joseph Ndaba, financial director, who was cost and financial accountant at the same mine, and Thabo Sibeko, operations director at Kuyasa and managing director of Ikhwezi.

Situated about 10km east of Delmas, the Ikhwezi Colliery started operating in April this year after fruitful talks between it and Ingwe. The deal clinched

in July involved permission for Kuyasa to buy up smaller coal deposits and develop them into mines, the supply of necessary technical expertise when required, and Kuyasa's introduction to Ingwe's markets.

Ikhwezi stretches over an area of 140ha and has two deposits of bituminous coal in its G and H pit. The bituminous coal is predominantly used by power stations for heating purposes. The available coal at Ikhwezi is estimated at 11-million tons, and the mine is extracting about 75 000 tons a month. This coal is sold to the nearby Ingwe's Delmas Colliery.

Ikhwezi intends extracting the coal at a rate of 1-million tons a year, which will result in a 10-year life for the mine.

Ikhwezi employs 70 people, excluding the staff of its contractor, Basil Read. While Ikhwezi does the modelling, Basil Read

decides how they are going to utilise the available resources.

One of the most important aims of Ikhwezi is to preserve the environment and to maintain a good safety and health record.

Although Bam is reluctant to discuss Kuyasa's financial standing, he asserts that business is viable. He says the company has another coal mining project in the pipeline which is four times bigger than Ikhwezi and which will produce low-phosphorus coal used in the metallurgical industry.

Some of the Kuyasa's future objectives involve the creation and running of coal mining operations, with a minimum annual output of 12-million tons, to create an environment conducive to aspirant black entrepreneurs joining the industry as owners without sacrificing the profitability of operations.

# Wage offer fails to meet minimum pay demand

René Grawitzky

COAL producers organised in the Chamber of Mines tabled a final wage offer of between 9,75% and 22% for the lowest paid workers yesterday, but failed to meet demands by the National Union of Mineworkers (NUM) for an industry-wide minimum wage of R1 000 a month.

The lowest paid workers in some mining houses already earn above R1 000 a month, while some others will achieve the amount under the proposal. Chamber negotiators said

the final offer provided for a two year wage agreement which would ensure that by next year both underground and surface workers on collieries would earn a minimum wage of R1 000 a month.

In terms of the final offer, underground workers who did not achieve the minimum wage of R1 000 this year and surface workers failing to reach the R1 000 minimum next year would get a minimum increase of 12% each year.

Minimum wages range between R750 and R1 130 for surface work-

ers and between R684 and R1 236 for their colleagues underground.

In separate negotiations, the chamber yesterday signed a three-year wage agreement with two technical and administrative union bodies which would cover gold and coal sectors. Reuter reports the deal incorporated an agreement that mines "shall be allowed to conduct normal operations on every day of the year, except public holidays".

The two officials' organisations represent about 18 000 employees from the Administrative, Technical

and Electronic Association of SA and the Officials' Association of SA

The associations represent about 15 100 officials on gold mines and 2 700 members on coal mines

"The gold agreement means employment costs for the officials' category on gold mines will be a fixed, measurable figure for the next three years, allowing the mines greater certainty in their medium- and long-term policy and planning objectives," the chamber said.

But it said that implementation of wage increases would be suspend-

ed until sufficient progress had been made between mines and the associations, at mine or group level, on the arrangements to be put in place to allow for normal operations on all days except public holidays.

The coal agreement provides for 9% increases from last month. Next year and in 1999 increases of 8,5% and 9% will apply.

Meanwhile, the NUM indicated yesterday its members would march at Randgold's Grootvlei gold mine to demand that the company table a wage offer.

DD 18/17/97

(215) (S)





# Plan to help small coal producers

By 11/8/97

(215)

David McKay

PLANS to develop a second coal terminal at Richards Bay have been discussed which will enable smaller coal producers to survive in the SA coal export market set to be dominated by three major companies, according to the SA Coal Report.

The South Dunes Coal Terminal could be developed as a "common user facility" with a capacity of between 4-million and 8-million tons a year. Meanwhile, about 63-million tons of coal will be exported from SA through the Richards Bay Coal Terminal (RBCT), the traditional outlet for SA coal exports. RBCT was expanded this year from about 60-million tons of coal a year to about 80-million tons.

RBCT is likely to be expanded in 1999 to about 66,5-million tons a year and in 2005 to 72-million tons a year.

These increases are based on the expected increase in world demand for steam coal, the report said.

However, Portnet has made land at Richards Bay available for the establishment of the South Dunes Coal Terminal and Spoornet has indicated that they have sufficient capacity on the line to move this additional coal.

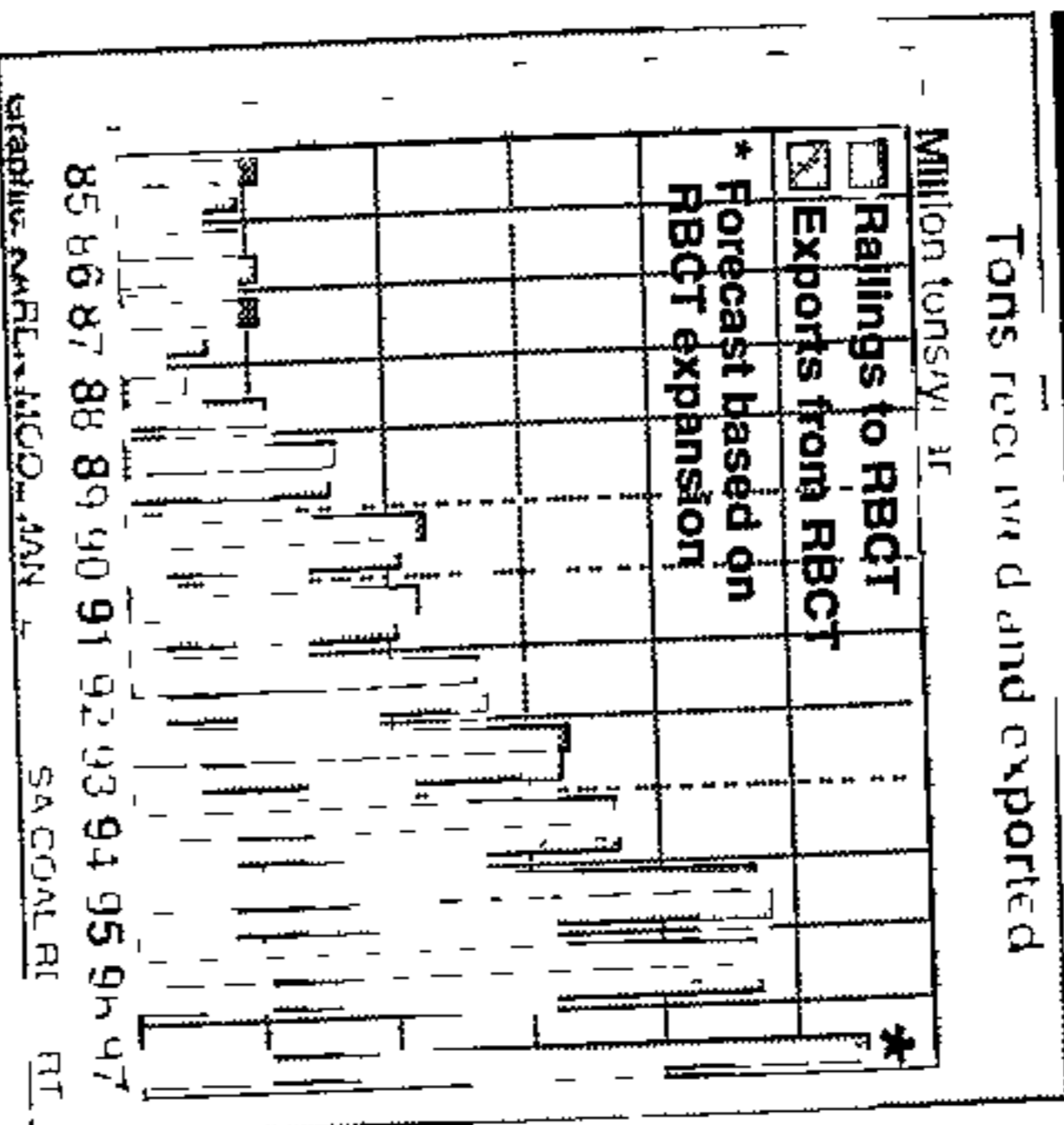
The new project has become necessary as SA's main coal exporters, Ingwe Coal Corporation and Anglo American Coal Corporation (Amcoal) could monopolise the export entitlement to RBCT along with a third large firm.

This third company would result from the speculated merger of Duiker Mining and JCI's Tavistock Collieries.

"With the recent buyout of Shell by JCI, the business involving the export sale of third parties coal utilising Shells RBCT entitlement, known as Shell Coal Trading Operation, will be phased out by the end of 1997," the SA Coal Report said.

"As a result, the traders and smaller coal exporters who do not yet have entitlement out of RBCT will once again find it difficult to export coal from SA

## Richards Bay Coal Terminal



This is the reason for talks on the South Dunes project," it said. Forward Corporation company MacPhail Holdings was hoping to kick-

start plans for a new coal terminal which was to export sized coal for the smaller exporters. This would have cost about R100m to R200m, according to some estimates, but the plan was temporarily scuppered as MacPhail ran into financial problems.

In terms of entitlements to the expanded RBCT, Ingwe will have about 41% of capacity or a monthly tonnage of 2.2-million tons.

This is followed by Amcoal which owns an entitlement of about 24% or monthly exports of 1.2-million tons.

The next two largest exporters of coal out of RBCT are JCI's Tavistock Collieries (14% or 750 000 tons a month) and Lonrho-owned Duiker Mining (6,5% or 340 000 tons of coal a month).

Gold Fields Coal, which recently attempted to buy Tavistock Collieries for about R1,5bn, is the second smallest exporter out of RBCT with a 2,3% entitlement of the new total capacity, or 122 000 tons of coal a month.

**COAL** *Income rises despite lower international prices*

# Ingwe pushes profit higher

CT (BR) 19/8/97 (215)

**ANDI SPICER**

MINING AND RESOURCES EDITOR

Johannesburg — Ingwe, the world's largest steam coal exporter and part of the Billiton stable, pushed operating profit 35 percent higher to R1,43 billion in the year to June 30, despite depressed international coal prices this year, the company said yesterday.

Attributable income rose 42 percent to R711,9 million, which translated into earnings a share 36,8 percent higher at 320c. Dividends were up by a similar percentage at 150c.

"There was a considerable increase in operating profit, earnings growth was impressive and costs were kept below the rate of inflation. This is a pretty good sign of things to come," Mick Davis, the chairman, said yesterday.

The results were in line with analysts' expectations, and much of the performance had already been discounted in the share price, they said.

Dave Murray, the managing director, said inland coal sales were "flat" and that export sales were "where the bread was buttered". Sales to Eskom were a smaller market than the export side, but were still "important" to the company.

The price of spot and contract coal had tumbled following a glut of coal arriving on Asian markets from Australia in the past 12 months and analysts predicted there would be no respite from the price weakness in the near future.

Early settlements were rolled over and some had a small increase on last year, but later settlements were down about \$1 a ton. However, the spot market could see price falls of between \$3 and \$4. The actual prices are not disclosed.

"Buying patterns have changed," Murray said. He said there had been a switch towards the spot market and short-term



**UPBEAT** Mick Davis, the chairman of Ingwe, is optimistic about the group's growth prospects

PHOTO JOHN WOODROOF

contracts rather than long-term contract pricing.

Davis was upbeat about Ingwe's future and said the coal industry was a "growth industry" and that it was a "sound proposition being in Ingwe".

Davis also said Trans-Natal coal would be unbundled "as soon as possible". The company would be liquidated and its shares redistributed, he said. Billiton would then own its shares in Ingwe directly.

Ingwe was also to go ahead

with the Douglas Pillar project at a cost of R500 million in the near future as the board had approved the capital expenditure on the brownfields venture.

Participation in the El Cerrejon mine in Colombia under the privatisation of Carbocol, the state coal producer, was also under serious consideration, but "not at any price", Davis said. The privatisation would be "complex", he said.

□ Business Watch, Page 18

# Ingwe coal posts 42% rise in income

BD 19/8/97

(215)

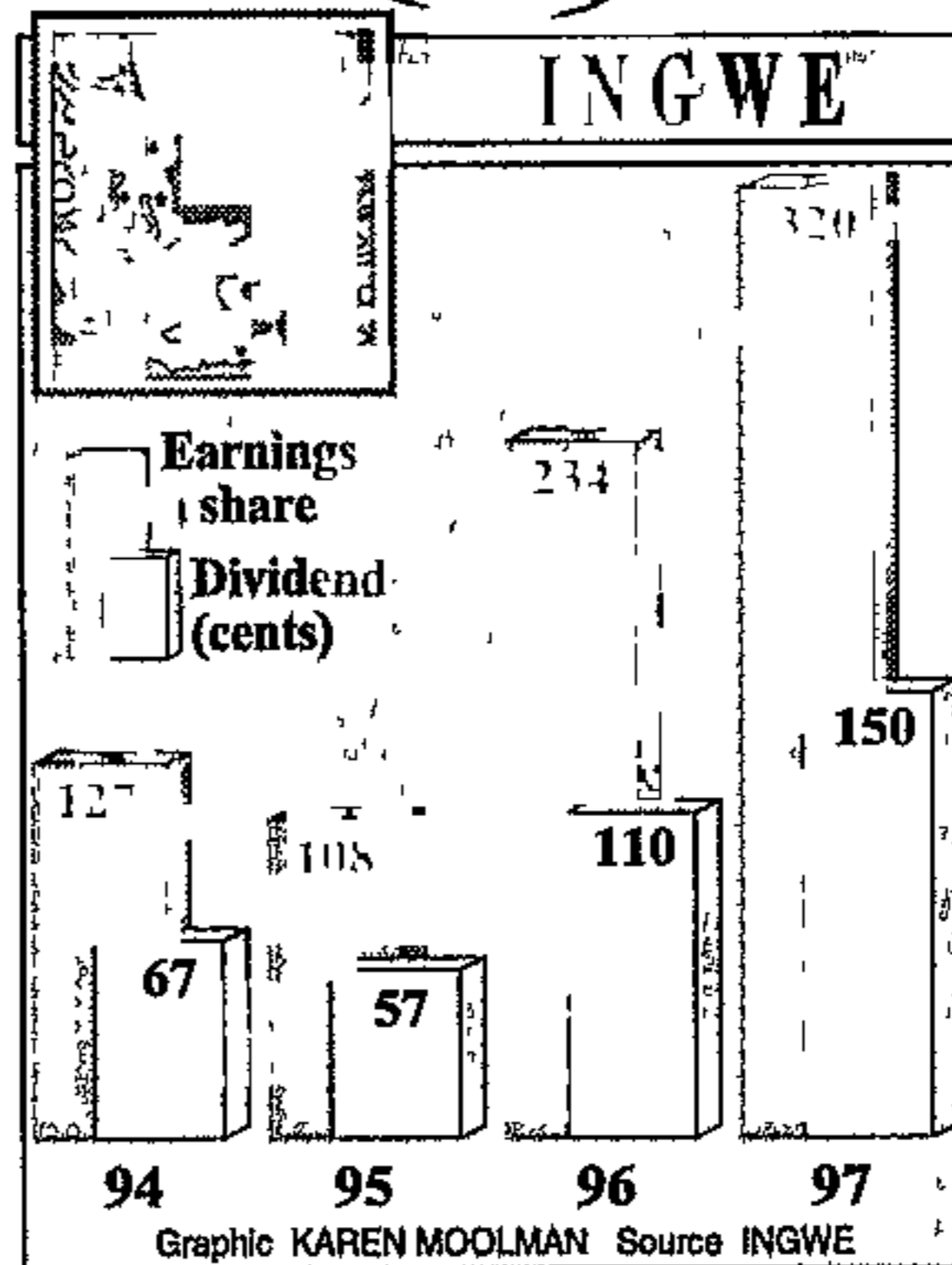
Hilary Joffe

INGWE Coal Corporation, housed in the London-listed Billiton group, raised attributable income 42% to R712m in the year to June, helped by higher sales to Eskom, reined-in costs and a contribution from Coal Mines of Australia (CMAL), bought last year.

Chairman Mick Davis released the results amid plans to increase domestic and offshore capacity, taking advantage of growth markets in the Pacific Rim and Europe.

Ingwe had also approved the R500m SA-based Douglas Pillars project, involving the opencast mining of old pillars and seams. Annual output was forecast at 3,7-million tons, of which 75% would be export quality. The life of the project was expected to be 20 years.

In Australia, the group was looking to exploit CMAL's Wyong Reserve and was continuing exploration at Togara where encouraging results from the North block had been obtained, Davis said. Ingwe hoped to complete the



prefeasibility study in 1998/99

In Indonesia, the group signed a memorandum of understanding with

Continued on Page 2

Ingwe (215)  
BD 19/8/97

Continued from Page 1

Wirakaneo Coalindo to investigate a 100 000ha concession with the potential for high-quality export coal. Ingwe's share in the project is 96%, with Wirakaneo holding the rest. Davis said the group hoped to sign two further memorandums in Indonesia.

It was taking the potential privatisation of Colombia's Carbocol, which owns 50% of the Cerrejon Norte coal mine, "very seriously". Multinational Exxon owns the rest of the mine which has an annual output of 15-million tons of high-quality export coal and reserves of more than 1-billion tons.

In the period under review, Ingwe increased total sales tonnage 11% to 68-million tons, of which SA sales were 7% higher at 65,8-million tons. Sales to Eskom were up 16% to 34,5-million tons. Export sales were down because some customers had asked for shipments to be rolled out and these were

not all made up by year end.

Run-of-mine costs in SA were contained. MD Dave Murray said cost performance would have been even better but for the rand's weakness.

European contract negotiations begin shortly. Settlement prices would probably be reduced but not by as much as the group had expected, Murray said.

With the mines performing well, costs under control and a weaker rand, Murray said next year's results should be similar to the latest set.

Earnings a share were in line with analysts' expectations, rising 37% to 320c, on the increased number of shares issued to fund the CMAL acquisition. A final dividend of 100c was declared, bringing the total to 150c, up 36% on last year.

Trans-Natal Coal Corporation, whose sole asset is its 51,4% stake in Ingwe, declared a final dividend of 106,6c, bringing the total to 159,9c. Trans-Natal will be unbundled, and its Ingwe shares distributed to shareholders as a dividend.

# Two-year deal signed in coal sector

(215)

BD 28/8/97

Reneé Grawitzky

A LANDMARK two-year wage deal covering 70 000 coal workers, providing for increases of up to 23% and a minimum wage of R1 000 by next year, was signed by the Chamber of Mines and the National Union of Mineworkers (NUM) yesterday.

According to the agreement, all chamber member coal mines will pay a minimum wage of R900 this year and are expected to move up to a R1 000 minimum next year.

The chamber committed itself to a social plan to cushion the effect of retrenchments and agreed to move towards providing equitable health care for mine workers.

The deal is the first in the chamber's history in which a separate coal wage deal has been agreed.

NUM general secretary Kgalema Motlanthe said that for obvious reasons, the parties had to consider separate gold and coal negotiations.

Anglo American coal representative Alan Martin, on behalf of the chamber, said mining industry bargaining structures would have to be reconsidered.

It is understood that discussions have started on the formation of a bargaining council. Further talks will be held once the wage agreement has been implemented.

Increases for workers on gold mines have yet to be implemented. Their deal links wages to productivity, and increases will be implemented only once parties at mine level have agreed on ways to raise productivity.

The coal agreement will see workers not on the minimum wage level receive

increases ranging between 7,5% and 9,75%. During the second year covered by the deal, the majority of workers will receive increases of 8%-9%.

However, workers at Ingwe will receive increases equal to the average inflation rate for the 12-month period ending May 1998.

The agreement, in line with the motor industry's three-year wage deal, says that if inflation falls below 6% or rises above 13% for the year to April 1998, any party may cancel the agreement or reopen negotiations.

Motlanthe said all mines bar Alpha Anthracite and Gold Fields would be unable to pay a minimum of R1 000 for surface workers this year; all except Gold Fields were paying a R1 000 minimum to underground workers.

A social plan would be implemented on collieries after discussion at mine level of services workers needed. These could include retraining retrenched workers, skills assessment and certification of prior learning, and financial and other counselling. The services would be funded by employers, with government playing a role as well.

The agreement also stipulates provisions to regulate job losses at mines by ensuring timely information disclosure, fair termination procedures, planning taking into account matters relevant to job losses, and proper prior notice to ensure compliance with these provisions.

While each mining house has committed itself to discussing regulating health care in the industry, the agreement says health care for dependents, especially in rural areas, requires further discussion.

## Callback services granted temporary reprieve by Satra

Robyn Challiners

BD 28/8/97

THE SA Telecommunications Regulatory Authority (Satra) has granted local callback operators a temporary reprieve from its order to shut up shop by September 1.

In a letter to the SA Callback Association and 10 callback operators, Satra's attorneys said the authority would not initiate criminal prosecutions pending a ruling on a hearing in the Johannesburg High Court today in a case brought by the operators.

"(Satra) has never intended, nor does it intend, to impose any penalties on anyone contravening the provisions ... without there being a conviction following criminal proceedings," said the letter. However, this should not be understood to mean that if the court found callback operations unlawful, the operators would not be exposed to prosecution, it said.

Satra could not be reached for comment last night.

SA Callback Association chairman Gianfranco Cicogna said he believed the attorney's letter indicated September 1 was no longer a deadline for closing down callback operations.

"The matter will now be determined by an impartial high court judge rather than the regulator, which had apparently determined the matter without recourse to the views of interested parties," he said.

"The industry now has clarity with regard to Satra's limited powers. In general interested parties will have the opportunity to be heard on this matter," he said.

When announcing that callback operations were banned earlier this month, Satra chairman Nape Maepa said in terms of the Telecommunications Act of 1996, Telkom was the only organisation licensed to provide international telecommunications services in SA on an exclusive basis.

Callback operators offer international rates which are up to 30% cheaper than Telkom's.

Many government organisations and business users said they were using callback services.

# NEWS

**LABOUR** *Union hails two-year treaty as a major step forward for the industry*

## Pact a first for coal miners

FRANK NXUMALO

Johannesburg — The National Union of Mineworkers (NUM) and the Chamber of Mines yesterday signed a historic two-year wage agreement for the coal mining industry that guarantees minimum monthly wages of R900 for this year and R1 000 for next year.

The terms of the agreement covers 70 000 NUM workers in categories one to eight of the bargaining unit and means that the wages of workers in the lower grades have increased by up to 23 percent in some cases, and range between 7,5 percent and 9,75 percent for the rest of the grades.

Alan Martin, the Collieries Committee chairman, said this was the first time in which a wage agreement for the coal industry had been concluded separately from gold industry negotiations.

It was also the first time that a minimum wage of R900 a month for the industry had been agreed on, and that the wage agreement provided for this minimum to increase to R1 000 a month next year. "I believe, for these reasons, that this is a historic occasion," Martin said.

Production and productivity-linked wage negotiations are



**BREAKTHROUGH** *The NUM's Isaac Mbombo and Kgalema Motlanthe sign the two-year agreement*

PHOTO: LINDSAY YOUNG

continuing separately in the gold mining industry.

Kgalema Motlanthe, the general secretary of NUM, said the agreement would relieve the union from the cumbersome annual wage negotiations and enable it to focus its energy and resources on other strategic tasks.

"It would allow us sufficient time to focus on strategic issues rather than take us on to the vicious cycle that accompanies annual wage negotiations. It's a

major step forward as it only leaves us with the gold wage issue to settle," said Motlanthe.

The agreement brings the parties closer to the conclusion of an overall agreement for the mining industry.

It also introduces changes in other conditions of employment, including providing for mining houses, and allowing the unions to engage in negotiations for an affordable health-care system.

## SAB hits out at strikers

RAVIN MAHARAJ

Durban — The Food and Allied Workers' Union (Fawu) had to be actively involved in preventing violence and intimidation at SAB operations around the country, Adrian Botha, a company spokesman, said yesterday.

Botha said increasing violence and intimidation appeared to stem from "the fact" that there was little support for the current Fawu strike at SAB operations countrywide.

The strike started last Monday after wage talks failed to reach a compromise. Fawu's proposed compromise entailed an 11,5 percent increase, which management refused as it had already implemented a 10 percent increase.

Botha said the union had yesterday moved "a step in the right direction" after union shop stewards indicated to management that they "did not condone the violence and intimidation".

Fawu has said "opportunists", and not its members, were behind violence and intimidation.

# Sasol Mining opens coal export plant

NCABA Hlophe CT (PR) 11/9/97

Johannesburg — Sasol Mining last week launched its first coal export plant to produce and beneficiate coal for export to Europe and Asia, said Pieter Cox, a Sasol managing director

The plant, worth R849 million, is expected to earn revenue of more than R600 million and create over 300 jobs.

The plant was officially opened by Penuell Maduna, the minister of minerals and energy affairs, in Secunda, Mpumalanga. It will enable Sasol to produce in excess of 3 million tons a year of export-quality coal.

The ministry would support the project and help Sasol to open more international markets to increase foreign exchange earnings and sharpen the country's competitive edge. "This is a laudable initiative by Sasol because it exploits the potential and advantages in terms of transport and skills to add value to our products, thereby creating more jobs and stability for our economy," Maduna said.

Two plants will be situated in Twistdraai and should be in full production by mid-1998, when each would produce 4 million tons a year.

Twistdraai's estimated extractable reserves of 238 million tons would be washed to produce two grades of coal.

Cox said: "Exporting coal has been a natural progression for us because all along we have been producing to feed our petrochemical operations. But certainly the 5,2 percent stake in Richards Bay Coal Terminal has been among the principal motivations to export coal."

The export facility features a coal-handling and beneficiation plant, storage silo, 260 000 ton stock pile and a railway siding linking the colliery to Ermelo-Richards Bay line.

The predominantly bituminous coal will be upgraded from 25 percent ash to at least 7 percent ash through the beneficiation facility

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COMPANIES

# 'Tough year' ahead for SA steam coal exporters

David McKay

(215)

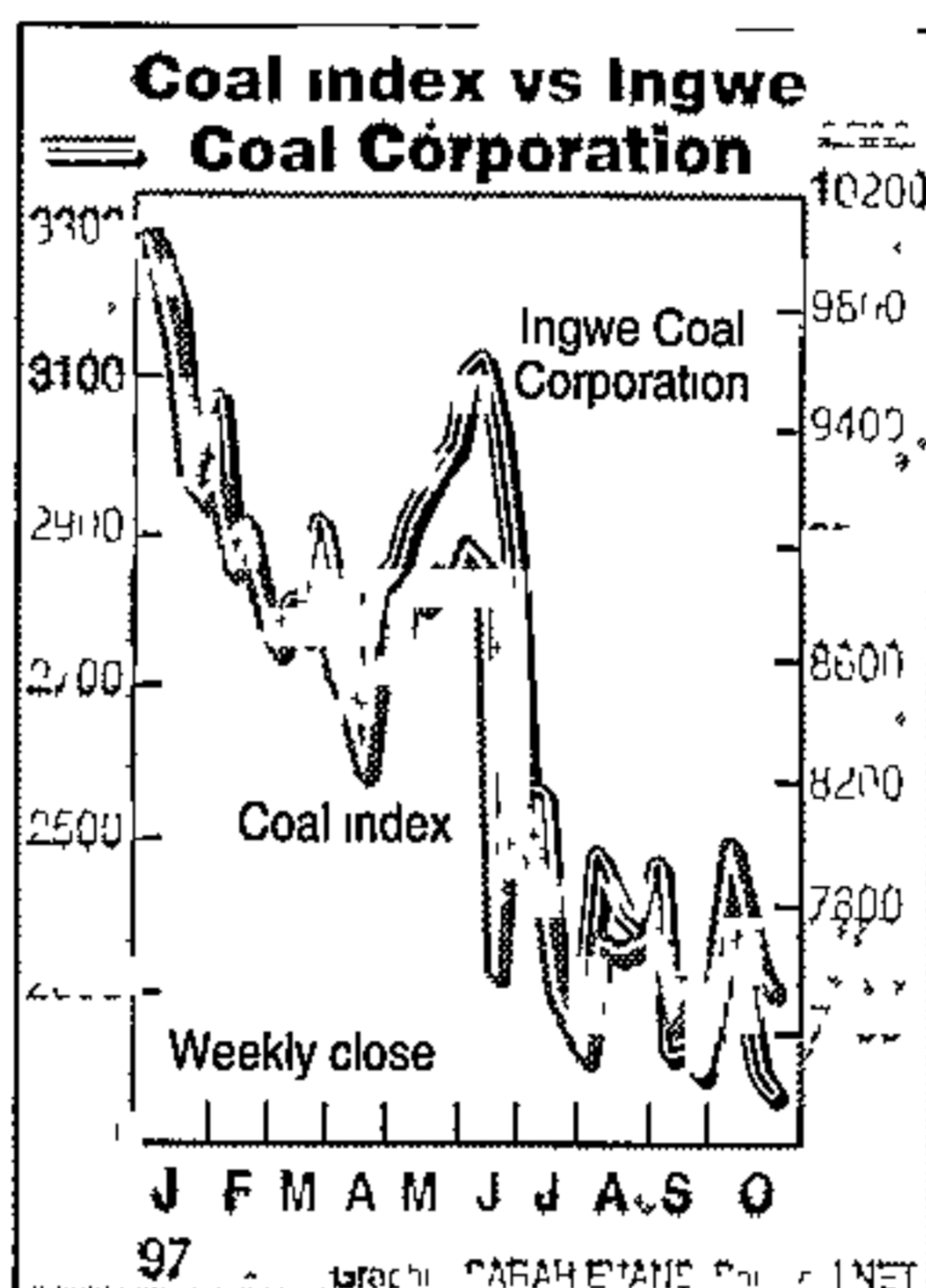
BD24/10/97

SA STEAM coal exporters were bracing themselves for another decline in contract prices as negotiations with European buyers got underway, industry analysts said yesterday.

Early signs suggested exporters were in for a "tough year", with prices expected to shed 10-12% to about \$28-\$29 a ton from last year, depending on the coal's quality. Contract prices have slipped consistently over the last two years from about \$35 a ton.

Investec coal analyst Dean Cunningham said the European market would be affected by Spain this year, which was expected to be out of the market for about 3-million tons. Good rains had boosted that country's hydroelectric generation.

There was also a seasonal factor to be considered, were warm weather restricted power consumption and, ultimately, the use of coal as a fuel, Cunningham said. Europe's weather had been reasonably good so far this season, although the worst of the winter was yet to strike.



Tavistock MD Mike Rogers said good rains were also likely to reduce coal consumption in some of the Nordic countries. The SA coal industry was in for a margin squeeze "It looks like a difficult year ahead," he said.

Rogers, who returned recently from this year's CoalTrans Conference held in Turkey, said prices as low as \$22 a ton were being mentioned by some buyers at the conference.

While SA coal producers would have to fight these price expectations, the major task at hand was to rein in mining costs, he said.

Ingwe MD David Murray said his company was expecting another fall in contract prices for steam coal. Talks with European buyers had just started and the agreements would edge towards finalisation by the year-end, he said.

Australian coal supplies were affecting the market, but demand in Asia, which a number of analysts thought was slowing down, was "no less than anticipated", Murray said.

Despite the pessimism about the steam coal market in the short term, it appeared as if the coal market would bottom out this year, Cunningham said.

Deutsche Morgan Grenfell's John Loewen said there was a mixed coal market at present. There was additional supply coming into the European market from Australian and Colombia which would limit market growth.

However, consumption was fundamentally sound. Loewen believed contract prices would be \$2-\$3 down on last year's \$33 a ton.

# Amcoal produces at top end

(215)

David McKay

ANGLO American Coal Corporation (Amcoal) posted interim results to September at the top end of analysts' expectations, lifting sales tons at each of its collieries but warning of lower second-half earnings.

The group reported yesterday a 38% increase in headline earnings to 1.749c a share. The dividend was increased to 460c from 420c last year. Shareholders had the option of receiving a capitalisation award, the terms of which would be published in December. Domestic sales tons, consisting of 72.4% of Amcoal's total sales, increased to 19.2-million tons from 17.2-million tons in the comparative period.

MD Tony Redman said most

domestic sales were to Eskom, which increased consumption 13% to 18-million tons.

This resulted largely from much-improved output at the New Denmark and Kriel collieries which had had production problems and a skills shortage.

Export sales rose marginally to 7.3-million tons from 7.2-million tons. Total Amcoal sales tons increased to 26.7-million tons from 24.4-million tons at the interim period last year.

The group said it would consider making further inroads into Colombia where it already had

pumped in a net investment of R333m as part of a consortium comprising Rio Tinto, Glencore and Anglo stable mate, Minorco.

Chairman James Campbell said opportunities to participate in Colombia's coal prospect Sur Cerrejon would not pass unnoticed. Sur Cerrejon — located in a basket of coal reserves in northern Colombia — had a conservatively estimated 300-million tons of coal reserves.

This could produce sustainable annual production of 4-to-6-million tons a year and increase the consortium's sustainable

production in Colombia to 20-to-24-million tons a year, he said.

Amcoal's attributable sales from Colombia would be therefore increased to 4-million tons a year from the 2.6-million tons a year it planned to derive from the combination of Cerrejon Centrale and Oreganal coal reserves, he said.

However, the group's involvement was not a certainty as there was a risk of becoming "too big in one country", he said.

Amcoal's Verref division reported lower results owing to difficult trading conditions.

Looking to the second half of the year, Campbell forecast marginally lower earnings than in

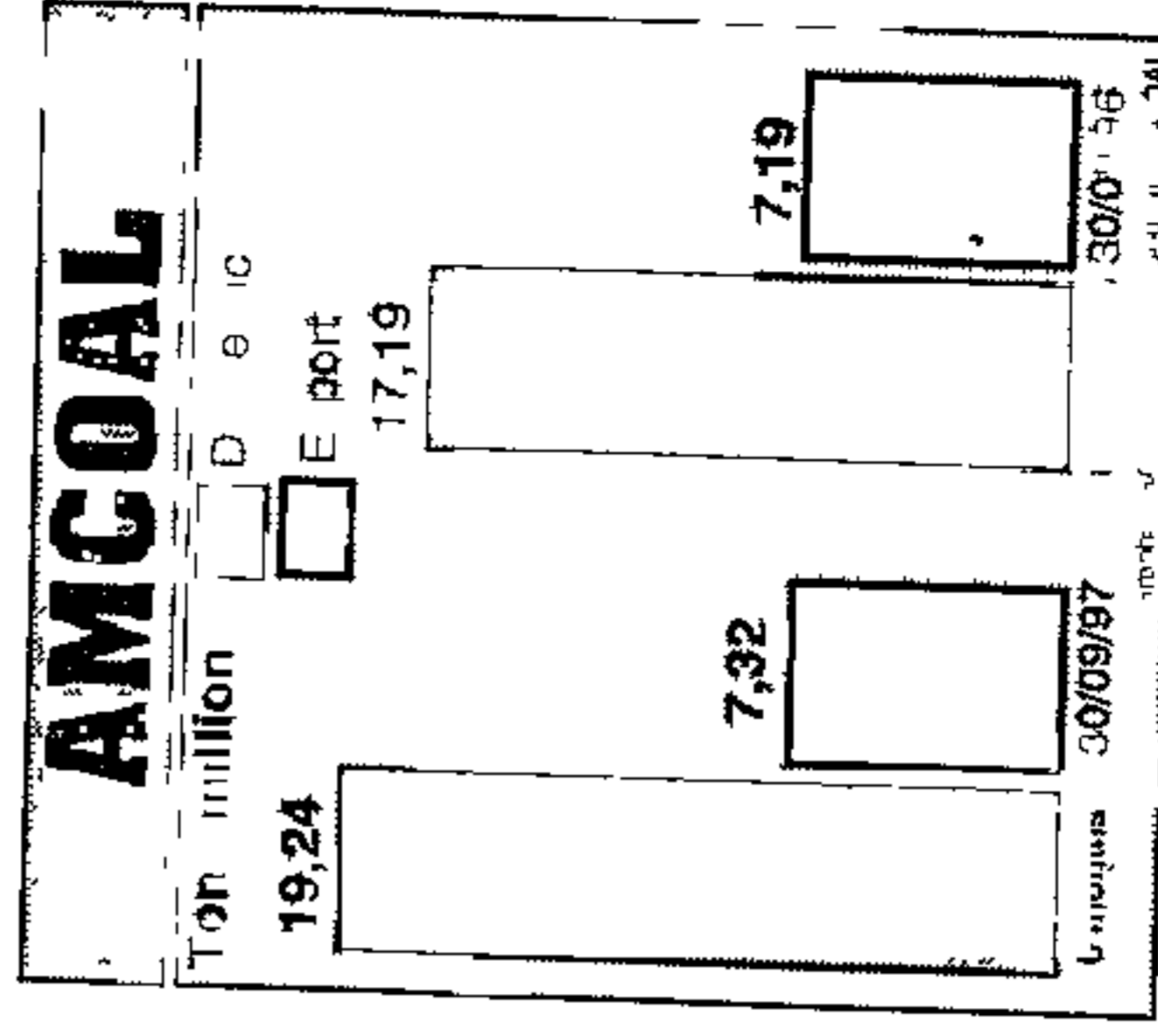
the first half of the year. "Weaker exchange rates compared with those in the first half will be insufficient to cushion the lower export prices, and as a result earnings from exports are forecast to be lower," he said.

However, earnings from sales to the domestic market would be similar to the first half with the result that full-year earnings in rand terms would remain flat.

Senior marketing director Roger Wicks said that customers, particularly in Europe, were preferring to buy on the spot market rather than lock in to year-long contracts. There were "signs that the deterioration in coal prices was coming to an end", he said.

# of forecasts

30/11/97





# Retail diamond sales tipped to fall (215)

THE world retail diamond market has been under pressure this year and sales are expected to fall below last year's \$52bn in the face of a currency meltdown in Asia and recessionary conditions in Japan

This is despite growth in the mainstay US market and the emergence of Britain as a small but vigorous European consumer

De Beers, which, through its marketing arm, the Central Selling Organisation (CSO), promotes world sales of diamond jewellery, reckons that the Japanese market — by itself worth \$14.5bn or 28% of total retail sales — combined with the Asian market accounts for 40% of total sales by value.

While diamond imports into Japan are down about a third, the currency crisis in Asia is perhaps more serious as certain parts of the region are thought to be a growth area for diamond sales

The CSO says there has been 11%-12% growth in retail sales from 1988-1995 in Asia Pacific. But political uncertainty and overexpansion slowed year-to-year growth to a trickle more recently. To counter this though, the CSO is laying stress on increasing the acquisition rate of diamonds among Asia Pacific consumers

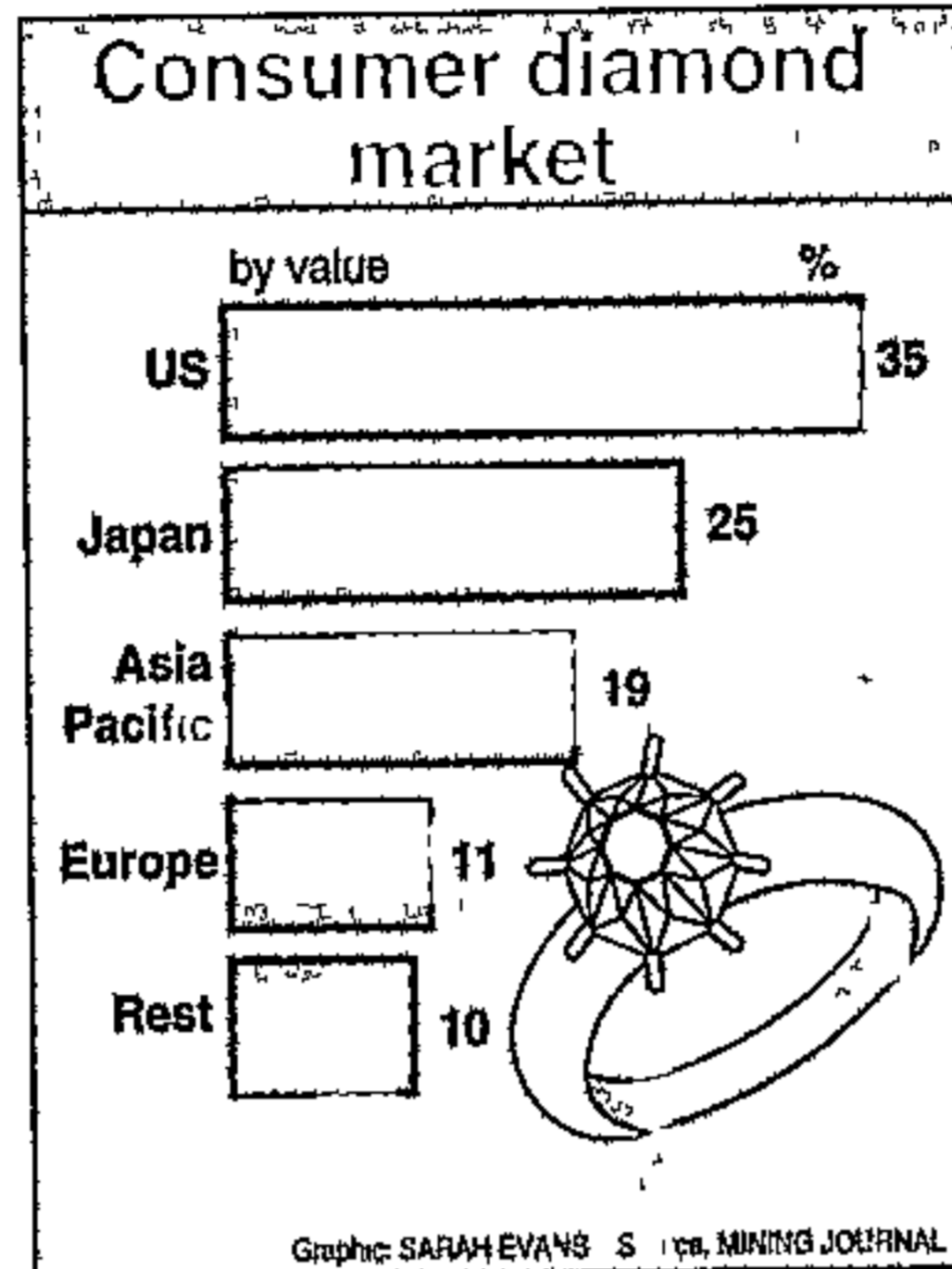
In the more mature European market, however, the CSO's tactic is to raise the average price of gems — a strategy asking consumers to buy higher-quality stones. Thus the image being attached to diamonds in the two markets differs significantly

For Asians, gems are items of status, while in Europe, they are a "gift of love"

Consumer marketing director

This year's global retail trade in diamonds has had its ups and downs, writes mining reporter David McKay

BD 12/11/97



Paul McNamara, who helps to run the CSO's \$200m-a-year marketing programme, says marketing diamonds also involves myth-making or perpetuation. By adding symbolic value to diamonds, the CSO is able to impute to its stones a mystique or certain emotional flavour.

This is most strikingly revealed in a CSO survey which polled married women before and after exposure to a diamond advertising campaign. Comparative results show that while these women do not necessarily want a diamond after the advert, some feel they deserve one from their partners — suggesting diamonds and love are being effectively linked in the minds of consumers by De Beers

The challenge for the CSO is

that its goods must vie for control of consumer's discretionary income where choices range between buying a diamond or a new BMW. Similarly, the diamond-bearing "eternity ring", marketed as the ideal jewellery to fête the first year of marriage, finds holiday plans are its top competitor

Compared with Asia, the US market is slightly different. It is a mature market, with room to grow, but the marketing is more sophisticated. Advertising aims at overcoming women's guilt feelings in asking partners for diamonds

Another focal point is introducing the social appropriateness of diamonds at occasions other than the wedding engagement. The 10th wedding anniversary gift is being pushed as a milestone worthy of diamond celebration.

In SA the market is still small, according to the last detailed survey conducted by the CSO about five years ago. McNamara says more than three quarters of the 760 000 pieces sold in SA were to white consumers with an average price a piece sold of \$397 compared with the world average of \$770 a piece

McNamara says the CSO is hoping to capitalise on pride associated with De Beers as a local firm to fuel an increase in sales in SA. It has a jewellery culture, and population growth is promising.

In global terms the CSO's job is vast, having to make 67-million sales a year just to stand still

# Iscor to halve coke exports after terminal tug-of-war

David McKay

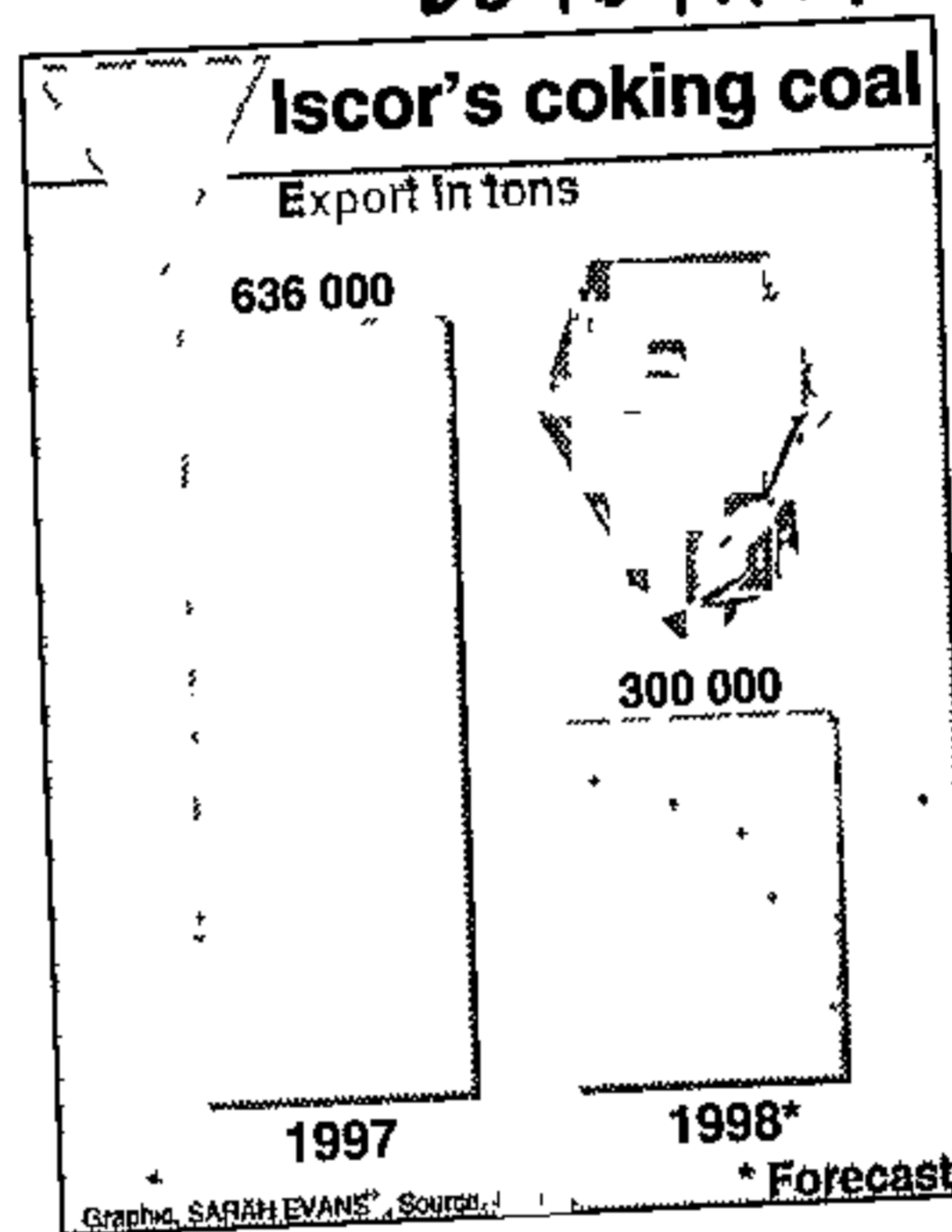
ISCOR's mining division is to halve its coking coal exports this year after struggling to win entitlement to port handling facilities at the Richards Bay Coal Terminal (RBCT).

The group said yesterday coking coal exports would fall from about 600 000 tons this year to 300 000 next year.

In addition, imports of higher quality coking coal would rise about 14% as the group supplemented output from its Tshikondeni mine, which produced material suitable for use at Iscor's revamped Vanderbylpark steel and iron mill facilities.

Coal GM Jan Grimes said revenue losses from lower exports would be partially offset by increased sales to inland customers this year. Sales to Eskom would rise 5% to above 12-million tons as a 750 000-ton order from the electricity utility company started to flow through.

Grimes said new "pulverised coal injection" technology at Vanderbylpark required the use of higher quality or "hard" coking coal. A portion of this could be supplied from Iscor's Tshikondeni



mine, but while this mine's capacity was being doubled to about 11 600 tons a week, this was still insufficient to meet Vanderbylpark's full needs.

He said there was a surplus of coking coal at Iscor's Grootgeluk mine, which only produced lower quality or "soft" coking coal. However, some of this mine's material could still be supplied to Vanderbylpark, as the mill's new technology could operate on a blend of soft and hard coking coal.

A lack of access to entitlement at RBCT was restricting Iscor's

export capacity. As a result, the group was considering exporting its material through the coal terminals at Durban and Maputo, Grimes said.

Exports through Saldanha Bay were not an option for Iscor as this was too expensive.

Iscor usually bought RBCT entitlement from Ingwe Coal Corporation and Shell.

However, Shell's entitlement was being bought by JCI's Tavistock division, which could be merged with Lonrho's Duiker Mining if present negotiations between the two are concluded.

Grimes said Iscor's mining division was interested in gaining export entitlement at the proposed R500m South Dunes Coal Terminal project currently being investigated by small coal producer Anker and construction company Group Five.

Iscor Mining's total coking coal production last financial year was 3-million tons, some 600 000 tons less than last year.

Grootgeluk was Iscor Mining's largest coal producer with output of 1,5-million tons, followed by Durnacol at 953 000 tons, Hlobane at 235 000 tons and Tshikondeni at 328 000 tons.

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# Fall in rand against dollar cuts SA coal export costs

David McKay

(215)  
BD 27/11/97

SA WAS the lowest-cost producer of export steam coal at July this year due to the fall in the value of the rand against the dollar, a recent survey by Australian researcher AME Mineral Economics has found.

AME said the 22% fall in the rand-dollar rate by midyear, following a 16% depreciation last year, led to SA overtaking Indonesia as the lowest-cost producer of export steam coal.

Cash costs refer to freight on board (FOB), which includes the cost of freighting the material to its offshore destination.

Last year SA and Indonesia level pegged with lowest cash costs ranging between \$0,86 and \$0,89 a gigajoule FOB.

In more good news for the SA coal industry, AME said SA's labour productivity was improving most rapidly, at a rate of 9% a year, counterbalancing large increases in wages. This compares with the Canadian coal industry, where labour productivity had the slowest growth rate of 5% a year.

Coal mining costs worldwide would continue to fall in real terms for the foreseeable

future as innovations in mining technology and mine planning continued to be introduced, AME said.

The bad news for producers is that export coal prices are expected to fall in line with costs, maintaining profit margins near present levels. "Lowering of margins would result in reduced output until margins rebounded to acceptable levels. Conversely, any widening of margins will result in additional capacity being brought on stream until price-cost balance," AME said.

On the issue of contract negotiations with European buyers, Ingwe Coal Corporation MD Dave Murray said prices ranged from \$28-\$30/ton, depending on the quality and the time of the agreement.

Ingwe was also within "shouting distance" of fulfilling its export target of 27-million tons, about 43% of the total capacity of the Richard's Bay Coal Terminal, which exports about 62-million tons a year.

Volumes had been flat in Europe with prices slightly down, but the Indian market was developing, Murray said. Ingwe sold less than a million tons to India this year, but hoped to double this in a couple of years.

Minwa - Coal

1998 - 1999

# Coal terminal enforces quotas, to end backlog

BD 16/1/98

(215)

David McKay

RICHARDS Bay Coal Terminal, SA's coal export handling facility, is asking producers to observe their monthly export quotas so it can remove a backlog dating from last year

The 1,3-million ton backlog relates partly to the breakdown of a shiploader at the terminal in August

Ingwe Coal Corporation marketing director Gordon Osterloh said yesterday the terminal was behind on its exports and producers had been asked not to exceed their quotas in any given month to allow it to catch up

The terminal is operating at its capacity of 60-million tons. That is expected to be expanded to about 62-million tons this year and there are plans to expand the terminal further, possibly to about 68-million tons.

The terminal is also trying to have exporters supply coal in a more uniform manner throughout the year. This would enable it to "optimise the coal chain", said terminal spokesman Russell Taylor. "We are always looking at ways to improve our efficiencies so this measure is not unusual."

However, analysts said the terminal was having to improve its efficiencies to cope with the changing nature of the world coal market, including an increase in the amount of trade conducted on the spot market.

ING Barings coal analyst Gavin Butcher said that traditionally, 90% of SA coal exports a year were contract related. But the move of buyers away from contracts to the speculative spot market where there was more price flexibility, meant exporters would have to be increasingly opportunistic.

This year, with many contract prices between SA exporters and European buyers falling 8%-10% or \$2,50-\$3,00/t, depending on coal quality, about 30% of total exports would be conducted on the spot market.

Analysts said that broadly speaking, coal prices would hover around \$30/t or lower, depending on quality.

Société Générale Frankel Pollak's Ross Gardiner said the terminal was trying to spread its export load to maintain a more efficient maintenance programme. Effective maintenance was an increasingly important issue as the terminal continued to expand.

## Kuyasa to supply coal to Eskom, says Bam

Patrick Wadula

(215)

BLACK coal mining company Kuyasa would be acquiring the contract to supply coal to Eskom, Kuyasa executive chairman Ayanda Bam said at the weekend.

From which was the biggest coal consumer in SA, traditionally sourced its coal supplies from the big mining houses. However, Bam said opportunities for smaller companies had opened up through co-operation with the bigger mining houses who are interested in seeing new black companies like ours emerging.

A contract with Eskom was in the final stages of completion, Bam said.

Kuyasa was also involved in talks with coal producer Ingwe for the acquisition of further coal deposits. It already had marketing and mineral rights agreements with Ingwe for its coal reserve, Ikhwezi Colliery, in Mpumalanga.

Bam said production levels at Ikhwezi were higher than planned with more than 1-million tonnes of coal a year being produced. This figure was expected to increase to more than 5-million tons in 1998.

It was also a project which would be different in that Kuyasa was to be directly involved in the processing and marketing of the coal which was currently done by Ingwe.

Kuyasa recently received a £1,9m loan from the Commonwealth Development Corporation to assist in the further development of Ikhwezi Colliery. The body has also agreed to guarantee loans of up to £750 000 to the group.

BD 19/1/98

growth, which invests money from had benefited from the investment of growth.

# Black owned coal company makes history (215)

Nelspruit – South Africa's only black owned and managed coal company, Kuyasa Mining, has acquired a multi-million contract to supply Eskom with coal for its power stations in Mpumalanga. Until now Eskom has sourced its coal only from big mining houses. The deal, described as "big time" by Kuyasa executive chairman Ayan-

da Bam, is expected to be finalised later this month. Kuyasa has marketing and mineral rights to Ingwe's Ikhwezi Colliery near Delmas in Mpumalanga. Although coal from the mine is expensive to extract and is described as poor quality by Mr Bam, Kuyasa presently extracts one million tons of coal per year from Ikhwezi and

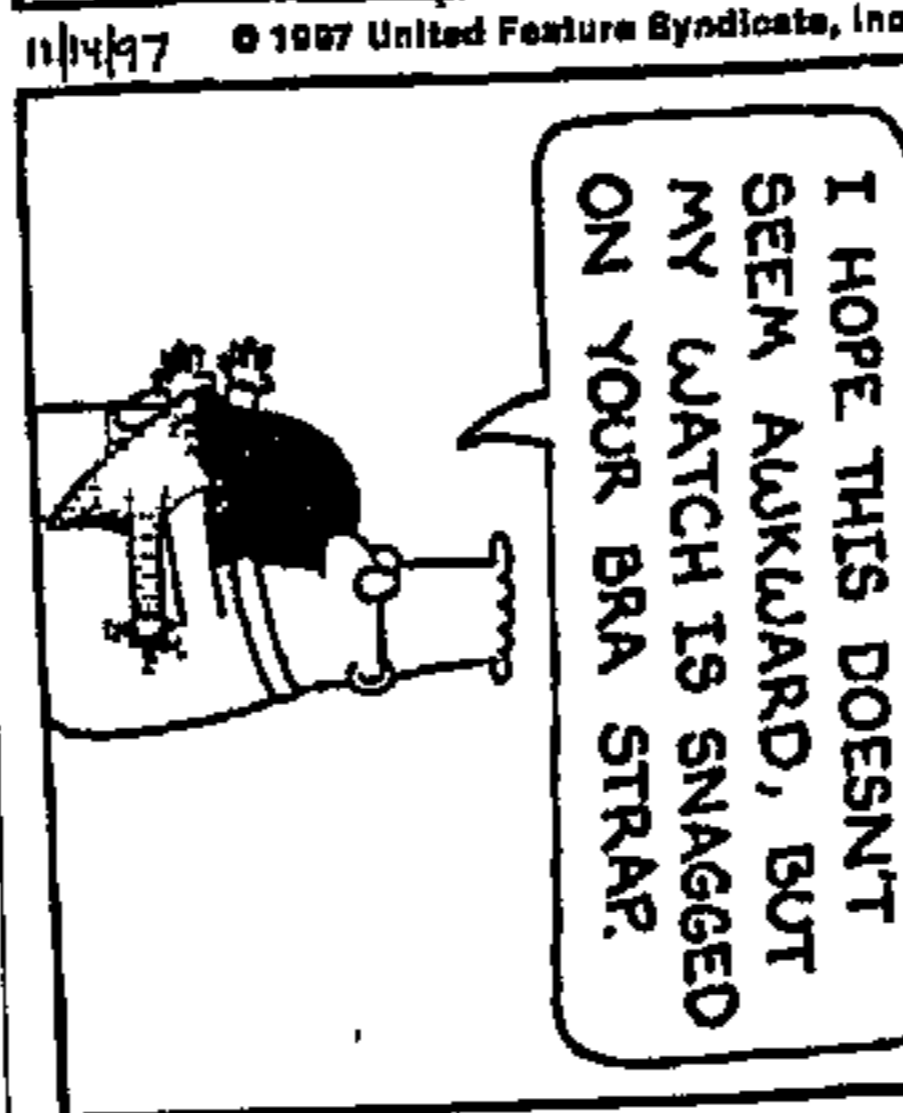
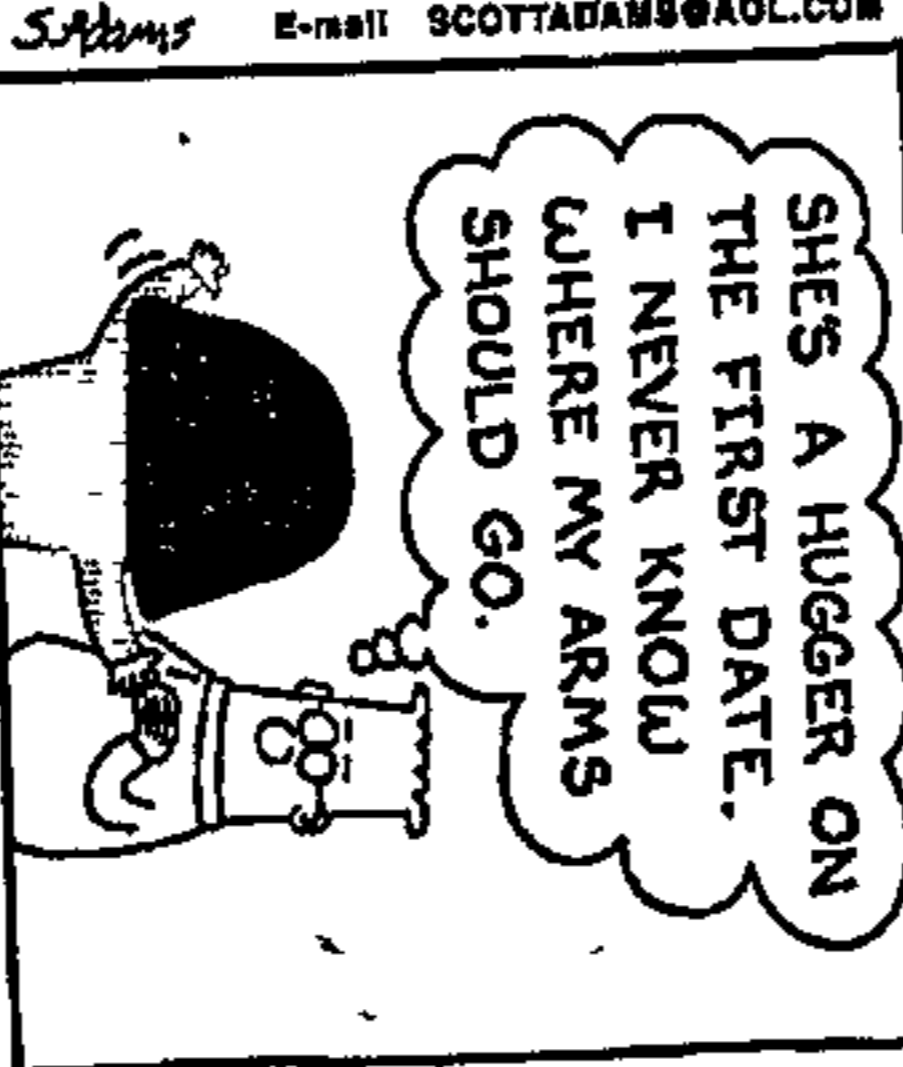
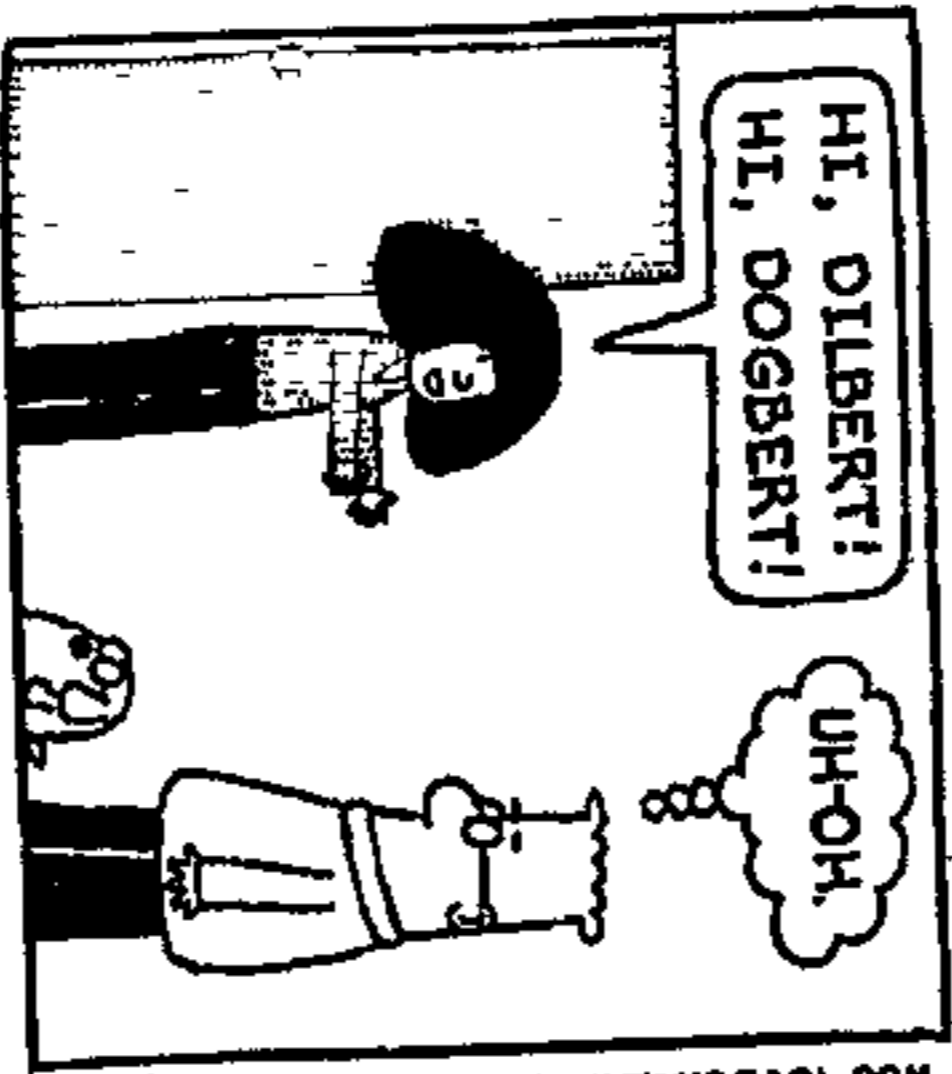
expects to increase this to 5 million tons per year by 2004. The expansion is being funded through a R15,2-million loan from the Commonwealth Development Corporation. Mr Bam said Kuyasa was struggling to attract black investors as black developers and entrepreneurs tended to view the field as a "white man's thing" – Sapa

# Union directory now available

The 1998 edition of the South African Trade Union Directory and Industrial Relations Handbook is now available from the publishers. The directory has summaries of labour Acts, information on all trade unions and federations, employer organisations, bargaining councils and chambers of com-

merce, including names and addresses. The new edition also carries summaries of the Basic Conditions of Employment Bill and the Employment Equity Bill, both due to come into force this year. It costs R285 plus VAT and can be ordered from: SA Trade Union Directory, Box 4787 Randburg. Tel: (011) 781 2505 or fax (011) 781 2504.

## DILBERT by Scott Adams



# Miners plan protest action

Johannesburg – The National Union of Mineworkers is to run a programme of street protests and an international campaign aimed at halting massive job losses in the crisis-hit gold mining industry. Gwede Mantashe, acting general secretary of the

500 000-member union, told a news conference in Johannesburg that thousands of mineworkers stood to lose their jobs this year following unilateral decisions by mining houses to lay-off workers.

In a bid to halt the retrenchments, mineworkers would begin protest marches to mine offices. The action would culminate in a national gold mining summit next month, Mr Mantashe said. At the same time union leaders were beginning shuttle missions to the capitals of the world and Africa seeking support for the action, he said – Sapa

# Ingwe shrugs off drop in coal price

BD 13/2/98

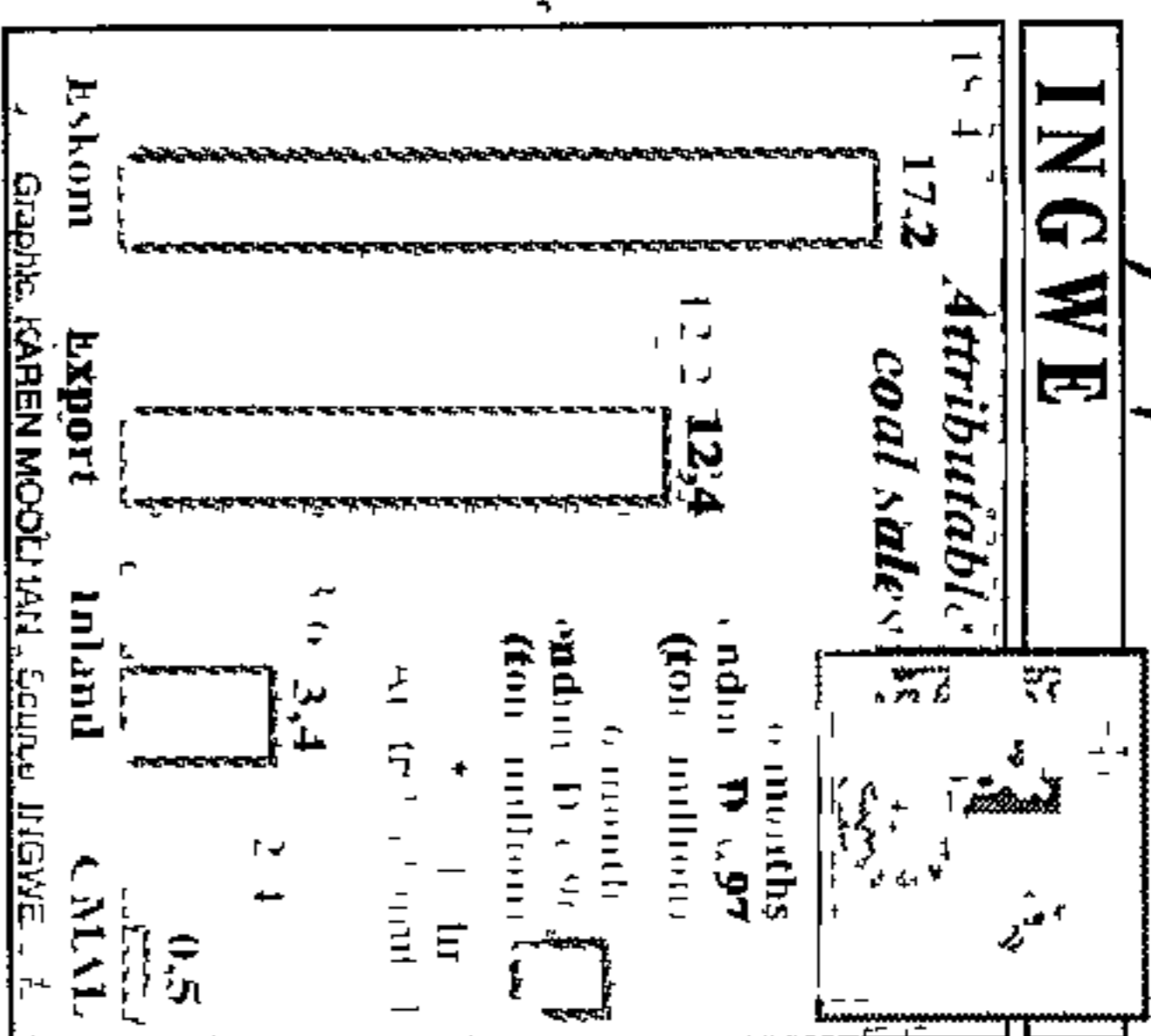
David McKay

INGWE Coal Corporation witnessed a 5% decline in average export prices for the six months to December to report robust operating results, but was throttling back production at its mines as buyers continued to dictate the market, the company said yesterday.

Despite the gloomy market picture, Ingwe has furthered its international ambitions, bidding on a coal prospect which could substantially lift its proposed annual Australian output.

The company, housed in the London-listed Billiton group, would also spend R500m to expand its Middelburg mine. A combination of loan finance and internal resources would fund these expansions.

Operating income fell marginally to R634.5m from R675m in the corresponding period the previous year, mainly owing to the lower export prices.



MD David Murray said Ingwe refused to sell at some spot market prices which were as low as \$25/ton in certain instances. As a result exports fell 0.2-million tons to 12.2-million tons.

Ingwe's share of demurrage costs at Richards Bay Coal Terminal, owing to a logjam of coal supplies, aggravated the pressure placed on the company by poor international trading conditions.

A R9m one-off charge from downsizing at one of Ingwe's Australian operations combined with higher net finance charges lowered attributable income after tax to R285m from R346.5m the previous year.

Lower production from the SA-based operations had raised inventories to about 3-million tons valued at R404m, Murray said.

Cutting out contractors and washing coal to a higher quality to receive better prices would temporarily alleviate the situation, he said. Ingwe would continue with this strategy for the next six months in the hope that coal prices would increase. While the European coal prices would remain soft for the next year, Asian prices were

due for a price correction.

It was hoped that Australian producers would stop expanding production on the back of their recent \$3.50/ton to \$4/ton reduction in contract settlements with Asian buyers, Murray said.

Locally, sales to Eskom were 7% higher at 18.4-million tons while local sales increased slightly from higher industrial offtake.

Cost of sales rose 5.6%. Murray said this was reasonable and that productivity at the company had risen by a greater percentage.

The bid on the Mount Arthur prospect in Australia, adjacent to Ingwe's Bayswater mine, could double the SA company's eventual output from Australia, he said.

Poor market conditions would continue to place pressure on the company. Therefore, earnings in the second half of the financial year would be lower than the corresponding period the previous year, Murray said.



## COAL EXPORTS

# Iscor underpins second Richards Bay coal terminal

Waterberg holds key for increase in exports

The decision by Iscor to export 3 Mt/year of coal through the proposed second export terminal at Richards Bay underpins the terminal's prospects and the long-term future of SA's coal export industry

The expansion of Iscor's Grootegeluk colliery on the Waterberg coalfield near Ellisras in North-West Province to produce this export coal will be a pioneering business development

The Waterberg coalfield holds the key to continued healthy SA coal exports after about 2050 when the export quality reserves on the Witbank and Mpumalanga coalfields run out. SA last year exported 62 Mt of coal worth about R9bn through Richards Bay

Iscor chairman Hans Smith says the group has committed itself to exporting 3 Mt tons annually through the South Dunes Coal Terminal (SDCT) at Richards Bay and would like to push this to 4 Mt

He says Iscor wants to do this "as fast as possible which realistically means within two years", following the group's inability to continue exporting through the Richards Bay Coal Terminal (RBCT)

The SDCT project has been in the hands of construction firm Group Five and Dutch coal trading group Anker Kole for the past 18 months since MacPhail gave up on the project because of its own financial difficulties

A go-decision on the R1,3bn project has been anticipated by analysts for the past six months and it is now expected by March/April with construction due to start in June

SDCT MD Trevor McGiddy says "We are on schedule to have the bankable feasibility study completed by the end of March and are fasttracking this with the banks already involved in doing their own audits on the project

"Construction should start in the second quarter of this year with completion scheduled for the second quarter of 2000"

While all the major coal groups own reserves in the Waterberg, Iscor has the only operating mine at Grootegeluk which is a multiproduct colliery supplying Eskom's

Matimba power station as well as exporting metallurgical coal

There lies the spur that has galvanised both Iscor and Coallink — the division of Spoornet which manages the coal export railway line running from Witbank to Richards Bay

Iscor is intent on building up its export business and in 1996 exported 0,7 Mt of coal through the RBCT though it is not a member. Iscor exported through arrangements to use the unutilised portions of export quotas belonging to RBCT members, in particular Shell

That loophole vanished last year when JCI bought out Shell's coal assets because JCI has the production capacity to utilise all of Shell's RBCT export quota

With the RBCT nearing maximum capacity, and major coal groups Amcoal and Ingwe looking abroad for expansion, Coallink is worried about long-term busi-

## GLOBAL SOURCING FORECAST

(Mt): 2005

Country	Current	Low	High
Colombia	27	40	50
Venezuela	5	11	20
Indonesia	38	45	55
South Africa	61	69	72
China	26	20	30
Australia	70	102	114
USA	31	30	40
Poland	24	20	27
Russia	14	12	16
Other	10	11	16
<b>Total</b>	<b>307</b>	<b>360</b>	<b>440</b>
<b>Demand</b>	<b>302</b>	<b>446</b>	<b>446</b>
<b>Surplus (Shortfall)</b>	<b>4</b>	<b>(86)</b>	<b>(6)</b>

Source: Ingwe

ness growth on the Richards Bay line which is Spoornet's main profit earner

Coallink executive manager Ian Bird says Spoornet is supporting the SDCT and is focusing its attention on opening up the Waterberg field

Bird sees Iscor's role as critical because the group is Spoornet's largest customer and it has the only operating mine on the

field. The main problem facing the Waterberg is the extra 500 km raling distance to Richards Bay which pushes up transport costs

What's required is a competitive rail tariff — which it seems Iscor has already negotiated on a trial basis — and an upgrading to "heavy haul" status of sections of the line between Ellisras and the start of the Richards Bay line near Witbank

Once these essential building blocks are in place the way would be open for further development of the Waterberg by the other coal groups

McGiddy declines to provide details of the SDCT ahead of final agreement but analysts believe it will have the capacity to shift 12 Mt annually which could easily be expanded to 14 Mt

Cost of the terminal is estimated at around R500m while Portnet will spend R110m on building a new vessel loading berth and Spoornet will invest about R750m in new rolling stock

Apparently the terminal will be financed 20% by equity and 80% through debt with Group Five and Anker Kole looking to bring in another two equity partners

One of these will be the contractor appointed to run the terminal. Materials handling group Fraser Alexander appears to be the leading contender out of the three companies bidding for this position. The other partner is likely to be Iscor

The major users of the terminal providing its base load of export volumes will be Iscor, Anker Kole, Gold Fields Coal, Total/Avmin and Kangra

Capacity above their requirements will be made available to all comers on a "pay as you use" basis

Delicate negotiations are still underway between the SDCT and the RBCT over some areas of co-operation between the two terminals in using the infrastructure at Richards Bay

The RBCT has never looked fondly on the development of a competing second terminal at Richards Bay. It scuppered SDCT's predecessor — the Coalex Joint Venture — by making special arrangements to bring lead Coalex member Sasol into the RBCT structure

Analysts feel that cannot happen again with Iscor because the RBCT no longer has the spare capacity while building new capacity would involve an expensive "green-fields" expansion

Nevertheless, until the final documents are signed, McGiddy would do well to note the philosophy of *Time's* Businessman of 1997 — Intel CEO Andre Grove — who lives by the motto that "only the paranoid survive"

Brendan Ryan

## COAL

# Flooded market forces trading flexibility

CT(BR)17/3/98 (215)

ANDI SPICER

A strike by coal miners in Australia last year has had an unexpected effect on the international coal market

For a while, exports were halted and large stockpiles built up. But when the industrial action finished, large amounts of coal started to flood the Asian market from these reserves.

South African producers, some of the largest in the world, felt the chill of a price fall. Japanese power utilities were in a stronger position to demand lower prices in their annual contract negotiations, and prices across the world tumbled.

The coal market is probably one of the least transparent of all commodity markets. Prices are generally fixed on an individual producer-to-consumer basis and are usually secret.

Apart from the excess of the commodity from Australia, another fundamental shift is happening in the industry, which until recently relied on long term contracts negotiated on an annual basis between consumers and producers.

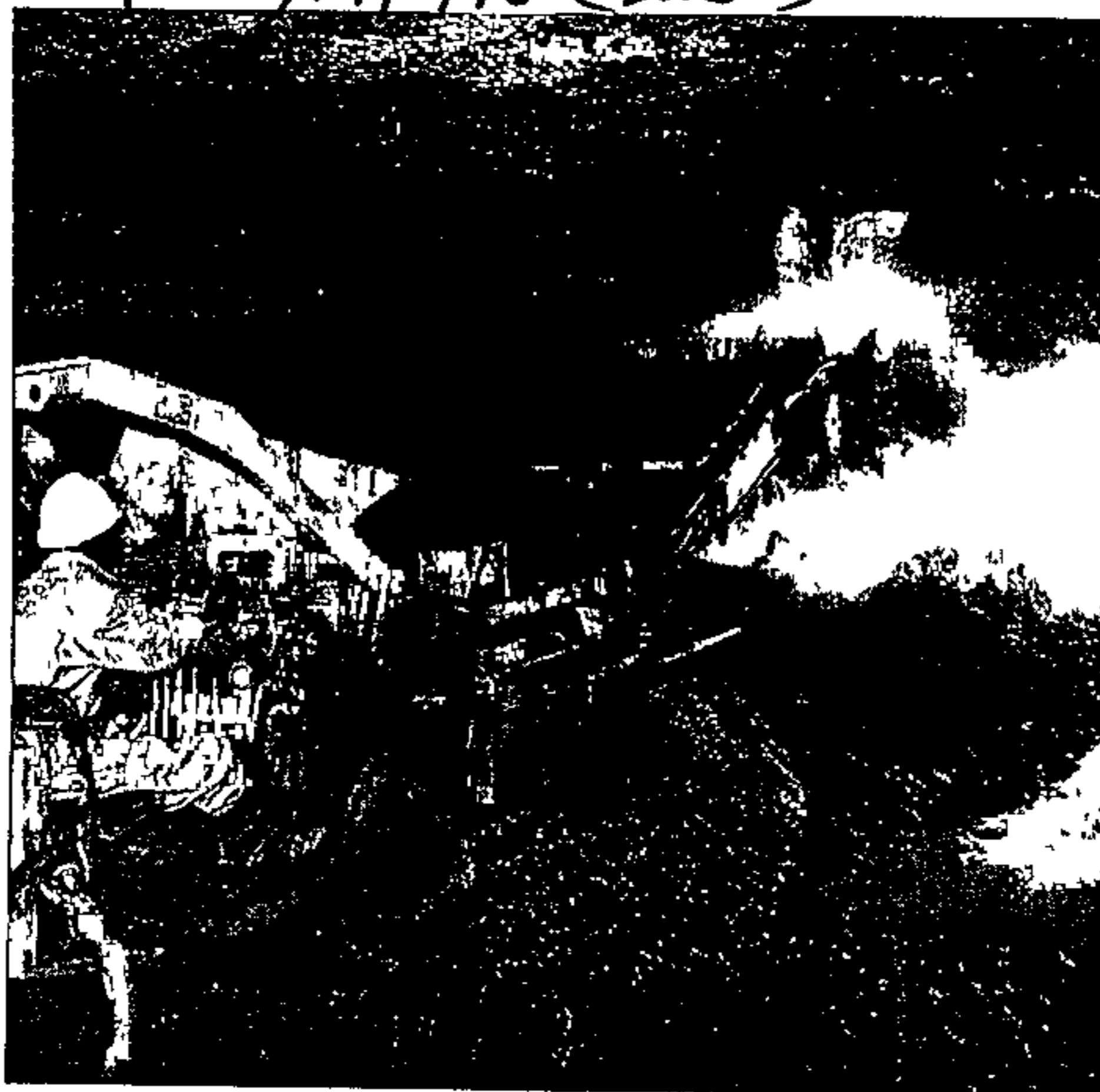
Now the large Asian power utilities that use coal to make electricity have moved towards a mixture of the traditional long-term contracts and spot market activities.

Add to this deregulation among the large power utilities, and risk management of volatile prices becomes more important. This has led to a host of new derivatives on the coal market to manage this price risk.

Tony Redman, the chairman of Anglo American Coal (Amcoal), said in the last annual report "This reflects buyer demands for increased flexibility and current buyer perceptions that better average prices can be achieved in a mix of contracts that have a higher proportion of spot market purchases."

The Asian economic meltdown, which will lead to less demand for electricity and coal, adds to the downward spiral of international coal prices.

In Japan, where electricity prices are more than 20 percent higher than



the average among members of the Organisation of Economic Co-operation and Development, "pressure to reduce costs is leading to a modification in the style of purchasing, which is moving more in line with the methods adopted by major European buyers as well as Japan's Asian neighbours", Redman said.

Peter Sceats, a risk management consultant with TFS Energy in London, said "Coal will play catch-up with the rest of the energy complex. For too many years the coal production business has been tied closely to government intervention.

"State ownership of both coal production and electricity generation has resulted in a marketplace dominated by long-term contracts, fixed price deals and a lack of the kind of volatility present elsewhere in the energy complex."

In the UK, which has seen one of the world's largest shakeups in the electricity generation business, private companies have replaced the state-owned British Coal.

Long term contracts between UK producers and electricity generators end this year, as does the phasing-in period for German power generators

to buy increased amounts of non-German coal.

"This EU (European Union)-inspired change sees the major German coal consumers more active on the international market," said Sceats. "It looks like (coal) might have to cram a decade or two of market development and trading sophistication into the next two years.

"The ball is not rolling on coal swaps in the EU just yet, but steam coal futures are under consideration by at least one exchange company. In the US, coal futures on the Nymex (New York Mercantile Exchange) look on schedule for this year."

The transparency that derivatives bring is not to everyone's taste, and there is resistance. But a basic derivatives hedge for a producer can open up flexibility in pricing.

The wide variety of coal grades and port delivery points has been used as an excuse for not producing benchmark prices in the past. But this is not a problem unique to coal and has been overcome by almost all commodity derivatives contracts.

For derivatives and futures to work in the coal sector there needs to be a benchmark of some kind — a

grade or type at a port or region that broadly represents the market.

"Coal is not different from wheat, where there are as many types and grades, and yet futures and options trade on certain accepted benchmark grades," Sceats said.

"Actually, one acceptable steam coal grade could easily be the basis upon which all other grades and types are priced."

Nymex is launching coal futures this year, as the world's first derivatives contract in coal.

The exchange already trades other energy contracts such as natural gas, oil products and electricity, and has considered launching coal futures.

Work on the contract took two years and was felt to be made necessary by the rapidly changing circumstances in the industry.

The London based International Petroleum Exchange has also been considering a coal futures contract, as has the South African Futures Exchange.

While a number of futures and options based on coal will be launched in the next few years, there is already a growing over-the-counter (OTC) trade in coal derivatives in London.

TFS Energy has a coal swap facility and arranges forward pricing derivatives without the need for a centralised exchange.

The swaps are suited to market as they do not have the liquidity problems that futures have initially and tend to move at exactly the pace of the physical coal market.

A swap involves one buyer and one seller, a benchmark price and a broker. The deal is confidential and thus does not have the liquidity problems of futures and options.

While the introduction of futures and options on coal will be gradual, the opportunity for OTC derivatives is opening up.

In fact, a highly liquid physical and OTC market often stimulates the introduction of futures and options contracts because of the increased liquidity these contracts provide, as well as the acceptance of price transparency.

# Amcoal set to reap rewards of mounting cash

(215) 80 21/5/98

David McKay

ANGLO American Coal Corporation (Amcoal) yesterday reported slightly lower than expected earnings for the year to March but was likely to outstrip its SA rivals owing to its lower exposure to the export market and interest from its mounting cash pile.

Share earnings came in 2,7% lower at R33,71 compared with analysts forecasts of flat year-on-year earnings of R34,60 a share.

Sales to Eskom buoyed the group, but prices for exported coal remained disappointing.

Owing to the export market and lower than expected profit from inland sales, Amcoal warned of lower earnings this year. However, it said the dividend would be maintained.

Chairman James Campbell urged government to relax exchange controls, which were capping Amcoal's ability to grow. Amcoal's balance sheet was

strong owing to interest on cash, which was up R900m to R3,2bn on March 31.

"Amcoal cannot be expected to deliver to its shareholders the full potential of its investments in other coal-producing countries if it cannot utilise its existing cash resources for these ventures," Campbell said.

Barnard Jacobs Mallet's James Allan said this indicated that Amcoal intended using its cash. Amcoal is finalising the shape

of its investments in Colombia and this month expects to complete a three-way agreement with Glencore and Rio Tinto to merge its Central Cerrejon prospect — owned 50% by itself and Minorco in Ammun Coal Investments — with adjacent coal block Oreganal.

In addition, Amcoal and Minorco are to join Sudelekttra and Rio Tinto to explore a prospect south of Cerrejon and Oreganal Ammun could also negotiate to partner Exxon in developing a more north-

ern coal block in this complex of Colombian prospects, Société Générale Frankel Pollak's Ross Gardner said.

He felt Amcoal's performance was impressive given that earnings of rivals Ingwe, Duker and GF Coal were expected to be 30%, 50% and 60% lower respectively.

Amcoal's comparatively strong showing was based largely on sales to Eskom, while former problem collieries New Denmark and Kriel continued to recover

Analysts said Amcoal's 9% increase in costs was a concern as it exceeded inflation, but Campbell expected to rein in costs this year. Export earnings fell despite better tonnage and a weaker rand

Campbell said Amcoal could invite a black economic empowerment group to join it in developing its coal bed methane project

The project, a gas extraction enterprise, was owned with Shell prior to the Dutch group withdrawing from SA coal

Pile

*GF Coal's share price surges 16% on Amcoal's R21,24 offer*

# Amcoal bids R285m for Gold Fields Coal

(215) CT(MR) 28/7/98

**ANDI SPICER**

MINING AND RESOURCES EDITOR

Johannesburg — Anglo American Coal (Amcoal) yesterday announced that it had made a R285 million bid for Gold Fields Coal, the coal producer in the troubled Gold Fields of South Africa (GFSA) stable

The Gold Fields (GF) Coal share price on the JSE surged more than 16 percent on the news of the R21,24 unconditional offer from Amcoal, to close at R19,75, just off its year high of R19,80

Amcoal was one of several rumoured domestic bidders for GF Coal, with Billiton's Ingwe and Lonrho's Duker also thought to be interested

GFSA owns 72 percent of GF Coal, and Anglo American is

already a small minority shareholder.

"Amcoal has indicated its firm intention to extend the offer to GF Coal's minority shareholders in terms of the rules of the Securities Regulation Panel," a statement said. It added that major shareholders GFSA, New Wits and Vogels had agreed to tender their shares in GF Coal to the Amcoal offer.

GF Coal is one of the last remaining large assets left within GFSA after the unbundling of the gold mines and merger with Gencor's mines to form Gold Fields Ltd earlier this year.

Once GF Coal is sold, this would leave only GFSA's zinc producer Zincor and the O'okiep copper facility within the once-great mining house.

The sale would unlock value for GFSA and GF Coal shareholders, analysts said.

"This still has to be agreed by the board. Obviously, this offer is of a very reasonable nature and showed a good premium to the recent share price," Andrew Davidson, a spokesman for GF Coal, said yesterday.

Several foreign companies were also thought to be interested in GF Coal for its strategic export entitlement at the Richards Bay Coal Terminal (RBCT). But analysts believed the front runners were those companies that were already shareholders in RBCT.

GF Coal showed improvements in its recent quarterly results, with after-tax profits up from R2,3 million to R14,8 million despite weak coal prices.

# New coal mining empowerment plan

(216) B D 31/7/98

David McKay

ANGLO American Coal Corporation (Amcoal) and Billiton's Ingwe announced yesterday that they intended creating a black-controlled coal company — SA's first major mining empowerment plan since the failed JCI initiative was hatched two years ago.

Supported by the soon-to-be unbundled Gold Fields of SA (GFSA), the new company — New Coal — would have annual coal sales of 18-million tons and a reserve base of 4-billion to 5-billion tons a year, representing about 8% of SA's coal reserves, they said.

The initiative now requires a bid from a black empowerment consortium, which could include the original bidders for GF Coal whose sale to Amcoal, confirmed yesterday, goes some way to guaranteeing the short-term viability of New Coal.

The rump of the new company is founded on Matla, a Mpumalanga colliery which produces about 12-million tons of coal a year. Ingwe is to contribute its 50% stake and Amcoal will add the other half, acquired via its purchase of GF Coal.

All three companies have agreed to throw in coal rights in addition to the 1-million ton-a-year Glisa colliery (Ing-

we); the 1-million ton-a-year New Clydesdale colliery (GF Coal); and the underground section of Arnot colliery (Amcoal), which produces 4-million tons a year.

The package includes two factors crucial to the success of the plan. Firstly, New Coal will receive an 800 000 ton-a-year entitlement to Richards Bay Coal Terminal, the export handling facility giving New Coal access to the international market. Secondly, the Matla and Arnot collieries are suppliers to Eskom, which pays for its coal according to a return on assets rate — a guaranteed fixed revenue.

Details of how the black empowerment consortium will pay for the package — at least R600m — are still vague. However, the consortium could draw from New Coal's cash flows to repay loan finance. It could also bring a cash package to the table. A package of unexploited coal reserves sold to the company by Ingwe, Amcoal and GF Coal will help sustain it in the long term, as will its links with Eskom.

A first step is Amcoal's acquisition of GFSA's 72,1% stake in GF Coal for R21,25 a share, totalling R284,3m.

Amcoal chairman James Campbell said he hoped New Coal would be created by year-end.

Improved statistics pages to debut on Monday

of tens of thousands of South  
ESG Noble Capital

# COMPANY NEWS

## INSIDE MINING

### Elegant New Coal outfit is short of some colour

The arrival of black-empowerment New Coal on the South African mining scene has answered the question about what was going to happen to Gold Fields Coal (GF Coal). It will form the nucleus of the new company that will be a joint venture between Anglo American Coal (Amcoal), Billiton's Ingwe and the ailing Gold Fields of South Africa (GFSA)

GF Coal management was keen to stress that more than half of the possible bidders for its assets were foreign. But the reality was that foreign companies never really stood a chance, as an export route for the coal through a share in the Richards Bay Coal Terminal (RBCT) was a prerequisite for buying GF Coal.

In the end it was Anglo that jumped in first and made the

non-conditional offer, with Billiton in the background.

New Coal is presently an empowerment company without empowerment members. Negotiations are in progress, and black groups thought to be bidding for New Coal include the Labat consortium, a black coal procurement group involved with GF Coal, and Zenith Concession, a black-owned mining company. Meanwhile, GF Coal remains an Anglo subsidiary until the empowerment component is found.

The venture will have sales of 18 million tons a year and reserves of 4 billion to 5 billion tons under its belt, giving it about 8 percent of South



ANDI SPICER

Africa's coal reserves. This will make it a significant player and most likely a highly influential coal producer in the domestic market.

The Eskom contract will provide the cash-flow and stability for the future. Analysts think this gives the company bright prospects.

Both Amcoal and Billiton realise it will be hard to expand a share of the domestic market for coal to power utility Eskom. The government wants to buy its coal from a black-owned company in terms of its preference for the previously disadvantaged in tenders.

Amcoal and Ingwe still have their export business and the possible expansions there when

the coal price slump ends and demand picks up in Asia. Asia was a major destination for their coal, particularly Japanese and South Korean power stations.

They will also have a role in New Coal. Having read the writing on the wall about the government's intentions, they decided to go with the flow rather than against it. Expansion at home was also of marginal interest to the two companies, and the creation of New Coal solves many of their problems. It is an elegant solution.

Although the reserves are substantial, one has to ask whether these are some of the best assets in South Africa, which they evidently are not.

The list includes coal assets in Mpumalanga, including Matla Coal, which is owned

50 percent between Billiton's Ingwe and GF Coal. Also added to the portfolio are GF Coal's New Clydesdale Colliery and Ingwe's Ghisa Colliery.

Amcoal, Ingwe and GF Coal will throw into the mix the coal rights associated with the Mpumalanga deposits and a number of GFSAs unexploited coal rights. Shareholdings in the RBCT and a shareholding in the Transvaal Coal Owners' Association owned by GF Coal will be included in the deal.

All depends on whether the right empowerment partners are found. But the lack of any group on the horizon is a bit disturbing. Perhaps the market was right in terms of a depressed share price at GF Coal and the bottom end of the coal price cycle.

(AIB)  
ET (PR) 6/8/98

**COAL** Lower dollar prices deal blow to world's largest exporter

# Ingwe's earnings dive 22%

CT (BR) 18 | 8 | 98 (215)

**ANDI SPICER**

MINING AND RESOURCES EDITOR

Johannesburg — Ingwe, the world's largest steam coal exporter, felt the chill of the depressed coal market last year as its attributable earnings fell 22,5 percent from last year on lower dollar prices for the commodity, the company said yesterday.

"There has been a very significant decline in the international coal market, both in Asia and Europe, in respect of prices," said Mick Davis, the executive chairman of Ingwe.

Export prices had fallen by about \$3 per ton to around \$26 per ton because of the Asian crisis and problems in Europe.

Dave Murray, the managing director, said "The world has changed since last year (in the long term) we do not believe there will be a fall in demand in the region, but the rate of increase will be lower."

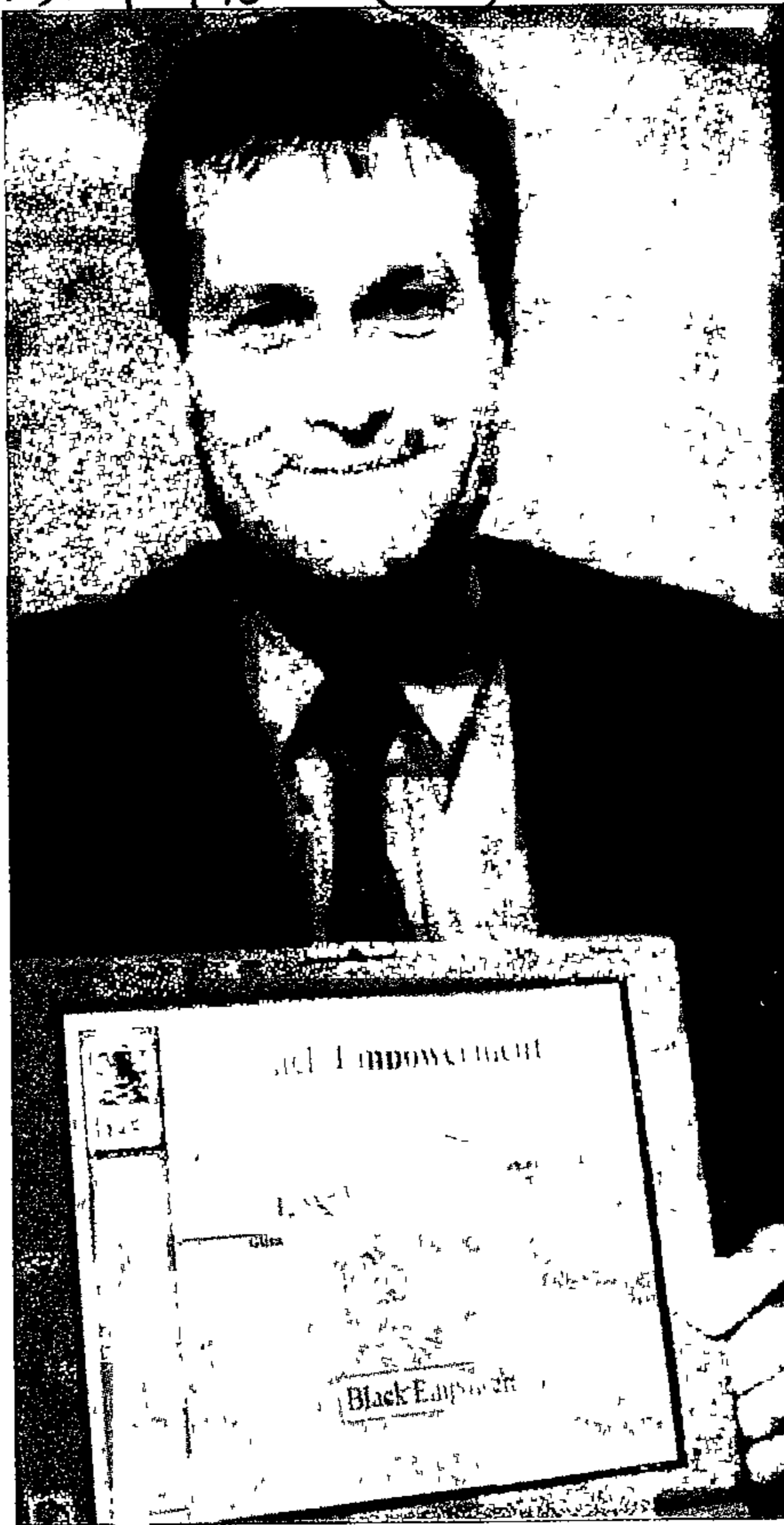
Billiton, Ingwe's parent company, recently made an offer to minority shareholders which will result in the company becoming a wholly owned subsidiary in the near future.

Ingwe's attributable earnings fell R160,2 million to R551,7 million in the year to June. Earnings a share fell from 320c to 244c and no final dividend was given, bringing total dividends from 150c a share previously to just 50c this year.

Operating income fell from R1,428 billion to R1,293 billion as sales rose from 68,1 million tons to 72 million tons.

While Eskom, the power utility, was still an important part of Ingwe's business at R1,423 billion or 22,1 percent, exports are R4,445 billion or nearly 70 percent.

"Eskom remains very important and is still our biggest customer," Murray said.



**STOICAL** Ingwe's managing director, Dave Murray, says a long-term fall in the coal price is not likely

PHOTO JOHN WOODROOF

The state of the coal market would affect decisions about some of Ingwe expansion plans, he said.

"The market will play a critical role about when and what size the expansions at places like Mt St Arthur North in Australia, will come on stream."

Murray stressed that the

coal market in the future would be more dominated by short-term contracts and spot trading rather than long-term contracts between producers and consumers. He said coal prices would most likely decline by about 1 percent a year.

□ Business Watch, Page 2

# Ingwe loses its spark as steam coal exports suffer

David McKay

INGWE Coal Corporation, a unit of UK-based Billiton, reported a 22.5% decline in full-year attributable income of R552m and said that significant changes in the way steam coal exports were traded were afoot.

Demurrage costs and the declining dollar price of export coal, trading at a spot value of about \$26/ton, were blamed. In addition there was an 8% increase in Ingwe's unit costs which was "disappointing", MID Dave Murray said.

However, analysts said the results were a fair performance in a depressed market. At the operat-

ing level, income fell just 9% to R1.3bn as the group incurred restructuring costs.

The fall in the dollar price of steam coal, down by an average of \$3/ton, was accompanied by an increase in spot-market trade. Up to 30% of sales might be conducted in the opportunistic spot market against 10% last year.

The deregulation and more competitive nature of the electricity industry in Europe had increased the importance of coal companies, lowering their costs.

The increase in Ingwe's rand a ton costs at its SA-based operations were due to production problems at Welgedacht colliery and

cutdowns at the Delmas and Mid-delburg operations.

Welgedacht suffered a R16m loss and agreement has been reached to sell it for R62m to the Kangra Group.

However, the axe still hangs over Delmas which has had three months to prove itself or close. So far the outlook was promising. Its problems were partly associated with the decline in demand for metallurgical coal by municipal power stations.

Earnings a share fell to 244c from 320c previously. A final dividend was not offered owing to Billiton's plan to buy out Ingwe's minority shareholders. A total divi-

dend of 50c a share was declared.

Murray said that the full benefits of the rand's depreciation to the dollar could be softened as Ingwe competed with Australian producers. Yet, even if the dollar price of coal slipped another \$3/ton, Ingwe's revenues might still be 15% higher than in the period under review owing to rand weakness, one analyst said.

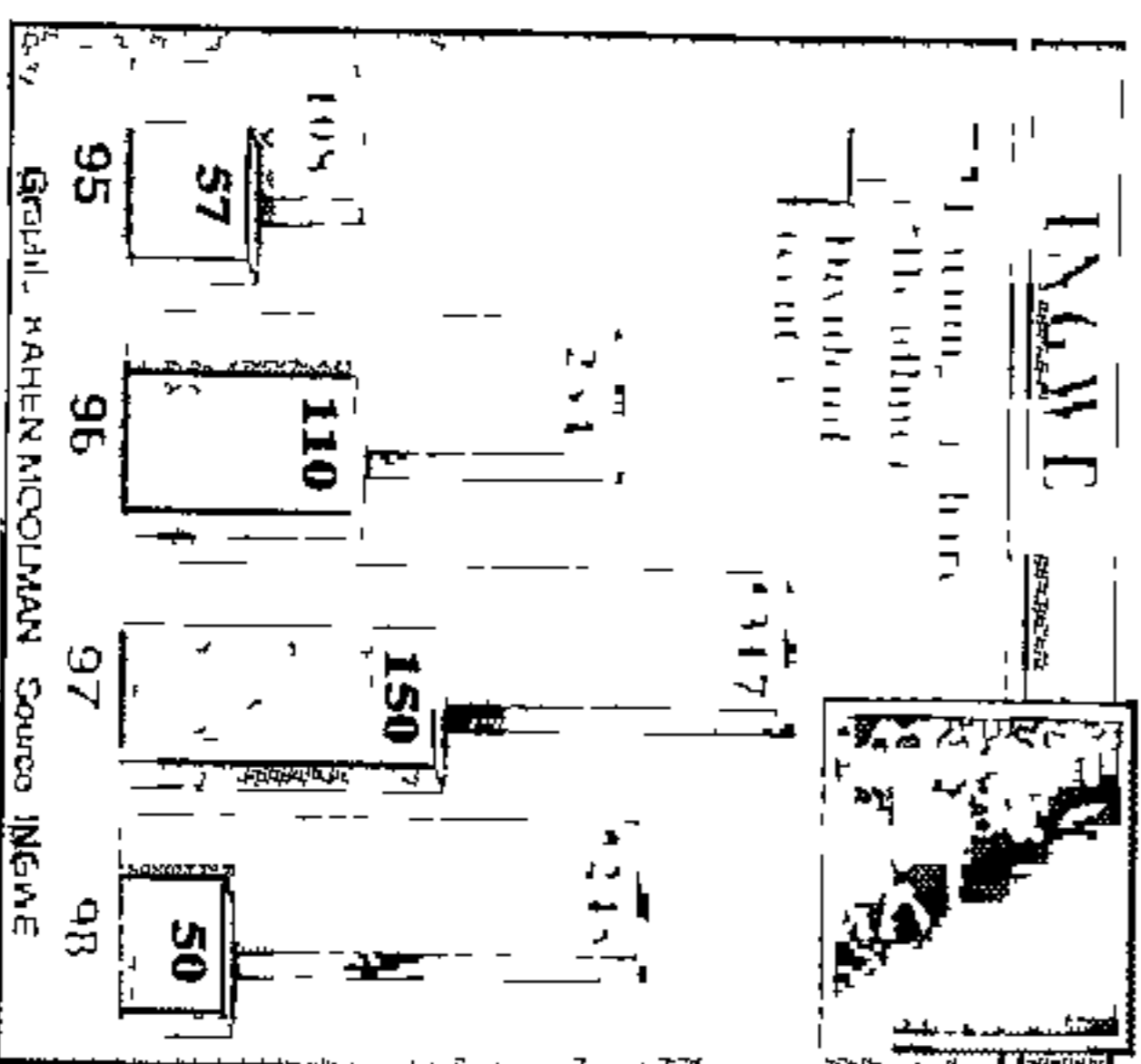
Crucially, the tone of European export contract talks next year could depend on the weakness of the Australian dollar. At current levels the Australians might undercut SA producers.

Australian producers were also elbowing into the European mar-

ket with 6-million tons of Australian coal exported to Europe as they sought alternative markets to the oversupplied Asia.

The export market outlook was dominated by expectations of a slower rate of increase in Asian demand. This would affect the size of Ingwe's Mt Arthur project, near its Bayswater colliery in the Coal Mines of Australia (CMAL) fold.

CMAL was one of the highlights of Ingwe's results. Its annualised sales figures comprised the larger part of Ingwe's coal sales increase of 3.9-million tons to 72-million tons. SA sales tonnage increased 1.3-million tons from higher Eskom and export sales.



exports suffer



# Low rand boosts SA coal's

The plunge in the currencies of major coal exporters has had a positive effect on the SA steam coal mining industry

David McKay

SA IS the world's cheapest exporter of steam coal after Indonesia, mainly because of the rand's depreciation, a factor which is leaving coal producers in North America vulnerable to closure, a recent survey says

Forecasts last week by SA's coal exporters, Anglo American Coal Corporation (Amcoal) and Ingwe Coal Corporation, indicated that the depressed condition of the steam coal export market would remain unchanged

Australian research company AME Mineral Economics has provided some succour, however, saying the SA coal industry is inherently low cost.

Mining depths at SA coal collieries were shallow and contained minimal gas problems underground. In addition, rail transport costs were low on a unit cost

basis at an estimated 1,8c a ton a kilometre, AME said

It said that SA freight rate increases had been maintained at below the cost of inflation over the past few years, and wages and salaries were also relatively low. Although increasing in rand terms from an average of R46 970 an employee in 1996 to R54 357 an employee last year, they were still falling in dollar terms.

Analysts, however, were guarded in their estimations of the survey "It is all very well presenting statistics, but that is half the story. Product mix and freight costs also have to be accounted for," SG Frankel Pollak's Ross Gardner said.

"It depends on which market and length of contract coal is being supplied to SA producers are quite competitive in Europe (52% of SA exports find their way to European buyers). However, in the Asian market, the locality of Australia

makes them a price leader."

SA and Indonesia remained the lowest-cost exporters of coal this year with forecast average free-on-board cash costs of \$0,77 and \$0,79 a gigajoule respectively

The plunge in the currencies of major exporters, including the rand and the devaluation of the Thai baht, had led to a substantial weakening in the competitive position of the US and Canada, which along with Australia, ranked in the top five of coal exporters

In the spot coal market, prices for Australian thermal, or power-generating steaming coal, had already fallen 30% from a year ago to about \$20 a ton, the Financial Times reported recently.

The only good news for Australian producers has been unexpected gains on the Australian dollar's slide this year to record lows of \$0,57. The currency has been an extra bonus for Rio Tinto

Australia and Broken Hill Proprietary, Australia's largest producers, following reductions in labour and other costs

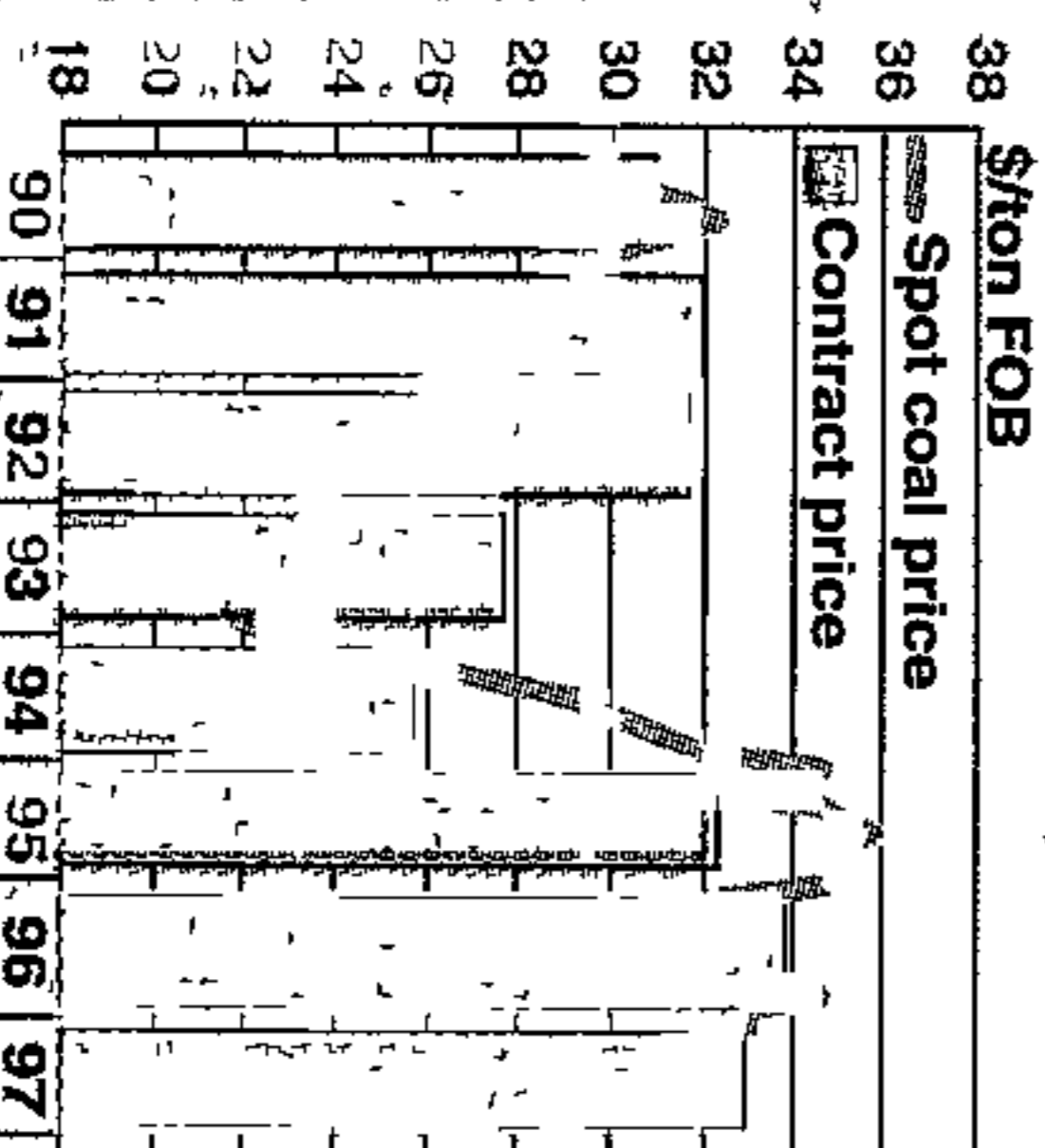
As a result, the focus of capacity reductions has shifted from Australia to North America

Analysts believe the figures relating to the competitiveness of SA firms depend heavily on what dollar exchange rate is used. Barnard Jacobs Melle's James Allen said SA firms were still feeling the burn with Amcoal perhaps coping better than Ingwe Amcoal's operating margin, according to recent results, was at about 30%, including Eskom-dedicated coal which it supplies at a fixed rate and in higher proportions than Ingwe Ingwe's margin was about 25%

Their future held certain perils as the growth in the Colombian steam coal export industry could displace SA as the second-cheapest exporter

(215) 220 16/11/98

## Spot coal prices to Europe vs contract prices



KUBEN DAVID Source SA COAL REPORT

competitiveness

# Diamond board wants crisis talks

ET (DR) 12/4/99 (215)

**ESTELLE RANDALL**

Cape Town - The appointment of a new diamond valuer for the government was irregular, members of the South African Diamond Board alleged last week.

The Diamond Board comprises representatives from government departments and producers and manufacturers in the industry. Two key committees of the board, the finance committee and the Section 59 committee, called for an urgent meeting of the full Diamond Board to resolve a row over the appointment of Diamond Valuations International Company (DVIC).

It is also understood that De Beers, the world's largest producer of diamonds, will meet Penuell Maduna, the minerals and energy affairs minister, tomorrow to express its concerns.

The central task of the government diamond valuer is to assess whether the value placed on rough diamonds by producers is correct, so that a proper levy is established for the stones.

Members of the board allege that the DVIC's appointment was irregular. They question elements of the contract, including



**UNCONCERNED** SA Diamond Board chairman Gibson Thula

the provision of free office space, free office furniture, two free cars and an unusually high payment amounting to R8,5 million a year.

The previous government diamond valuer was receiving R4 million a year at the time its contract ended last year.

Aggrieved board members have said Gibson Thula, the board chairman, and Victor Sibiyi, the chief executive officer, irregularly appointed the DVIC without the board's permission.

A board member said "DVIC was selected as the suitable

candidate in December, but before (its) appointment (it was) supposed to undergo a due diligence exercise on the basis of which an appointment and contract would be entered into.

"This did not occur, and instead we found that DVIC had been appointed and a contract signed without approval from the full board. There has been no agreement reached on the scope of DVIC's work, the terms and the conditions of the contract."

Two committees of the board, the finance committee and the Section 59 committee, which enters into agreements with producers on behalf of the board, last week resolved that a contract entered into with DVIC be declared null and void, that payment to DVIC be withheld and that Thula should convene an emergency meeting.

Despite the apparent concerns, Thula denied any knowledge of these "I don't know about any request for an emergency meeting, and I am not aware of any concerns," he said.

However, a board member said an earlier request for an emergency full board meeting had been sent to Thula on March 10.

## Tension grows over diamonds

Reneé Grawitzky  
and Ilja Graulich

(217)  
DD 13/4/99

THE dispute over the valuation of SA's diamonds was an attempt by the newly appointed government diamond valuator to flex its political muscle against De Beers, mining analysts said yesterday.

There were reports this weekend that parcels of diamonds from two De Beers operations were not approved due to pricing differences between the government diamond valuator and the company.

This is the second time the valuation of diamonds has been disrupted since the new valuator took over this year. The valuation of a parcel of Alexkor diamonds was also delayed due to differences over how diamonds should be valued.

The dispute has been brewing since the new valuator contract was awarded amid speculation of irregularities in the tender process.

An industry source said the "muscle flexing" by the valuator could be a result of a government initiative to examine De Beers' export pricing mechanism.

However, there could also be movement afoot to discredit the diamond board, particularly by elements in the industry sympathetic to De Beers. Sources said the diamond dealing and manufacturing sector was divided into De Beers and non-De Beers-aligned operations.

All parties remained tight-lipped yesterday ahead of today's meeting between De Beers and Minerals and Energy Minister Penuell Maduna and his officials.

The diamond valuator contract was awarded to a consortium headed by Claude Nobels and Hlengiwe Mkhize, a former senior member of the truth commission. Industry sources said talk of irregularities stemmed from rumours that Nobels had told colleagues in Antwerp he had the contract two weeks before an announcement was made.

Lack of transparency on the composition of the consortium has fuelled speculation that diamond board members could be involved. This has been given impetus by reports that the valuator's package has more than doubled.

# FM FOCUS

Edited by Caroline Southey



James Campbell

## COAL EXPORTS

### <sup>(215)</sup> BOOSTER FOR SOUTH DUNES

In an about-face Anglo Coal is considering taking a 30% stake in a proposed second coal terminal at Richards Bay, a project it has been opposed to for more than a decade

Anglo Coal head James Campbell says a due diligence and restructuring exercise is under way on the South Dunes Coal Terminal (SDCT) and a decision should be taken within two months

"If it makes business sense then we'll go ahead with it. We are also keeping open the option for New Coal to participate in the SDCT but that is a decision the new owners of New Coal will have to take when they are appointed"

New Coal is the black empowerment coal mining vehicle being put together by major coal groups Anglo Coal and Ingwe. After a 10-month delay

since the initiative was first announced last July, the formal process for the identification and assessment of likely bidders has begun

Rand Merchant Bank is coordinating the process. Its involvement has raised eyebrows, given that Amcoal created the impression last year that African Merchant Bank (AMB) was to be involved

Anglo Coal's *volte face* on the terminal is remarkable, given the way Campbell's predecessors — former Amcoal chairmen David Rankin and Graham Boustred — fought against development of the SDCT. Their motive was to restrict SA's coal export trade to the Richards Bay Coal Terminal (RBCT) because they felt a second terminal would undermine prices to the detriment of the industry

The RBCT stymied development of the SDCT five years ago when it convinced key member Sasol to change allegiance and throw its weight behind the existing terminal

The second terminal project

was later revived by construction company Group Five working in partnership with coal trading firm Anker Kole which won the support of Iscor and Total SA

Under the proposed plan the terminal would have the capacity to export 12 Mt/year. It would take two years to build at a cost of about R600m

Brendan Ryan

FM 21/5/99

# Tough times ahead for coal industry

Ilja Graulich

SA's COAL industry, which has undergone significant restructuring over the past year, may be in for a tough time until the end of the year. Industry participants are not optimistic about prices, saying they may dip below the current \$24 a ton before the upturn sets in.

A recovery in prices hinges strongly on events in the Far East and how stable the global economy will be until the end of the year, before a new approach can be launched next year.

Anglo Coal marketing director Roger Wicks said the rate of increase in volume demand in the coal industry had tapered off from 8% 10 years ago to about 3% now.

The minerals and energy department projects local sales to be about 164-million tons, worth about R8,6bn, with exports of 66-million tons, worth R9,4bn.

The SA industry used the trough in the cycle to its advantage, with restructuring and buy-outs the order of the day thanks to cheaper stock. London listed Billiton bought out the minorities in Ingwe, while Anglo American made

Anglo Coal a wholly owned subsidiary. The two major producers now also have two different contracts with Eskom, the biggest local buyer of coal.

While Anglo is still working on a "cost plus" contract, meaning Eskom pays the cost plus a certain percentage, Ingwe now gets a price per ton. This differential could have some interesting effects on the bottom line of the two groups.

SG Frankel Pollak coal analyst Ross Gardiner said the reasons for the buyouts were straightforward — cash flow obtained from coal mining was simply too large to be ignored by the parents.

And with the possibilities of local acquisitions drying up, the firepower the parents have for possible overseas expansions increases.

This is a vital step for Anglo Coal and Ingwe, with Anglo Coal already making that move when it and Minorco, Anglo's now defunct offshore investment arm, bought a 50% stake in a Colombian mine from Glencore International.

Ingwe is sure to follow in a similar fashion, with South America a likely target, considering the good contacts Billiton has on the base

metals front there.

Although the devaluation of the rand, coupled with the country's general exposure to fluctuations in the exchange rate and the trading of coal in dollars, means the local producers benefit from the fact that costs are incurred in rand and payment on the export front is received in dollars, this hedge cannot be relied on indefinitely.

Recent reports say SA exports will rise slowly in the near term, with total exports slated to rise to a 81-million tons a year by 2010, from the present 66,5-million, provided the export harbour at Richards Bay is expanded.

But, while there is a definite desire to increase exports, they are capped by reserves available to the various companies, while desired throughput is needed to make an expansion viable.

Another problem says Wicks is that trading and marketing of coal has changed over the years. The deregulation of electricity utilities around the world meant pricing had become more competitive. Demand flow from one specific region could be easily disrupted if cheaper supply sources could be found.

(215)  
21/6/99

# SA coal exports falter in wake of Asian crisis

(AP) DD 19/7/99

## Lack of long-term contracts and cheap Polish exports hit terminal

**Ilija Graulich**

COAL exports, which have been reduced during the past year due to the Asian economic crisis, may not meet their target of 65 megatons for the year.

Analysts say failure to secure long-term Far East contracts and the swamping of the German market by Poland's state-subsidised coal industry are hitting Richards Bay Coal Terminal exports.

However, Billiton coal CE Dave Murray says these factors are not completely new to the market. He is confident the market will turn, but says his guess about when is as good as anybody's.

For the first time since October 1992, prices have dipped below the \$24/t mark, with the Richards Bay terminal's tonnage prices dropping from \$24.60/t to \$23.95/t in April and May.

Merrill Lynch coal analyst Mark Roggensinger says that to fulfil the target of 65 megatons of coal for this year, 5.4 megatons a month

have to be shipped. His statistics show that in May only 5 megatons of coal left SA. This figure was still up about 21% from April, when the terminal shipped 4 megatons.

Coal stock reached 4.3 megatons at the end of May, unchanged from April. Total throughput for the year to May shows 25.6 megatons were shipped, down 2% from the year before.

A big setback was the awarding of the tender for South Korean power utility KEPCO to Canadian producer Fording, reportedly for \$22,50/t. Three SA producers are reported to have submitted unsuccessful bids at \$23/t.

On the semicoking front, which is much smaller than the steamcoal market, South Africans for the first time since 1972 failed to reach an agreement with Nippon Steel, so no semicoking coal will be shipped to Japan this year.

Murray says there is no concern so far. Only a handful of collieries may be close to marginal levels at the moment. Once the supply-

demand curve comes right again, prices will rise.

Murray also says that while the terminal is important as an export harbour, Billiton Coal will not export "just for the sake of export".

One advantage the local coal industry has over its Australian counterparts is that domestic output is fairly regular as a result of contracts with power utility Eskom. While it is not possible for Eskom to keep on buying and stocking coal indefinitely, there is little threat of closures, unlike in the gold industry.

Roggensinger says that coal and gold mining are completely different, the coal industry employs far fewer workers.

While exports may not be fulfilling expectations, there is talk again of construction of the South Dunes Coal Terminal. This terminal is scheduled to handle up to 12 megatons of exports by 2001, while the Richards Bay terminal is supposed to lift exports from the current 65 megatons to 69 megatons by 2001.

Wednesday September 29 1999 SOWETAN

# Coal miners end sit-in (215) but are now jobless

*Sowetan 29/9/99*

## By Themba Molefe

MORE than 200 mineworkers who staged an underground sit-in at a Mpumalanga colliery emerged tired, ill, hungry and some mentally disoriented, and without work.

The mineworkers at Douglas Colliery in Witbank embarked on what management called unprocedural and unprotected action by failing to surface after the night shift on September 20.

When they emerged yesterday, the workers had spent 8 days claiming that management had deliberately stopped their lifeline of food and water during their strike in the three thousand metre shaft.

Mr Philemon Mringo, a mineworker who was also in the strike to demand the reinstatement of

shop steward Mr Joseph Mathunjwa, said they were denied food from Saturday.

On Monday afternoon, three of his colleagues were taken out on stretchers suffering from pneumonia, diarrhoea and mental disorientation.

As the men emerged from the north shaft, some were taken to a makeshift clinic on the premises where they were treated.

Others, who were ferried by bus to the mine village, were met by relieved family members.

Meanwhile, mine security and the police kept a close eye on the situation as they filmed the scene of the reunion with the men.

Communications manager for the mine's holding company, Ingwe, Mr Sol Morathi, said the 215 who were

dismissed had to appeal within 48 hours, but on certain conditions.

These would guarantee that they would not be arrested nor be subjected to any criminal proceedings or court interdicts after they flouted the ultimatum to return to work by September 27 midnight.

Morathi said "They are still dismissed and it is to their own good to adhere to the conditions."

A power struggle has developed between the NUM branch committee at the mine and management. This resulted in shop steward Mathunjwa's suspension.

A one-day work stoppage followed and by September 15, things had gotten out of hand with a fight allegedly taking place between Mathunjwa and a white foreman.

# Coal sector feeling pinch

BD 19/10/99 (215)  
Rapid consolidation is needed for industry to survive, says Billiton

Ilija Graulich

THE upswing in most commodity sectors has bypassed the coal mining industry which is feeling the pinch as international coal prices remain depressed

Major coal companies Anglo Coal, Billiton Coal and Duiker Mining continue to feel the effects of low prices they experienced over the last year. Latest numbers from Richards Bay Coal Terminal are not buoyant, and throughput there has not been meeting budgeted numbers.

The September figure shows just 4,781-million tons passed through the terminal. This means that it has shipped only 45,487-million tons in the first nine months of the year. It had been hoping to ship about 65-million tons for the year, a number

unlikely to be achieved now. Stockpiles remain above 4-million tons.

Although the \$19-a-ton barrier has not been broken so far, the figure is close to that level.

Meanwhile, Billiton Coal, the country's second largest producer, has indicated that for the industry to survive, rapid consolidation is needed. This would mean tighter control of all aspects of the market. It expects a reduction in the number of big players over the next few years.

Although consolidation is on the shorter-term agenda, Billiton Coal has made it clear its expansion plans will focus outside SA.

Australia is the first docking point. The company has started to take a closer look at possibly buying some of Shell's assets. Billiton and Shell have had a good relationship

since Billiton acquired international minerals businesses from Royal/Dutch Shell in 1994.

However, South America is the most crucial destination for Billiton Coal. The company says it plans to be able to offer its clients the possibility of multisourcing and is seriously looking at Colombia's state-owned colliery Carbocol.

On a longer-term basis, Billiton Coal plans to create a "virtual mine" in Europe. This will include stockpiling material rather than having to deal with various stockpiles in SA.

This thinking is in line with the company's announcement that it would focus more strongly on marketing its products, utilising information obtained from other sectors of the groups operations and applying it to coal and vice versa.